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## Item 1 – Cover Page

### Managed Portfolio Program Wrap Fee Brochure

(Part 2A Appendix 1 of Form ADV)

Updated June 7, 2017

### Capital One Advisors, LLC

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*This Wrap Fee Program Brochure provides information about the qualifications and business practices of Capital One Advisors, LLC (hereafter referred to as “COA,” “our,” “we,” or “us”). If you have any questions about the contents of this Wrap Fee Program Brochure, please contact us at (800) 248-3919, option 3. The information in this Wrap Fee Program Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.*

COA is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training. The oral and written communications of an investment adviser may be used by you to determine if you wish to hire or retain an investment adviser.

Additional information about COA is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any persons affiliated with COA who are registered, or are required to be registered, as investment advisor representatives of COA.

## **Item 2—Material Changes**

The Material Changes section of this Brochure allows us to provide clear notice of any material changes in our business practices or disclosures.

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### **Material Changes Since the Last Update**

There have been no material changes since the last update.

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### **Full Brochure Available**

Currently, our Firm Brochure may be downloaded at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or is available by e-mailing us at COA@capitalone.com.

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## Item 3—Advisory Business

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### Firm Description

Capital One Advisors, LLC, (“COA,” the “Firm”, “ShareBuilder 401k,” “we,” “our,” or “us”) was founded in 2005 and succeeded to the business of its affiliate Capital One Financial Advisors, in 2014.

Advisory services provided to retail clients (“Client,” “Retail Client”) are through Financial Advisors (“FA”s) who are registered as investment advisor representatives (“IAR”s) of COA. Advisory services provided to businesses (“Plan Sponsor,” “Employer,” “Client,” “401k Client”) and their employees (“Participants,” “Plan Participants,” or “Employees”) are marketed by IARs of COA through ShareBuilder 401k and Spark 401k, which are marketing names for the 401(k) services of Capital One Advisors, LLC.

COA’s IARs are also registered representatives of Capital One Investing, LLC. (“COFI”), a broker-dealer affiliate. Other than for business continuity purposes, 401(k) IARs generally have no responsibility to support the business of COFI. FAs are actively engaged in selling securities products and services through COFI.

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### Principal Owners

COA is a wholly-owned subsidiary of Capital One Financial Investing, LLC, which is a wholly-owned subsidiary of Capital One Direct Securities, Inc., and an indirect wholly-owned subsidiary of Capital One Financial Corporation.

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### Types of Advisory Services

COA has three business lines: 401(k) services, Managed Portfolios and the Wealth Strategies Program.

The Firm utilizes Co-Presidents to lead each line of business. Ms. Yvette Butler leads the retail investor advisory services offering the Managed Portfolios Program and the Wealth Strategies Program and Mr. Stuart Robertson leads the 401(k) services offering (“**401k**” or “**the Program**”).

In its 401(k) services line, COA provides affordable retirement investment products to businesses and their employees. In this line, we consider the Employer or Plan Sponsor to be our Client, and our direct interaction, as well as our contractual agreements, are with the Employer and not with the Plan Participants. We typically serve businesses ranging in size from 1 to 2,500 employees.

COA’s 401k services are designed to make a complex process simpler by streamlining the job of Plan selection and implementation, and by limiting the investing choices available to our Clients and their Employees.

Wealth Strategies is a wrap fee program that provides clients with investment advisory and brokerage execution services for an all-inclusive fee. Please review the COA Wealth Strategies Program Wrap

Fee Brochure for a full description of this program.

The Managed Portfolios Program is a wrap fee program that provides investment advisory and brokerage execution service for a single fee through an arrangement with COFI.

### **General Summary of Program Services**

Our Program is a discretionary “wrap-fee” program that provides you investment advisory and brokerage execution services for a single fee through an arrangement with COFI. We use an online platform to provide you the investment advice and trade execution services and charge a single bundled fee or “wrap-fee” for those services. The investment advice relating to the Program is limited to recommending one of our model portfolios (comprised of exchange traded funds (“ETFs”), mutual funds, equities and/or fixed income securities), selecting the securities to include in the models, and the monitoring and subsequent automatic rebalancing of your Account. The FA also provides investment advice when explaining the Program, assisting you with our risk questionnaire and answering questions regarding the Program.

Our Investment Committee decides which investments to use in each model portfolio, the allocation of each security and what thresholds to use to perform automatic rebalancing.

When you provide us with your financial information, investment objectives, risk tolerance and investment time horizon, we recommend a model portfolio that is suitable for you and your goals for the funds you are depositing into the Program. To participate in the Program, you are required to open an online account (“Account”) with our affiliate broker-dealer, COFI. When you accept our recommendation and open an Account, you grant us discretion to invest and automatically rebalance the investments in your Account at any time. Account statements are provided by COFI; we do not generate separate statements or reports.

When you fund your account, we can accept cash or securities. As discussed below, securities that Client requests to transfer to the Account will be liquidated upon receipt by COFI. As a result of such liquidation transactions, Client may incur significant tax liabilities for which Client will be solely responsible. Client should consult a tax or legal advisor to discuss the tax implications of doing an in-kind transfer and subsequent liquidation prior to transferring assets in-kind.

We charge fees quarterly to you and COFI deducts those fees from your account on our behalf as authorized pursuant to the terms and conditions outlined in the COA-MP Investment Management Agreement. (“the Agreement”) In the event the account does not maintain sufficient cash to cover the cost of the advisory fee due and payable to COA, COA is authorized, in its sole discretion, to liquidate investments to cover the cost of the advisory fee. COA does not consider the tax impact of those transactions associated with the account and the client is solely responsible for any related losses or tax consequences as a result of those transactions. COFI provides you an option to select the cost basis method for the investments we make in your Account; unless you specify otherwise, the default cost basis used for your investments is FIFO (first-in, first-out). We urge you to consult your tax adviser before participating in the Program and to help you select the proper cost basis method as your tax situation changes.

In addition to the wrap-fee, you will be subject to certain fees or expenses in connection with the securities purchased for your Account, such as the operating expenses of the ETFs. You also will be charged certain fees or expenses to the extent you request certain administrative services in connection with your Account with COFI (such as wire transfers). See below for more detailed information.

**There are no guarantees. Investing your money in securities involves risk and you may lose some or all of your money. Only participate in our Program if you are comfortable with accepting this risk.**

**For full details, restrictions and limitations applicable to our Program, please carefully read this brochure and the Program's Investment Management Agreement.**

### **Program Details**

COA is the sponsor of the Program and serves as an investment adviser for clients participating in the Program. COA, through its Investment Committee, also acts as the portfolio manager for the program. Our investment philosophy is based on modern portfolio theory in which we construct a diversified portfolio of securities for each model. COA enlists resources and services available via Capital One Asset Management ("COAM"), a corporate affiliate of COA and under common ownership by Capital One Financial Corporation. COAM is also an SEC-registered investment adviser. COAM performs qualitative and quantitative analysis of potential investment options and strategies, and is compensated for providing these services. We generally include ETFs in our models because they provide broad exposure to asset classes with a low expense ratio. We believe that a diversified asset allocation coupled with low fees and expenses are essential components to constructing low-cost models. In recommending our model portfolios, selecting the securities to include in the models, and monitoring and rebalancing your Account, we do not consider the tax impact of our investment advice. As the sponsor and portfolio manager of the Program, we determine in our sole discretion the securities to buy and the percentage of each to use in each model portfolio, along with the type and number of model portfolios to create and offer. Each model portfolio represents a different asset allocation strategy, ranging from Very Conservative to Aggressive. COA FA's recommend a particular Portfolio based upon the client's risk tolerance and investment goals, as evidenced in the risk questionnaire completed in collaboration between the COA FA and the client. We manage your Account on a discretionary basis consistent with the model portfolio you select, which means that without consulting you we will decide *when* to buy and sell securities for you, *which* securities to buy and sell and *how many shares* to buy and sell.

In order to participate in the Program you are required to sign our Investment Management Agreement which outlines the services provided. You will also be required to open an online Account with COFI, our affiliated broker-dealer. Your Account will be used exclusively for participation in the Program. COFI will provide online Account statements. COA does not generate separate statements or reports for the Program.

Our investment advice under the Program is not a holistic wealth management service and does not take into consideration assets you have outside of the Program. The Program focuses solely on the funds and securities in the Account and you should not view the Program as a comprehensive wealth management device. It is important that you make sure that we are informed anytime the information you provided to us materially changes or becomes materially inaccurate. If you inform us of changes to information previously provided in response to our questionnaire, we will evaluate your Account in light of the new information to determine if we need to change your investments and/or recommend a different model portfolio.

In accordance with the model portfolio you select, our Investment Committee determines the asset allocation strategy and selects specific securities for each asset class and investment style that comprise your Account. We do this based upon our proprietary research as well as investment advice that we may receive from one or more affiliated or unaffiliated third-party investment advisers. While

such third-party investment advisers may make recommendations to us regarding the securities and allocations for the model portfolios, all investment decisions regarding the model portfolios and your Account are made solely by us in our discretion. In making these decisions, we do not consider the tax implications for our clients.

Each model portfolio is a collection of securities representing different asset classes, with a certain percentage of each asset class represented within each model. As a simple example, a conservative model might have a small allocation to stocks and cash and a large allocation to bonds whereas an aggressive model might have most of its assets allocated to stocks and a small allocation to bonds and cash. Each model portfolio has a unique allocation to stocks, bonds, cash and/or other asset classes.

Currently our Program consists of seven model portfolios that range from Very Conservative to Aggressive.

Our Program is available online and requires that the client open a Capital One Investing, COFI, Account. An FA may recommend interested persons and advisory clients to us. The FA assists you when you first complete our questionnaire and provides assistance when you have general questions or wish to communicate changes to information you previously provided in response to our questionnaire. The FA's investment advice is limited to discussing the benefits and features of our Program, assisting you with our questionnaire and discussing the model portfolio and its underlying securities. The FA uses the questionnaire to populate certain demographic and financial information along with your investment objective(s), time horizon and risk tolerance. Based on your responses we recommend an appropriate model portfolio. Our recommendation is provided online for you to review.

In order to tailor the Program to the specific needs of each client, we accommodate reasonable restriction requests by providing an alternate fund or fund family for clients' portfolios. All requests must be reasonable, as determined in our discretion, and consistent with the purpose, design, structure and nature of the Program.

The types of accounts you can open under the Program are limited to individual, joint tenants with rights of survivorship accounts, and Individual IRA accounts (Roth, Traditional Rollover).

Your Account may be funded with cash or securities. Any securities you request to transfer to your Account will be liquidated upon receipt of the securities in to your Account. You are solely responsible for any related losses and tax consequences as a result of the liquidation of securities. We urge you to consult your tax adviser before opening an Account.

Once funded, we will purchase securities for your Account in amounts to match the asset allocation in the selected model portfolio. You will beneficially own the securities purchased for your Account; COFI maintains records of all positions held for each Account holder showing the shares owned in each account.

COFI's clearing firm, Pershing, is the custodian of record for your Account and meets the definition of a "qualified custodian" under the Investment Advisers Act of 1940 (the "Act").

### **Rebalancing**

As the Portfolio Manager for your Account, we rebalance your Account when a security's weight in your total Account exceeds or drops below certain percentage thresholds established for the selected model portfolio. When we rebalance, we determine in our sole discretion how much to sell of over-

weighted positions and how much to buy of other positions to bring the Account back in line with the allocation thresholds in the selected model portfolio. Our asset allocation thresholds are designed to allow for typical price fluctuations without rebalancing, and if the actual percentage of one or more of your securities exceeds our predetermined thresholds our system will automatically rebalance your Account. We manage your Account within the parameters of COFI's Brokerage Account Terms and Conditions.

Our rebalancing is performed systematically and without regard to the tax implications of either the buy or sell transactions. You are solely responsible for any related losses or tax consequences as a result of those transactions. We urge you to consult your tax adviser before opening an Account. COFI provides you an option to select the cost basis method used for the investments we make in your Account.

Each day, our system compares the weight of each security in your Account to the target allocation of the selected model portfolio. If any allocation threshold is crossed, your Account will be scheduled for rebalancing that day.

The frequency of your Account's rebalancing is dependent upon many factors, including but are not limited to:

- the frequency and size of your deposits, withdrawals and transfers;
- the price fluctuation of each security in your Account relative to the price fluctuation of the other securities in your Account;
- the processing of any fees; and
- when our Investment Committee changes the selected model portfolio.

When our Investment Committee changes a security or changes the asset allocation percentages in the selected model portfolio, we will update our system to reflect the changes, which may also trigger a rebalancing of your Account.

As with any financial-related account, you are responsible for restricting access to your logon and password and taking reasonable measures to safeguard your Account credentials. Certain account restrictions may apply to your COFI Account, including restrictions on withdrawals. For more details, please refer to COFI's Brokerage Account Terms and Conditions.

Cash withdrawals will cause a review of your Account. When you request a withdrawal, even if the amount of your withdrawal is equal to or less than the value of the cash portion of your Account a rebalance will occur if, as a result of your withdrawal, the allocation threshold is crossed for the selected model portfolio. Cash withdrawal requests cannot be specified from just one segment of your Account; systematic processes determine how to satisfy your request.

### **Model Portfolios**

Our Investment Committee serves as the portfolio manager under our Program. The model portfolios consist primarily of ETFs. The cash in your Account may be moved into a money market mutual fund provided by an unaffiliated third-party, or a Federal Deposit Insurance Corporation ("FDIC") insured bank account provided by our affiliated bank, Capital One, N.A., Member FDIC (see FDIC in Item 9—Additional Information for more details).



Our Program currently provides the model portfolios set forth in the table below. We will recommend one of these portfolios to you based on your answers to our questionnaire. We may decide at any time to change the securities that comprise the selected model portfolio. If that occurs, your Account will be updated. We may also decide at any time to change the allocations or rebalancing thresholds of the securities within the selected model portfolio. If that occurs, we will rebalance your Account if the allocations in your Account are outside the new thresholds. It is important for you to review your Account on an ongoing basis. If there are certain securities you wish to restrict from your Account, you should inform us at the time you open an Account or as soon as possible once you determine you wish to restrict a security from your Account; if reasonable we will abide by that request by removing that security from your Account. If you want to request that we restrict a particular security you can email us (or you can place your own restriction from investing in a fund family using the online functionality of your Account). Since we manage your Account on a discretionary basis, we will decide what securities to buy and sell for your Account without consulting with you and you will not know of the securities obtained for your Account until after we purchase them.

|              | Very Conservative |     | Conservative |     | Conservative Growth |     | Moderate |     | Moderate Growth |     | Growth |     | Aggressive |      |
|--------------|-------------------|-----|--------------|-----|---------------------|-----|----------|-----|-----------------|-----|--------|-----|------------|------|
|              | Min               | Max | Min          | Max | Min                 | Max | Min      | Max | Min             | Max | Min    | Max | Min        | Max  |
| Equity       | 0%                | 25% | 20%          | 40% | 35%                 | 55% | 45%      | 65% | 60%             | 85% | 65%    | 95% | 78%        | 100% |
| Fixed Income | 65%               | 90% | 60%          | 80% | 45%                 | 65% | 35%      | 55% | 20%             | 40% | 10%    | 25% | 4%         | 6%   |
| Cash         | 4%                | 6%  | 0%           | 5%  | 0%                  | 5%  | 0%       | 5%  | 0%              | 4%  | 0%     | 3%  | 0%         | 2%   |

## Capital One Advisors Managed Portfolios Program Fee and Compensation

Capital One Advisors, LLC (hereafter referred to as “COA,” “our,” “we,” or “us”) is providing the following disclosure related to our compensation for the services provided about your retirement account. As detailed in your account agreements and disclosures, COA’s fee for these services is based on a percentage of the value of the assets in your account. Similarly, a portion of the compensation paid to Capital One Investing Financial Advisor may be based, directly or indirectly, on the amount of sales generated.

We believe that this type of compensation model is an effective way to align our interests with yours, since both parties would benefit from increasing the value of your assets. However, this model could create conflicts of interest, since COA and your representative will only be compensated if you became a client. Accordingly, COA has adopted policies and procedures that are intended to address these potential conflicts of interest and to avoid a misalignment of our interests with your interests as a client.

COA believes that most advisory clients benefit from ongoing, professional investment advice that is designed to help them meet their investment goals through an advisory program. While it’s possible that the advisory program fees you may incur could exceed the costs incurred in a non-advised brokerage account, or the costs associated with your current arrangements, by enrolling in the advisory program you will receive professional investment advice from COA and your representative

on your account's assets. This investment advice includes investment management and monitoring services provided by your representative, COA or third-party investment managers.

We charge a wrap-fee ("Program Fee") based on a percentage of the value of the average daily assets of the securities in your Account. All securities in the Account are included for the purpose of calculating the Program Fee. The Program Fee is not charged on the cash position in your Account.

The Program Fees shown below are annual fees and are debited in arrears from your Account after the end of each calendar quarter based on the average daily balance of the securities in your Account during the prior quarter. We perform a daily accrual of such fees by multiplying that day's settled position balance times 1/365 (or 1/366 in the case of a leap year) of the annual fee. After the end of each quarter, we add up each day's daily accrual for the prior quarter to determine the amount to deduct from your Account. You can see the debiting of the fees online and in the statements you receive from COFI.

On or before the 10th of the month following the end of the quarter we instruct COFI to deduct the Program Fee on our behalf. The fee is deducted from the cash balance in your Account and, if there is insufficient cash to cover our fee, we determine what securities to liquidate in our sole discretion, without any consideration of the tax implications to generate enough cash to cover our fee and bring the cash portion of your Account within acceptable thresholds for the selected model portfolio.

The daily amount calculated for our Program Fee is expected to fluctuate because the daily value of your Account is expected to fluctuate. As a result, the amount of our Program Fee is expected to vary each quarter. Since our fee is accrued daily based on the value of your securities each day, if you deposit or withdraw any funds during the calendar quarter, the amount of our Program Fee will fluctuate based on the new total value of your securities.

When you open a new Account during the quarter, the Program Fee is calculated on the portion of the quarter in which your Account held settled securities.

You may terminate your Account at any time. When you close your Account, a calculation is performed to collect and deduct our Program Fee for the portion of the quarter that your Account was managed by us. The fee is deducted before proceeds are transferred out of the Account.

The Program Fee is subject to change and is not negotiable. Any time we revise the Program Fee, we will notify you in advance.

When we buy and sell securities in your Account, the transactions are done without a commission being charged to your Account. A portion of the Program Fee is generally considered to be in lieu of commissions. You pay a single fee, called a "wrap fee," for investment advisory services and certain brokerage services.

In addition to paying our Program Fee, you may pay other fees for brokerage account administrative services provided by COFI, which may include but not be limited to an account termination fee, transfer fees, wire transfer charges and optional services selected by you.

Additional costs that are not part of the Program Fee include the following:

- (i) charges imposed by law;
- (ii) internal operating charges and other fees that are imposed by investment company securities

or unit investment trusts, including ETFs and mutual funds, (such as fund operating expenses, management fees, redemption fees, 12b-1 fees and other fees and expenses). These fees are separate and distinct from the fees charged under the Program and are described in the ETF's or mutual fund's prospectus)

- (iii) regulatory fees;
- (iv) markups, markdowns or spreads charged on transactions in over-the-counter securities purchased through dealers;
- (v) costs relating to trading in certain foreign securities;
- (vi) brokerage commissions or other charges imposed by broker-dealers or entities other than COFI and the custodian if and when trades are executed or cleared by another broker-dealer;
- (vii) postage and handling charges, returned check charges, transfer taxes; stock exchange fees; and
- (viii) any brokerage commissions or other charges imposed upon the liquidation of assets prior to being transferred into the Program.

### **Capital One Advisors Managed Portfolios Program Fees**

The current Program Fee, which is subject to change, is 0.90% (90 basis points) annually on the settled securities in the Account. If the Program Fee is changed, existing Account holders will be notified in advance and the new Fee will apply to future accruals for existing Account's settled securities as of the announced effective date. COFI does not share in the Program Fee or charge you a fee for executing transactions. We pay COFI directly for services it provides under the Program. FAs do not directly receive a portion of the Program Fee. FAs are paid a salary and a discretionary year-end bonus. The bonus is not based directly on the number or amount of sales, client referrals, or new accounts but could be influenced by the relationship of the amount or number of sales generated by one FA compared to other FAs.

### **Additional Information about Wrap Fees**

Wrap Fees in General: The cost of investment advisory and brokerage execution services provided through our Program may be more or less than the cost of purchasing such services separately. Among the factors impacting the relative cost of our Program are:

- the size of the Account;
- the length of time securities are in our Program;
- the amount of trading activity in the Account;
- the applicable fee; and
- the cost of obtaining investment advisory and brokerage execution services separately.

You should note that similar services may be available from other registered investment advisers for similar or lower fees.

You could invest in a registered investment company or unit investment trust, such as an ETF or mutual fund directly, without participating in the Program. In that case, you would not receive our investment advisory services which are designed, among other things, to provide you discretionary asset management by professional portfolio managers, a diversified portfolio comprised of multiple asset classes, automatic rebalancing, ongoing monitoring of your Account, and periodic reporting for a single "wrap fee." Accordingly, you should consider the brokerage fees you would pay to obtain such securities as well as the ongoing fees and charges paid to the issuers of such securities and compare them to the advisory services received and fees paid under the Program when evaluating the advisory services we are offering.

## **ITEM 4- Account Requirements and Types of Clients**

### **Capital One Advisors Managed Portfolios Program Clients**

Our Program is only available to natural persons with Accounts that are registered as either individual or joint tenants with rights of survivorship. Other than certain Individual Retirement Accounts ("IRAs"), we do not currently offer the Program to retirement accounts. It is your duty to keep us informed on a timely basis anytime the information you provided to us materially changes or becomes materially inaccurate.

### **Capital One Advisors Managed Portfolios Program Minimums**

The minimum initial contribution amount is \$25,000 and there is no minimum for subsequent contributions. The minimum initial contribution amount is subject to change. If the minimum is increased, existing Account holders who have already met the initial minimum contribution amount established when their Account was opened will not be impacted.

If the Account value falls below \$20,000 due to circumstances which include, but are not limited to, market fluctuations or withdrawals, COA will no longer manage the account and will stop accruing the Program Fee. If the Account value is restored to \$20,000 or greater, COA will automatically commence management of the Account and the accrual of Program Fees. In the event that the account value remains below \$20,000, the client can contact a customer care representative at 1-844-468-7864 to transfer their account.

In addition, in order to open an Account with us you must also meet certain minimum time horizon qualifications. Our Program requires that your initial investment time horizon plus the amount of time your investment needs to last be at least 3 years. If you do not expect to participate in the Program for at least 3 years or more, then our Program may not be suitable for you and we may decline opening an Account for you.

The minimum withdrawal request for an Account is \$100, subject to certain exceptions for IRAs where necessary to meet IRS reporting requirements. The Program is designed for clients that have a long-term investment objective and should not be used as a cash management tool. Each withdrawal request triggers a review of the allocation of your Account and could trigger a rebalancing of your Account. Each rebalancing involves the buying and selling of securities. You are solely responsible for any related losses or tax consequences as a result of those transactions.

If the amount of any withdrawal represents 95% or more of your Account value, we will request that you liquidate the entire value of your Account. When we process the withdrawal, the accrued Program Fee will be deducted before proceeds are disbursed and we may require that you close your Account. You are solely responsible for any related losses or tax consequences as a result of the withdrawal. Instead of a cash withdrawal, you have the option to transfer the securities in your Account by initiating a transfer with your receiving brokerage firm.

When you want to terminate your Account, you have the option to do a full liquidation or transfer the securities in your Account by initiating a transfer with your receiving brokerage firm. You or COA may terminate your Account by providing written notice to the other. Unless you promptly provide clear instructions regarding the assets and funds in the Account, upon termination COA will notify COFI of the termination and COFI will, within a reasonable period of time, liquidate the assets in the Account and send the proceeds to either your address on record with COA or to your originating bank.

account. You are solely responsible for any taxes payable in connection with the liquidation of securities upon termination of the Account.

## ITEM 5

### **Portfolio Manager Selection and Evaluation**

Our Investment Committee acts as the portfolio manager for our Program and is responsible for managing the model portfolios and client Accounts on a discretionary basis. Among other things, the Investment Committee determines the asset allocations underlying the model portfolios and client Accounts as well as the securities comprising such models.

The majority of the members of the Investment Committee also have responsibilities related to our affiliate brokerage firm, COFI. In addition, the Committee is responsible for the investments, products and services offered by our 401k line of business and Wealth Strategies Programs. It also determines allocations for an asset allocation tool used by customers of COFI. The inherent conflicts of interest that may reasonably occur relate to competing demands on the Investment Committee in performing due diligence, portfolio construction and securities analysis. To minimize the impact of this conflict, we may enlist the services of one or more 3rd party investment advisers or research/data analytic firms to compile information based on our specifications, in addition to the industry information we obtain and independent research we conduct.

The model portfolios we construct for our 401k line of business may utilize some of the same securities in one or more of the model portfolios in the Program. It is possible that trades could be placed on the same day for the same securities for both programs. On the occasion that this occurs, we do not give preferential treatment to the trades of one program over the other. This conflict is largely mitigated by the fact that trades in our 401k line of business are generally constructed and presented to us by the trust company of unaffiliated third party administrators. With such trades, the trust company is generally responsible for building and sending the trade files. In addition, trades under the Program are implemented on a methodical basis through our trade process, including any trades related to changes in our model portfolios.

We provide a diversified portfolio for the cash that you chose to contribute to our Program. We do not provide advice nor modify our recommendation to consider any assets you hold outside of our Program. As such, your overall investments may or may not provide you the diversification you need to meet your financial objectives. We recommend that you consider this when determining the amount of funds you are directing into the Program.

You will not have the ability to directly contact or consult with our Investment Committee members. If you wish to discuss with someone the management of your Account or impose a reasonable restriction on the management of your Account, you may contact us via email (**COA@capitalone.com**) for the committee to review your request or you can utilize the online feature to impose a restriction.

To construct our seven asset allocation model portfolios, we perform analysis using historic market performance data from the most recent 20-years, forecasts of capital markets, specialized asset allocation knowledge and related research and global market analysis.

We establish drift thresholds for each of the model portfolios and monitor client investments daily so

that we can automatically rebalance client holdings if one or more of the rebalance thresholds is crossed on any given day. Our strategy is to ensure on a daily basis that the target asset allocation of the selected model portfolio is maintained within acceptable thresholds for each client's Account, without regard to the tax implications of rebalancing.

There are no guarantees when participating in our Program. Investing in securities involves risk and you may lose some or all of your money. Only participate in our Program if you accept this risk and can bear the possible losses that can occur.

### **Strategy Risks**

One material risk involved with our strategy is that you could lose out on achieving returns when market activity in a single security in your Account makes significant gains. This is because when the security crosses the established upper side drift threshold, your Account is automatically rebalanced to bring the security back toward its target allocation, which means you will have less of that security in your Account. In cases when the market price for that security continues to rise you will not benefit to the extent you would have had there been no such rebalancing because you will own a smaller amount of that security. As a result, the incremental subsequent returns you earn from that security will be smaller.

Conversely, you could experience increased losses if the market price of a single security trends significantly downward. That is because if the market price is trending down when you cross the lower side drift threshold, your Account is automatically rebalanced to bring the security back toward its target allocation, which means you will have more of that security in your Account. Accordingly, if the market price of that security continues to trend downward, you have a larger portion of your Account exposed to the downward price movement.

To provide context to evaluate these risks, when the market price falls on a security, the price to purchase it becomes cheaper and presents a buying opportunity. Conversely, when the market price rises on a security, selling at a higher price may result in locking in gains, and the cash generated from the sale can be used to buy a different security in your Account.

We believe it is unlikely for you to experience a significant price increase or decrease in any one security in your Account without a corresponding increase or decrease of other securities in your Account. However, there is no guarantee that our strategy will achieve its expected results and you should be prepared to withstand the risks involved with our Program. Asset allocation, diversification and rebalancing do not prevent losses and can, at times, cause your Account to be worse off than it would be otherwise.

We do not vote on corporate actions or proxy statements on your behalf and do not provide guidance or answer any questions regarding specific proxy solicitations. COFI will provide you online notifications to review and vote your own proxy statements. We do not evaluate, take any action or render any advice with respect to securities held in your Account which become subject to legal notices or proceedings, including bankruptcy proceedings, lawsuits (including class action lawsuits) or other related corporate actions. You are solely responsible for making decisions with respect to any actions in this respect and will be provided shareholder communications that can be used to monitor your securities. All corporate actions, including dividends, will result in cash. Because of this, the actual performance of the portfolio will be slightly different than the performance being reflected as the model portfolio (the model portfolio performance assumes that dividends are reinvested in to the security that issued the dividend).

## **ITEM 6- Client Information Provided to Portfolio Managers**

Our system recommends a model portfolio to you based on your responses to the risk questionnaire completed in collaboration between the COA FA and the client. Our Investment Committee does not review your specific individual information when we make our recommendation. However, if you request a restriction on the management of your Account, our Investment Committee evaluates your request to determine if it can accommodate your request.

When we evaluate whether to replace a security in your Account or change the percentages to the selected model portfolio, the Investment Committee does not look at your individual Account details unless you have requested and we have agreed to a restriction on the Account. In that event, the information we evaluate is limited to the specific restriction, and does not concern any of your other financial or demographic information.

If you inform us of changes to your demographic and financial information that lead to a new recommended model portfolio for you, the recommendation is done systematically. If you do not accept the new recommended model portfolio we reserve the right to terminate your Account.

## **ITEM 7- Client Contact with Portfolio Managers**

You do not have the ability to contact our Investment Committee directly, but if you wish to discuss the management of your Account or impose a reasonable restriction on the management of your Account, you may contact us via email (COA@capitalone.com) for the committee to review your request. To inform us of changes to information previously provided in response to the risk questionnaire or in order to ask general questions, you may contact an FA.

## **ITEM 8-Additional Information**

### **Legal and Disciplinary**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Neither our firm nor our management personnel have reportable disciplinary events to disclose.

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

COA is related through common ownership with Capital One Financial Investing, LLC ("COFI"). COFI is a registered broker dealer. The principal executive officers and other employees of COA are also separately licensed as registered representatives of COFI, a registered broker dealer and affiliate of COA. Because COA uses COFI to execute trades, there is a conflict of interest in trades being executed through COFI. Certain principal executive officers of COA are also officers of Capital One Agency LLC, a licensed insurance agency also related to COA through common ownership. The independent insurance activities of associated persons of COA and COFI will typically be provided through this related entity.

Moreover COFI, Capital One, N.A., (banking institution), Capital One Asset Management ("COAM") and other Capital One Financial affiliates (collectively, "COF Affiliates" have cross-marketing agreements in place as previously described in this Brochure. Where these arrangements result in the payment of a referral fee in the form of sharing asset-based fees, this information is

disclosed in advance.

While the officers, directors and employees of COA endeavor at all times to put the interests of the client first as part of COA's fiduciary duty, clients should be aware that the receipt of additional compensation for outside, related activities itself creates an inherent conflict of interest, which may unknowingly affect the judgment of these individuals when making recommendations.

The FDIC insured cash balance is held at our affiliated bank, Capital One, N.A., Member FDIC. Pursuant to an intercompany agreement between COFI and CONA, COFI receives payments from CONA based on the amount of Program assets that are deposited in the FDIC insured bank account provided by CONA.

### **Trade Execution**

As discussed above, our affiliate, COFI, is a registered broker-dealer. Our business model is based on our ability to execute trades on behalf of clients at low cost. Our ability to use COFI for this purpose is central to our services and is important given the wrap-fee nature of the Program. Accordingly, clients must establish brokerage accounts with our affiliate, COFI, to participate in the Program.

COFI submits all transactions to Pershing for execution at COFI's customary cost. COA will pay all transaction charges to COFI. These charges are based on the transaction costs incurred by COFI, which in turn depend on the volume of transactions. COA's payment of these transaction charges was taken into account in setting the amount of the Program Fee. Because COA bears the transaction costs under this arrangement, COA has a financial incentive to keep those charges low. At the same time, however, the securities trades cleared, settled and custodied by Pershing under the Program may help reduce the fees charged by Pershing to COFI over time. This presents a conflict of interest as COFI will directly benefit from reduced Pershing fees as the Program grows.

As noted, clients in the Program must establish a brokerage account with COFI. Since COFI is an affiliate we have an incentive to utilize COFI based on our business needs rather than our clients' interests. Clients should be aware that brokerage costs may be lower if trades are executed through an unaffiliated broker dealer. We seek for the executions obtained on transactions under the Program to represent the best execution available at the time the order was routed to Pershing, in light of existing market conditions and other relevant factors. In light of this, we have policies in place to monitor the execution of trades through COFI and Pershing. COFI and Pershing are also obligated to seek best execution.

Due to the nature and purpose of the Program and the manner in which the model portfolios are managed, when Client requests a withdrawal or liquidation of Program assets or has a change in risk profile that results in the selection of a different Model Portfolio, in accordance with normal industry processing it will take some days to effect the transactions. COA's order construction process typically requires one or two days to build and submit the sell orders to COFI. Similar timeframes could also result in connection with the purchase of securities. In addition, it typically takes several days for transactions to clear and settle and for the proceeds of the transactions to be processed and sent to Client. Accordingly, liquidation and withdrawal requests will not result in the immediate liquidation of securities in the Account and the distribution of cash proceeds may be accordingly delayed.

### **Participation or Interest in Client Transactions**



COA and our associated persons, may buy or sell for their own accounts securities we buy or sell under the Program and associated persons may also be clients in the Program. The securities comprising the model portfolios and the composition of the model portfolios are public information. In order to mitigate this conflict of interest, associated persons of COA must abide by the personal trading policies outlined by COA and by our ultimate parent, Capital One Financial Corporation.

### **Code of Ethics and Personal Trading**

COA has adopted a Code of Ethics (“COE”) that sets forth ethical standards of business conduct that its associated persons must follow. COA’s COE stresses that no associated person shall advance his or her own interests over the interests of COA’s clients. Additionally, it prohibits the use of material non-public information in making investment decisions. The COE also requires that COA supervised persons who have access to advisory recommendations, or other specified information (“access persons”) provide annual securities holdings reports and quarterly transaction reports of all reportable transactions to the firm’s designated officer. These reports are reviewed on a regular basis by COA’s Compliance department to ensure compliance with the firm’s COE. COA’s COE also requires pre-approval of any acquisition of securities by access persons in a limited offering (e.g., private placement) or an initial public offering.

COA’s COE provides for sanctions when appropriate. Clients and prospective clients may obtain a copy of the firm’s COE upon request by sending an e-mail to [COA@capitalone.com](mailto:COA@capitalone.com) (to the attention of our Chief Compliance Officer).

We train our associated persons not to take actions, which are harmful to clients. Our associated persons are prohibited from advancing their own interests over the interests of our clients. In addition, we review the personal trading activity of our access persons to verify that they are adhering to COA’s Code of Ethics and company policy. These processes help mitigate the conflict, noted above, caused by associated persons buying and selling securities for their own accounts that may be purchased and sold for clients under the Program.

### **FDIC**

Funds in the FDIC insured bank account are eligible for FDIC insurance up to applicable limits. The FDIC insured cash balance will be eligible for FDIC Insurance up to \$250,000 (including interest and principal) per depositor for all aggregated deposits held at CONA. Funds in this account are not protected by the Securities Investor Protection Corporation.

The limit on FDIC insurance coverage is accumulated across all of your CONA bank accounts and those of your joint account owner along with the CONA cash balances maintained in all of your COFI brokerage account(s), including your Account. You are responsible for monitoring the total amount of all your deposits for all your accounts held by CONA to determine if you have exceeded the limit.

For more details on FDIC insurance and a calculator to estimate your FDIC coverage, please visit the [FDIC.gov](https://www.fdic.gov) website or contact them at 1-877-275-3342.

### **Review of Accounts**

Our system performs a daily comparison of each client’s Account to the selected model portfolio to determine if the allocation of securities in each asset class is within the established threshold.

COFI will provide clients in the Program trade confirmations, monthly statements, year-end statements and tax documents. COA does not provide or generate separate statements or reports.

Clients should provide updated information concerning their financial situation and investment objectives and whether they wish to impose or modify existing reasonable investment restrictions. COA will contact clients at least annually to determine if their financial situation or investment objectives have changed or if they wish to impose or amend existing reasonable investment restrictions on what securities may be held in their Account.

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

There currently are no arrangements in place under which COA pays compensation to a third party for successful referrals of prospective clients who participate in the Program. If such arrangements are implemented in the future, they will be properly disclosed to clients as required under Rule 206(4)-3 under the Act.

#### **Financial Information**

COA does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.