



**Part 2A of Form ADV**

**801-64239**

**Individual and Institutional Consulting Services  
Cary Street Partners Portfolio Management  
Retirement Plan Participant Investment Education Services**

**Cary Street Partners Investment Advisory LLC  
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**Revised March 30, 2012**

**Cary Street Partners is the trade name used by two separate limited liability companies, Cary Street Partners LLC - Member FINRA/SIPC; and Cary Street Partners Investment Advisory LLC a registered investment advisor.**

**This brochure provides information about the qualifications and business practices of Cary Street Partners Investment Advisory LLC. If you have any questions about the content of this brochure, please contact us at 804-521-3333.**

**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 Cary Street Partners Investment Advisory LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**The advisory services described in this brochure are not insured or otherwise protected by the U.S. Government, the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other government agency and involve risk, including the possible loss of principal.**

## **Item 2 – Material Changes**

In 2011, the Securities and Exchange Commission amended certain SEC rules in regard to Form ADV Part II disclosure documents that are provided to clients upon opening investment consulting accounts and on an annual basis. This brochure is a revised disclosure document prepared according to the new requirements that the SEC has implemented. As required, this brochure is in a new format and includes new information that our previous disclosure document did not require.

Cary Street Partners, as required, will provide on an annual basis within 120 days of our fiscal year end a summary of any material changes to this brochure. As specific material changes are made to this brochure throughout the year, you will be provided with a summary of that change.

This section describes the material changes to our Cary Street Partners Investment Advisory LLC Individual and Institutional Consulting Services since the last annual amendment of our Form ADV on April 25, 2011.

Please see Section 6. Performance-Based Fees and Side-by-Side Management for updates regarding performance-based and affiliated hedge funds.

Please see Section 10 Other Financial Industry Activities and Affiliations for updates on new Cary Street Partners affiliates and disclosures related to due diligence reimbursements.

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## Item 4 Advisory Business

Cary Street Partners Investment Advisory LLC (“Cary Street Partners”) is registered with the Securities and Exchange Commission as a federally registered investment adviser. The use of the term “registered” does not imply a certain level of skill or training. Cary Street Partners was established on September 9, 2003 and is 100% owned by Cary Street Partners Holdings, LLC.

The terms “client,” “you,” and “yours” are used throughout this document to refer to the person(s) or organization(s) who contract with us for the services described within this brochure. “Cary Street Partners”, “manager”, “we”, “our”, and “us” refer to Cary Street Partners Investment Advisory LLC.

Cary Street Partners provides individualized non-discretionary and discretionary consulting services to various categories of institutional and individual clients that wish to participate in financial planning, separately managed accounts (“SMA”), mutual funds, closed end funds, exchange traded funds, or want to invest in hedge funds, private equity funds, or other alternative investment vehicles. The amount of client assets managed as of December 31, 2011, on a discretionary basis, is \$111, 766,712 and the amount of client assets managed on a non-discretionary basis is \$626,513,541.

Cary Street Partners’ investment consulting services include:

Identifying investment goals and priorities. Your Cary Street Partners’ Financial Advisor (“FA”) will thoroughly examine your investment needs, including financial requirements, time horizon, liquidity concerns and risk tolerance. This will provide a clear written description of your goals, which will guide your FA’s investment recommendations.

Establishing an asset allocation strategy. Your FA will determine, based on your account profile, an asset allocation strategy and match it with one of the established programs listed below.

Implementing manager selection. Your FA, after establishing your asset allocation strategy, will identify an investment manager whose style, philosophy and performance best suit your investment strategy. Your chosen investment manager is then responsible for selecting and monitoring the individual securities in your account.

Monitoring your portfolio. Your FA will track the progress of your account toward your goals. Because market and economic conditions are ever-changing, your FA may suggest changes to your portfolio as necessary. You will receive a single comprehensive quarterly report detailing your portfolio’s activity and overall performance.

Cary Street Partners will provide investment consulting services that relate to matters such as allocation of assets among different classes, portfolio diversification, managing portfolio risk,

portfolio monitoring evaluation, investment policy statement development, manager search and recommendation, and other general economic and financial topics. Account supervision is guided by the stated objectives of the client (*e.g.*, maximum capital appreciation, growth, etc.), and all managed accounts will be maintained with an independent qualified custodian. These investment consulting services are provided to you through the following services and established programs:

Individual and Institutional Consulting Services  
Personal Financial Planning Services  
Cary Street Partners Portfolio Management  
Retirement Plan Participant Investment Education Services

Established Programs:

Asset Advisor (“Asset Advisor”)  
CustomChoice<sup>SM</sup> Consulting Service (“CustomChoice”)  
Diversified Managed Allocation (“DMA”)  
FundSource® Consulting Service (“FundSource”)  
Masters Investment Consulting Program (“Masters”)  
Private Advisor Network (“Network”)  
Private Investment Management (“PIM”)  
Wells Fargo Compass (“Compass Advisory”)  
Managed Account Access®  
Managed Account Marketplace®  
Managed Account Select®  
Schwab Charitable Fund™

Individual and Institutional Consulting Services, Cary Street Partners Portfolio Management and Retirement Plan Participant Investment Education Services are described in this brochure. Other brochures, available upon request, describe the investment consulting service program and fee structures for:

1. Personal Financial Planning;
2. Masters, DMA, Compass Advisory and Private Network Advisors programs;
3. PIM, Asset Advisor, FundSource and CustomChoice programs;
4. Managed Account Marketplace®, Managed Account Access®, Managed Account Select®, and Schwab Charitable Fund™.

## **INDIVIDUAL AND INSTITUTIONAL CONSULTING SERVICES**

Through the Individual and Institutional Consulting Services, approved Cary Street Partners’ FAs provide a la carte consulting services and/or full consulting services to you.

These programs allow FAs to provide highly tailored services to select clients needing customized consulting services. All services and programs listed above begin with a consultation with you by a Cary Street Partners’ FA to review your investment objectives,

financial situation, and risk tolerance. You are asked to complete an Account Profile/Investment Policy questionnaire (“account profile”) or an Investment Policy Statement to document the results of this assessment. After a review by your FA of your account profile, the FA will help you select a specific investment option or options that match your investment objectives, risk profile and financial condition and will assist in determining which program would fit your needs.

Using our experience and internal due diligence process, we recommend vehicles that are suited for you. Our due diligence may include:

- a. a review of management and ownership stability,
- b. growth of assets under management,
- c. regulatory compliance,
- d. strategy stability,
- e. portfolio manager experience,
- f. performance track record,
- g. volatility,
- h. staffing,
- i. operations,
- j. style drift,
- k. concentration,
- l. level of risk,
- m. ease of doing business,
- n. vision philosophy,
- o. culture,
- p. research and investment process,
- q. fees, charges,
- r. limitations, and
- s. restrictions placed on the investor (*e.g.* lock-up periods, access to capital, withholding of fees, frequency of valuations, etc.).

Cary Street Partners places significant emphasis on our assessment of the quality of individual companies and the management and people associated with the investment manager. Cary Street Partners, therefore, may periodically visit with or speak to the management and employees of the investment manager.

The established programs listed above are managed by third-party investment advisers as sub-advisers to Cary Street Partners. The two sub-advisers are Wells Fargo Advisors, LLC (“Wells Fargo”) and Charles Schwab & Co., Inc. (“Schwab”). Other sub-advisers may be available upon request. Wells Fargo and Schwab do not act in the capacity of investment adviser to individual investors.

In addition to the established programs listed above, Cary Street Partners through its Investment Committee and FAs may also maintain its own asset allocation and separate lists or rosters of investment selections, mutual funds and investment managers.

You may enter into more than one contract with Cary Street Partners for the delivery of more than one program or set of programs. The Individual and Institutional Consulting Services may be used to aggregate your accounts for consulting and billing purposes. The Individual and Institutional Consulting Services offers one or more of the following services:

**A. Asset Allocation Review:**

Cary Street Partners will provide an Asset Allocation Review designed to identify one or more target investment portfolios for you in terms of risk and return. This review will be based on certain information requested by Cary Street Partners and provided by you.

**B. Investment Manager/Mutual Fund Search Report/Interviews:**

Cary Street Partners will provide an investment manager or Mutual Fund Search Report to you. This report will provide you with a list of a minimum of two (2) investment managers (mutual fund or separately managed account managers) whose investment philosophies and policies are compatible with your account profile or your specific request. Generally, the decision to retain any particular investment manager rests with you but there may be exceptions such as in the Private Investment Managers program. Cary Street Partners will not assume responsibility for:

1. your selection of an investment manager,
2. the investment manager's investment decisions,
3. performance,
4. compliance with applicable laws or regulations, or
5. for other matters within the investment manager's control.

**C. Manager Due Diligence:**

Cary Street Partners will review or monitor investment managers to ensure policy compliance within established guidelines, analysis of portfolio style characteristics, performance, and investment process and philosophy.

**D. Past Performance Review:**

Cary Street Partners will provide a past performance review evaluating the historical performance of your portfolio for a mutually agreed upon period of time comparing various aspects of such performance to mutually agreed upon benchmarks. Account data will be derived from your custodian statements, electronic data feeds, or other sources provided by you for the agreed upon time period. Cary Street Partners will not be responsible for verification of the information supplied by your custodian or you.

**E. Performance Monitoring Reports:**

Cary Street Partners will periodically provide performance monitoring reports evaluating the historical performance of your portfolio over various time periods as well as comparing various aspects of such performance to mutually agreed upon benchmarks. Account data will be derived from your custodian statements, electronic data feeds, or other sources provided by you for each period. Cary Street Partners will not be responsible for verification of the information supplied by your qualified custodian or you. You will be required to specifically agree to allow your custodian to provide account information, including daily electronic trade data, directly to Cary Street Partners or its approved vendors for the production of your statements or other required monitoring reports or reviews.

**F. Additional Services for Employee Benefit Plans:**

Cary Street Partners will provide general consulting for plans including 401(k) and other retirement plans. General consultation will be offered on a plan sponsor level only; participant level consultation is not provided under this service.

**G. Other:**

Other services provided to you by Cary Street Partners will be assessed on an individual basis. These services may include special, one-time or on-going services that are more complex and unique than those listed above.

**RETIREMENT PLAN PARTICIPANT INVESTMENT EDUCATION SERVICES**

The Retirement Plan Participant Investment Education Services (“Participant Investment Education Services”) is a service under which an employer can contract with Cary Street Partners to have one of Cary Street Partners’ FAs provide one or more of a series of financial education seminars for the benefit of participants in the employer’s retirement plan or plans. The seminar subjects offered include:

1. Retirement Planning,
2. Basics of Investing/Asset Allocation,
3. 401(k) Enrollment,
4. Retirement Plans Distributions, and
5. Mutual Fund Investing.

Additional seminar subjects may be offered upon request.

Seminars offered through Participant Investment Education Services are generic in nature and do not contain recommendations to invest in any particular security. The seminars focus on education of employees about:



1. asset allocation,
2. the definition of various asset classes,
3. potential risks and rewards,
4. the advantages of tax-deferred or tax-free investing,
5. options available when receiving a retirement plan distribution, and
6. other similarly generic subject matter.

Neither Cary Street Partners nor any of Cary Street Partners' FAs will have any discretion or control with respect to any employee or employer account in connection with the Participant Investment Education Services. Additionally, neither Cary Street Partners nor any of Cary Street Partners' FAs will be responsible for rendering any legal, accounting, or actuarial advice to any employee or employer within the Participant Investment Education Services.

You have the ability to impose reasonable restrictions on the management of your account, including the designation of particular securities or types of securities that may be purchased or should be sold if held in the account. If your instructions are unreasonable or we (or, if applicable, investment manager) believe that the instructions are inappropriate for you, we will notify you.

You will not be able to provide instructions that prohibit or restrict the investment manager of an open-end or closed-end mutual fund or ETF, with respect to the purchase or sale of specific securities or types of securities within the mutual fund.

## **Item 5 Fees and Compensation**

You may choose the manager's affiliate, Cary Street Partners LLC, to provide all execution services relative to the purchase, sale, transfer, exchange and redemption of securities for the account(s). Cary Street Partners LLC has entered into a brokerage clearing agreement with its clearing agent, First Clearing, LLC, in which the clearing agent will execute transactions and perform clearance for the account(s). First Clearing, LLC will be compensated by Cary Street Partners LLC and Cary Street Partners LLC will pay First Clearing, LLC a portion of the advisory fee charged to you for their services related to their advisory service platform.

For MarketPlace accounts held at Charles Schwab & Co., Inc., clients may select and is responsible for either 1.) brokerage commissions and other costs associated with the purchase or sale of securities and other investment instruments, mutual fund or other investment fund fees, custodian fees, interest, taxes and other account expenses, if any, or 2.) a fee based on the assets in the account and other costs associated with the purchase or sale of securities and other investment instruments, mutual fund or other investment fund fees, custodian fees, interest, taxes and other account expenses, if any. These costs are in addition to any fees charged by Cary Street Partners Investment Advisory LLC. On Schwab Select or Schwab Access accounts the manager charges a fee for assets under management. Schwab charges a fee on assets under management on Schwab Select or Schwab Access accounts, which includes all execution services relative to the purchase, sale, transfer, exchange and redemption of securities for the account(s). Fees of

third-party investment managers in the Schwab Access, Schwab Select, or Schwab Marketplace accounts recommended by manager are charged separately to the account. Under Schwab Marketplace accounts, clients may elect execution and custodial service fees or have the execution fees charged separately as a commission on a transaction by transaction basis which is included on the Schwab Asset-Based Pricing Addendum. The manager may participate in similar programs with other broker-dealers or qualified custodians that are available to the client.

In the case of ERISA accounts, the manager may place orders for the execution of transactions with or through such brokers, dealers, or banks as are permitted under the terms of the plan and, complying with Section 28(e) of the Securities Exchange Act of 1934, may pay a commission on transactions in excess of the amount of commission another broker or dealer would have charged. All brokerage commissions and other costs associated with the purchase or sale of securities and other investment instruments, mutual fund or other investment fund fees, or fees of third-party investment managers recommended by the manager, custodian fees, interest, taxes and other account expenses are the responsibility of client and are not covered by the manager's fee. Except with the prior written consent of client and provided that the conditions of an applicable exemption under ERISA are satisfied, the manager shall not engage any affiliate of the manager to perform brokerage services.

## **INDIVIDUAL AND INSTITUTIONAL CONSULTING SERVICES - FEES**

For investment consulting services, compensation is derived as a fee, based upon the percentage of assets under management. The compensation method is explained and agreed upon by you before any services are rendered.

The compensation for our full investment consulting services, which includes:

1. developing and implementing an investment policy and objectives,
2. formulating asset allocation analysis and recommendation,
3. selecting and monitoring investment managers,
4. monitoring your investment results, is as follows:

First million dollars	1.50%
Next \$2 million	1.00%
Next \$2 million	.75%
Next \$5 million	.65%
Over \$10 million	Negotiable

The fee for Cary Street Partners investment consulting services and other terms of the client agreement are negotiable. Fees paid by you and other clients who have selected the same payment option may vary, depending on several factors. Those factors include, among other things, the size and type of the account, the relative complexity of servicing the account, and the level of customization.

These fees are for investment consulting services only and do not include any applicable transaction fees, commissions, or other management fees charged by non-affiliated third parties including investment managers that are recommended to you.

The compensation arrangement and qualified custodian selected by you may cause you to pay more or less for the total trade execution and consulting services you receive, depending upon the level of trading in your account and the total commissions charged. You should determine which compensation arrangement is in your best interest. You should be aware that Cary Street Partners will seek to obtain the best execution when directed by you.

#### *“Fixed Fee” Arrangements*

Under a “Fixed Fee” arrangement, you agree to pay Cary Street Partners one or more agreed-upon amounts on one or more agreed-upon dates. Fees payable for “fixed fee” arrangements cover only the consulting services provided by Cary Street Partners and do not cover any securities transactions effected for your account(s) with or through Cary Street Partners, investment management fees, administrative costs, custodial fees, or any other fees.

#### *“Percentage Fee” Arrangements*

In the case of quarterly fees based on the value of your account, each quarterly fee will be payable in advance of the period for which services are to be rendered. Your fee will be determined by referencing the value of your assets as reported by your qualified custodian and will represent a pro rata portion of an annual fee equal to an agreed upon percentage of the value of your account.

The table below represents a typical fee range for each service:

<b><u>Service Requested</u></b>	<b><u>Fee Range</u></b>
<b>Flat Fee Arrangement</b>	
Investment Policy Statement	\$1,500 - \$4,000
Asset Allocation Review	\$3,000 - \$10,000
Investment Manager Search	\$3,000 - \$10,000
Manager Due Diligence	\$2,000 - \$5,000 (per year per manager)
Mutual Fund Search	\$1,500 - \$3,000
Past Performance Review	\$5,000 - \$10,000
Performance Monitoring Report	\$2,000 (per manager with minimum \$10,000 per year)
Performance Monitoring Report (Custom)	\$4,000 (per manager with minimum \$20,000 per year)
Retainer On-going Consulting Service	Flat Fee - Negotiable
<b>Percentage Fee Arrangements</b>	
Retainer On-going Consulting Service	0.10% - 0.80% of AUM

**Flat or Percentage Fee****Arrangements**

Employee Enrollment	Negotiable
Other	Negotiable

Cary Street Partners' initial fee will be payable in full by you on the effective date of the client agreement and will be based on the value of your account as of the commencement date.

**RETIREMENT PLAN PARTICIPANT INVESTMENT EDUCATION SERVICES - FEES**

The fees charged for the Participant Investment Education Services are negotiable and, accordingly, may differ from client to client based upon a number of factors. These factors include, but are not limited to, whether you have or will have an account with Cary Street Partners, the type and size (or expected size) of the account, the number and range of supplemental advisory and other services to be provided to you. In addition, Cary Street Partners may, from time to time, agree to provide services under the program at no cost.

Fees for the Participant Investment Education Services may be charged by the day (\$2,000 - \$4,000), by the seminar (\$500 - \$2,000), by the employee (\$10 - \$75), or by a fee based upon a percentage of plan assets. Travel, incidental expenses, and material costs will be charged to the employer separately.

Cary Street Partners' investment consulting services regarding the Participant Investment Education Services program is limited to financial education seminars. Any investments made through Cary Street Partners LLC (broker-dealer affiliate of Cary Street Partners) by an employer or employee participating in the program would not be made under the Participant Investment Education Services program, but rather through Cary Street Partners LLC's clearing firm as qualified custodian and separate compensation in connection with those investments will be imposed. Please see Item 10 Other Financial Activities and Affiliations for a description of our broker-dealer affiliate, Cary Street Partners LLC and Item 12 Brokerage Practice in regards to Cary Street Partners LLC's relationship with the clearing firm.

These fees are for investment consulting services only and do not include any applicable transaction fees, commissions, or other management fees charged by non-affiliated third parties including investment managers that are recommended to you.

You should be aware of your responsibility to verify the accuracy of the fee calculation submitted to the qualified custodian by Cary Street Partners, the qualified custodian may not determine whether the fee has been properly calculated. Also, investment consulting services fees charged by Cary Street Partners are separate and distinct from fees and expenses charged by mutual funds, which may be recommended to you. A description of these fees and expenses are available in each fund's prospectus.

Investment consulting services begin with the effective date of the agreement. For that calendar quarter, fees will be adjusted pro rata based upon the number of calendar days in the calendar quarter that the agreement was effective.

Cary Street Partner's fees are generally paid quarterly, in advance, based on the value of the account(s) as of the close of the previous quarter, or unless otherwise negotiated with you as provided in the agreement. For new client accounts, Cary Street Partners' fee will be pro-rated for the remaining calendar quarter. Cary Street Partners service may be terminated by either party upon written notification in accordance with the applicable contractual notice of termination. Upon termination, the fees charged for advisory services may be pro-rated, and a refund for any unearned fees will be issued. You can cancel the agreement without penalty within the first five (5) days after the signing of the agreement.

## **ADDITIONAL COMPENSATION**

A portion of the fees or commissions charged may be paid to our FAs in connection with the introduction of accounts as well as for providing client-related services. This compensation may be more or less than a FA would receive if you paid separately for, where applicable, investment advice, brokerage, and other services. Therefore, FAs may have a financial incentive to recommend this service over other services.

From time to time, we will compensate our other employees for referrals of potential clients to the investment consulting services. Actual presentation and solicitation of these services are made by our FAs, not the referring employee. The referral compensation takes the form of a payment to the employee of a percentage of the fees described in each program brochure and results in no additional fees on your part.

From time to time, through the services and programs offered by our Wealth Management Group, Cary Street Partners LLC's FAs will assist our retirement plan clients with various aspects of the plans, including the selection of investment companies for review as investment options, education and enrollment of participants with respect to retirement investing in general or specific fund investment options, assisting the plan's evaluation and monitoring of the performance of fund investments, or any combination of these or similar services. In those cases where the plan determines to utilize funds in connection with a third-party administrator ("TPA") and where advisory fees only are paid on the investment, we and our FA will receive a share of the fee as compensation for the services provided. The specific fee arrangement will typically be disclosed to the plan pursuant to the TPA's contract with the plan. For these arrangements with the TPA, the transactions in the subject investment company shares are not effected through us, but rather directly with the fund through its distributor. All shares of investment companies are subject to fluctuation of principal and yield depending on market and/or interest rate risk.

You may elect to deduct fees from your assets or be billed for fees incurred.

Depending on the particular program, Cary Street Partners has no preference where you custody assets or the qualified custodian that is selected for trading. However, when you desire to create a portfolio of mutual funds and/or specific securities, Cary Street Partners will provide you with the names of investment managers and qualified custodians from which you may choose if asked. Cary Street Partners will make recommendations based on your needs and the services provided by the qualified custodian, such as;

- a. ability to execute,
- b. margin rates,
- c. on-line access to accounts,
- d. transaction charges,
- e. consolidated reporting,
- f. duplicate monthly statements,
- g. access to mutual funds, including lower sales charges than for direct purchases and lower minimum purchase amounts.

Cary Street Partners does not expect that you will pay commissions to qualified custodians that the investment manager recommends that are higher than those obtainable from other qualified custodian for comparable client services. However, there can be no assurance that you will pay the lowest commissions available. See Item 12 Brokerage Practice for more information in regards to the firm's relationship with qualified custodians and related costs.

You should be aware that commissions or program fees charged may be higher or lower than those otherwise available if an investment manager or you were to select a separate qualified custodian and negotiate commissions in the absence of the extra consulting service provided. Our investment consulting standard fee schedules and commissions described herein may be subject to negotiation depending upon a range of factors including, but not limited to, account size and overall range of services provided.

Each investment manager retained by you will act solely as agent for you and not for Cary Street Partners. Cary Street Partners will not accept any compensation from the investment manager on behalf of the client.

In addition to investment consulting services fees paid by you, you will bear a proportionate share of the fund's expense as a shareholder of the money market fund, including the investment management fees that are paid to the fund's investment adviser. Cary Street Partners and/or your FA may recommend, or program investment managers may select, mutual funds and closed end funds for you, and you will bear their proportionate share of these funds' fees and expenses. Cary Street Partners or the investment managers may receive fees from these mutual funds or closed-end funds. Cary Street Partners may earn fees from its possession and temporary investment of cash balances in your accounts before they are "swept" into a money market fund or depository product.

You are advised and understand that overall fees charged on account values may include "sweep" money market fund, to the extent permitted by law. You should also be aware that your choice of investment of cash balances may be limited by the program or by law, as applicable.

If the investment consulting service Cary Street Partners provides to you is terminated, but you still maintain a brokerage account with Cary Street Partners LLC, the money market fund used in a "sweep" arrangement may be changed and/or your shares may be exchanged for shares of another series of the same fund. You will bear your proportionate share of the money market fund's fees and expenses.

You may be assessed a redemption fee by mutual fund companies for short-term trading activity as stated in each fund company's prospectus. The specific holding periods and the imposed fees vary by the mutual fund company and their related distributor. Cary Street Partners, in conjunction with the fund companies, reserves the right to reject inappropriate trades and/or terminate your agreement, as appropriate.

**Subject to restrictions imposed by applicable laws, you authorize our clearing agent to grant a general lien and security interest in your mutual fund securities, or any series or class ("mutual fund shares") that have not been settled by Cary Street Partners with its clearing agent, together with any and all payments, dividends, distributions and proceeds of the foregoing, to secure any amounts owed by Cary Street Partners to clearing agent in payment for any such mutual fund shares purchased by Cary Street Partners for you.**

Clients may have accounts with our affiliate, Cary Street Partners LLC, a registered broker-dealer and member of FINRA / SIPC. Financial Advisors, depending on the client's financial situation and investment objectives, may recommend that the client purchase securities or other investment product, including investments with asset-based sales charges or service fees on a commission basis through our affiliate. This may present a conflict of interest by providing an incentive to recommend investments based on the compensation received, rather than on a client's needs. These potential conflicts are disclosed in various ways, including conversations with the clients, educational pieces provided to the client at the time of sale, in the prospectus and by disclosures on the confirmations. Clients should be aware they have options on how they can invest and may want to consider other brokers or dealers that are not affiliated with Cary Street Partners Holdings LLC.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

Our advisory services in the Individual and Institutional Consulting Services do not impose performance fees. Fees are based on the value of the assets in your account, and Cary Street Partners shall not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of client (i.e., performance fee). However, Cary Street Partners Investment Advisory LLC serves as an investment advisor to hedge funds and may receive a performance-based fee as described in the hedge funds' private placement memorandum. Cary Street Partners employees who recommend the purchase of these hedge funds may receive a portion of these fees.

## **Item 7 Types of Clients**

These investment consulting services are provided to individuals, pension or profit sharing plans, trusts, estates or non-profit organizations, corporations or other business entities and governmental entities, educational institutions, as well as banks or thrift institutions.

Cary Street Partners imposes the following minimum asset sizes:

<b><u>Product</u></b>	<b><u>Minimum Account Size</u></b>
Individual Consulting	Negotiable
Institutional Consulting	Negotiable
Personal Financial Planning Services	None
Retirement Plan Investment Education Services	None

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

The Cary Street Partners Research group recommends managers and funds to the Investment Committee for inclusion onto the Research Coverage list, which is then used by Financial Advisors (FA) for selection of various managers and funds to be used in a client's customized portfolio. The Research Coverage list covers numerous investment vehicles including mutual funds, exchange-traded funds, separately managed accounts, and commingled funds, such as hedge funds. Managers or funds are indicated on the list as either "Recommended" or "Monitored." "Recommended" managers or funds are recommended for additional investment where the FA deems that the sub-asset class in which the manager is classified meets the objectives and needs of a client's diversified portfolio. "Monitored" managers/funds are ones that have either been previously recommended or are ones that have been added because of widespread usage among the FAs already. These managers are not recommended for new investment but may be held in a client's account.

The Research group seeks to offer FAs a wide variety of investment asset and sub-asset classes, styles, and vehicle types, including managers/funds in both traditional long-only marketable securities and alternative assets (directional and absolute return hedge funds and fund of funds). Such asset classes and styles include growth, value and core equities; large, mid, small, micro and all cap stocks; government, corporate, municipal, mortgage-backed, convertible, floating rate and other short-term fixed income instruments; U.S., developed, emerging and global market mandates; commodities and precious metals; MLPs and REITs; preferreds; region, country and sector specific strategies; and asset allocator and sector rotation funds.

Research only recommends and monitors unaffiliated third party investment managers and focuses on those that have demonstrated a high degree of proficiency in a particular strategy or asset class. In evaluating a manager, both quantitative and qualitative factors are used. Quantitative factors include (1) historical performance and consistency of returns, (2) risk-return profile, (3) use of leverage, and (4) market/peer group correlation. Qualitative factors are also very important and include (1) the experience and integrity of the portfolio managers, analysts and traders, (2) the quality of the manager's infrastructure, (3) the soundness and capacity of the investment strategy, and (4) the manager's risk management controls.

Managers are identified through the professional network of contacts of individual Research members, FAs, and other firm personnel; commercially available databases; referrals from existing or prospective managers; and unsolicited meetings with managers. Several software



programs are used to analyze the manager's and peer group's quantitative data. After the quantitative screens are used to narrow the choices, phone calls and meetings with the manager's investment professionals are arranged with at least one on-site visit to precede nearly all manager recommendations to the Investment Committee. The on-site visit aids in gathering important qualitative data, such as the quality of the back office, the interaction between personnel; the physical layout of the office; the risk management controls; and the process for placing trades. ADVs, prospectuses, limited partnership agreements and other legal and regulatory documents are then reviewed for potential problems or further questions and follow-up. Once a manager is presented to and approved by the Investment Committee, the manager is monitored by the Research team in a disciplined, scheduled process, depending on the type of strategy, vehicle, whether returns are within expectations, and whether there are newsworthy events about the manager. Such on-going due diligence monitoring includes participation in conference calls, attending manager conferences, meetings with manager professionals at Cary Street Partners offices or the manager's, reading of monthly and quarterly newsletters, and review of short-term and long-term performance results. Other groups within the firm may follow similar processes in evaluating and recommending managers and funds to clients.

In regards to the established programs managed by sub-advisers and where the investment managers are selected by you, the investment managers employ similar methods of analysis that are described to you by the program brochure and the sub-adviser's brochure related to the established program you have chosen.

The investment managers employ a variety of investment strategies, depending on your investment objectives. Investing in securities involves risk of loss that you should be prepared to bear. Such strategies ordinarily include long or short-term purchase of securities and, depending on your objectives and investment managers' style, supplemental covered option writing. However, in special circumstances the strategies may also include margin transactions, other option strategies and trading or short sale transactions.

Investment techniques and strategies recommended generally will involve long-term and short-term holdings of securities or other investment products, depending on your financial goals, investment objectives and desires. The sources of information used to provide recommendations include research materials, databases, newspapers and magazines, and regulatory and legal publications.

Cary Street Partners' Research Analysts use both quantitative and qualitative criteria when evaluating mutual funds for inclusion in the firm's Recommended List. The Recommended List consists of mutual funds considered for use in the investment strategies. Mutual funds are reviewed from a quantitative approach, as well as qualitative factors. Certain mutual funds may not be available to you because of account types, fee schedules, geographic availability, minimum purchase requirements or other factors.

Cary Street Partners utilizes information from a variety of sources to provide data on mutual funds and other financial data and investment research.

The investment strategies utilized depends on your investment objectives and financial goals as provided to us. Most portfolios are constructed along basic investment objective categories such as,

- a. Conservative Growth,
- b. Conservative Growth and Income,
- c. Conservative Income,
- d. Moderate Growth,
- e. Moderate Growth and Income,
- f. Moderate Income,
- g. Long-Term Growth,
- h. Long-Term Growth and Income, and
- i. Long-Term Income.

Strategies accordingly encompass either long-term purchases, short term purchases, or in some cases, trading and margin transactions.

Investments have some degree of risk, and clients may experience loss. Based on the consulting process we attempt to identify the risk you are willing to bear based on your financial situation and investment objectives.

Certain funds in which you may invest are illiquid and have restrictions on transferability and resale. Such investments are typically subject to lock up periods preventing investors from engaging in withdrawals. In addition, such investments are typically offered on a private placement basis, which requires investors to have substantial amounts of assets. These funds often invest in high risk securities and other assets which may lose value. For these reasons, clients wishing to invest in illiquid investment options must have appropriate levels of investable assets to invest and should not put their money into these type funds unless they have considerable investment experience and meet appropriate suitability requirements.

Alternative Investments may include funds of funds (multi-manager) and direct investment (single manager). Subclasses of alternative investments may include; hedge funds, private equity, real estate, and commodities. These funds are basically private investment pools for wealthy, financially sophisticated investors. Traditionally, they have been organized as partnerships, with the general partner (or managing member) managing the fund's portfolio, making investment decisions, and typically, investing personally in the fund.

These investment managers generally seek to target a specific range of performance and attempt to produce targeted returns irrespective of the underlying trends of the stock market. In an attempt to achieve this performance, alternative investment managers typically use sophisticated investment strategies and techniques. You should keep in mind that alternative investments such as hedge funds are speculative, involve a high degree of risk, may have substantial fees and charges, and are suitable only for the investment of the high-risk capital portion of your portfolio.

Hedge funds very often use speculative investment and trading strategies which may involve a high degree of risk. Some hedge funds or fund of funds of hedge funds have low volatility compared to the stock markets or in some cases the bond markets. This may lead some investors to mistake these types of alternative investments for “risk free” or “safe” investments. Investing in these hedge funds or fund of funds of hedge funds involves inherent risks and performance can be highly volatile.

To achieve positive investment performance, hedge fund managers use sophisticated strategies and techniques such as short selling, arbitrage, hedging and leverage. Furthermore, investment managers may invest heavily in concentrated positions of a single issuer or market, distressed and bankrupt companies, derivatives such as options and futures contracts, volatile international markets, and privately issued securities. Due to the strategies (and inherent risks) hedge funds may employ, you may lose your entire investment. If you cannot afford to lose your entire investment, hedge funds and fund of funds of hedge funds are not suitable for you.

Hedge funds, whether registered or unregistered, are illiquid investments and may be subject to restrictions on transferability, resale and liquidity. Almost all hedge funds and funds of hedge funds restrict liquidity to monthly, quarterly, semi-annual or annual intervals. Funds of funds also typically require a “redemption notice,” sometimes up to 90 days or more in advance of the desired redemption date. There are no specific rules on hedge fund pricing. Registered hedge fund units may not be redeemable at the investor’s option as the secondary market is very inefficient and offers little unlikely liquidity. You may not be able to get the money they invested in the hedge fund back when you want to liquidate the investment.

The hedge fund manager has total trading authority over the fund. The use of a single adviser applying generally similar trading programs could mean lack of diversification, and, consequently, higher risks. Furthermore, most single hedge funds are founded by an individual or partners. It is solely the investment manager’s skill that is responsible for returns for these funds. If the founder or key person is incapacitated or departs, the hedge fund returns may be impacted.

Neither you nor Cary Street Partners will have any control or power in the management of the fund, although you will receive periodic reports from the fund manager. The fund may not always provide all the information as requested by you because certain information may be considered proprietary or otherwise confidential. This lack of information may make it more difficult for you to evaluate the risk of the fund.

Generally hedge fund investors are subject to income taxes on the interest, dividends and/or capital gains distributed to them from the fund. However, in retirement accounts such as IRAs, taxes are deferred until distributions are taken into account.

Hedge funds may produce Unrelated Business Taxable Income (“UBTI”), which may subject a tax-exempt investor, such as a retirement plan, IRA, foundation or endowment, to taxation and potentially the loss of tax-exempt status. In instances where tax-sensitive funds are available for tax-exempt investors, you are encouraged to consider the potential advantages of utilizing such a

fund for a hedge fund allocation. You should consult your tax adviser to consider the potential impact of UBTI.

Hedge funds and fund of funds of hedge funds are usually highly tax inefficient vehicles and you should analyze the tax consequences before making an investment. There are a number of adverse tax consequences that should be taken into account when considering an investment in hedge funds and fund of funds of hedge funds.

Most hedge funds and fund of funds of hedge funds are organized as Limited Partnerships or Limited Liability Companies. Because of their structure a “pass-through taxation” strategy is achieved. All domestic hedge funds and fund of funds of hedge funds send Form K-1 tax statements to the investors that are typically issued later than 1099s and may not be available for normal tax filing deadlines.

As a result of the complexities associated with investing in alternative investments you should carefully review the offering documents, subscription agreements and other important disclosure documents. Cary Street Partners is not a tax or legal adviser so you should also consult with your tax adviser or attorney prior to investing in these alternative investments.

Investing in managed futures is highly speculative, and it is impossible to predict long term or short term performance. You must be prepared to lose all or a substantial amount of your total investment. By investing in publicly traded investments, managed futures funds will be subject to all the risks associated with the investment in and trading of futures and other instruments. The value of such instruments may be extremely volatile and may be influenced by, among other things, national and international political and economic events, currency exchange fluctuations, interest rates, government trade, and fiscal and monetary policies and actions. Additionally, trading on foreign contract markets involves additional risks, including risks of inadequate or lack of regulation, exchange-rate fluctuations, expropriation, credit and investment controls and counterparty insolvency.

Unlike mutual funds, there are no specific rules on managed futures fund pricing. Most managed futures funds are dependent on market trends in order to generate profits for investors. In the absence of trending markets, managed futures funds can suffer heavy losses, which can be magnified by the use of leverage.

One of the most salient features that distinguish managed futures funds from other pooled investment vehicles is the ability to leverage their assets (that is, use borrowed money to buy additional assets). Whatever the method of leverage, the impact on the fund is similar. Leverage can provide higher yields and potentially higher returns for managed futures fund investors, but it also increases overall risk and the volatility of the investment.

Managed futures funds are highly risky, historically are not correlated to equity markets, and do not follow the same general market trends as equity securities. Managed futures funds should not be considered a substitute for equity investments.

## **Item 9 Disciplinary Information**

There are no legal or disciplinary events that are considered material.

## **Item 10 Other Financial Industry Activities and Affiliations**

Cary Street Partners Investment Advisory LLC is registered with the Securities and Exchange Commission as a federally registered investment adviser. The management personnel of Cary Street Partners are registered as investment adviser representatives within their state jurisdiction.

Cary Street Partners is not registered as a broker-dealer. The management personnel, with the exception of one associate, are registered representatives with Cary Street Partners LLC, the broker-dealer affiliate of Cary Street Partners.

Currently, there is not a pending application for registration as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person for Cary Street Partners, the broker-dealer affiliate or any management person.

Cary Street Partners Investment Advisory LLC and Cary Street Partners LLC are 100% owned by Cary Street Partners Holdings LLC. Cary Street Partners LLC is a registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA"). Cary Street Partners LLC provides investment banking, wealth management and brokerage services to its clients. Client accounts of Cary Street Partners LLC are custodied at First Clearing. Please see Item 12 Brokerage Practice for more information about Cary Street Partners' relationship with Cary Street Partners LLC and First Clearing.

Our affiliate, Cary Street Partners LLC, a registered broker-dealer and member of FINRA and SIPC, will serve from time to time as a private placement agent for issuers of equity and debt securities. In that capacity, certain advisory clients who are accredited investors and qualified advisory clients for which the private placement is suitable may be shown transactions represented by Cary Street Partners LLC and may, if they elect to do so and are acceptable to the issuer and its counsel, purchase securities in some in those offerings.

In addition, Cary Street Partners Holdings LLC completed a private placement of securities and some of our qualified advisory clients invested in that offering. Cary Street Partners Holdings LLC is also the majority owner of the subsidiary Cary Street Partners Fund GP, LLC, the majority general partner of Jefferson Global Growth Fund, L.P. The fund is a Delaware limited partnership and hedge fund management is provided by Cary Street Partners Investment Advisory LLC.

Cary Street Partners may provide a broader scope of service other than just investment advisory services. Engagements often include comprehensive analysis of cash flow and retirement models, company stock option detail and benefit analysis, estate planning functions, and risk assessment. Additional business activity is not limited to these services but would fall within the

general parameters of clients' financial needs that are relevant on a client by client basis and fall within Cary Street Partners' areas of expertise.

Cary Street Partners may, from time to time, enter into arrangements with other investment advisers whereby Cary Street Partners agrees to provide certain services to clients of the investment adviser in exchange for a portion of the investment advisory fee paid to the investment advisers by the clients.

Cary Street Partners Investment Advisory LLC associates may accept payment for reasonable travel and lodging expenses from money managers when performing due diligence reviews related to those money managers' investment management activities. These payments are to compensate Cary Street Partners Investment Advisory LLC for travel related expenses incurred on these business trips. Any payments received in these situations are monitored and reviewed and are considered immaterial in relation to the firm's income.

Certain investment managers may agree to participate with us in cooperative advertising for the applicable program by compensating us in the form of cash payments from the investment manager. This compensation will be used to help pay for program advertising and FA education. Therefore, we have a potential conflict of interest to recommend investment managers that might participate in such joint arrangements. We intend, however, to make all recommendations independent of such fee considerations and based solely on our obligations to consider your objectives and needs. These investment managers are under no obligation to enter into a cooperative advertising arrangement with respect to these programs.

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

Cary Street Partners' policy is that your interests take precedence over our interests, and the interest of our affiliates, employees and representatives. Accordingly, our personnel will disclose any material relationships that they may have with respect to any investment recommended to you. In addition, Cary Street Partners will make recommendations based upon your suitability and objectives without regard to the firm's benefit.

Our personnel will not purchase or sell securities for their own account if the transaction will disadvantage you in any way. Cary Street Partners maintains transaction records for all employee securities transactions. Cary Street Partners also prohibits insider trading and complies with applicable provisions of state and federal law.

Our code of ethics specifically outlines the process by which employees of Cary Street Partners and affiliate firms may purchase investments recommended to you. A copy of our code of ethics is available upon request. The important determinant by which we ensure your interests come before our own is our trading policy that deters employees and affiliated members from purchasing managers/mutual funds for a period of 24 hours after investment committee approval and/or a period of 24 hours after significant asset allocation adjustments are determined.

Cary Street Partners has certain restrictions, internal procedures and client disclosures regarding conflicts of interest that we have with respect to our participation or interest in your transactions. Cary Street Partners communicates our policies and procedures related to participation in your transactions to its associates through our compliance policies and procedure manuals and program-specific policy guidelines.

Personal trading by Cary Street Partners employees must be conducted in compliance with all applicable laws and procedures adopted by Cary Street Partners. It is Cary Street Partners' internal policy that certain management personnel may not recommend the purchase of a security that they have purchased for their own account or the account of a closely related party within an established number of days, unless such shares are sold prior to issuance of a buy recommendation. Research Analysts are prohibited from purchasing securities that an analyst has recommended for 24 hours following the official release of the recommendation. Cary Street Partners' policies include:

1. an express prohibition against front running client accounts,
2. observing black-out periods,
3. maintaining restricted lists to prevent investment personnel from unfairly benefiting from unreleased research reports and recommendations, and
4. "Chinese-Wall" procedures designed to control the flow of inside or other confidential information.

Such policies and procedures are designed to prevent, among other things, any improper conduct wherever any potential conflict of interest may exist with respect to any client.

Cary Street Partners and its investment personnel may recommend securities or investment managers in which they directly or indirectly have a financial interest or control relationship and buy and sell securities that they recommend to you for purchase and sale. They may also give advice and take action in the performance of their duties to you that differ from advice given, or the timing and nature of action taken with respect to other clients' accounts.

## **Item 12 Brokerage Practice**

### **The Custodian and Brokers We Use**

Cary Street Partners does not maintain custody of your assets that we manage or which we advise, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account for example, to pay your advisory fees on your instructions (see Item 15 Custody, below). Your assets must be maintained in an account at a "qualified custodian", generally a broker-dealer or bank.

### **How We Select Brokers/Custodians**

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- Availability of investment research and tools that assist us in making investment decisions.
- Quality of service
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength and stability
- Prior service to us and our other clients

When, and if, Cary Street Partners has discretion to determine the broker-dealer to be used in a securities transaction, the general policy is to select or recommend, as applicable, broker-dealers on the basis of the best combination of market price, responsiveness, financial responsibility and execution capability, under the requirements of all applicable law. Where more than one broker-dealer is believed to be capable of providing the best combination of price, responsiveness, financial responsibility and execution capability with respect to a particular transaction, a broker-dealer that furnishes research, including:

- research reports on companies, industries, and securities;
- economic and financial data;
- financial publications;
- and/or computer data, may from time to time be selected.

These selections and the amount of brokerage given a particular broker-dealer are not made pursuant to any agreement or commitment with any of the selected broker-dealers that would bind Cary Street Partners to compensate the selected broker-dealer for research provided. However, an internal allocation procedure may be used to identify those broker-dealers who have provided Cary Street Partners with research and the amount provided, and Cary Street Partners may endeavor to direct sufficient commissions to them to ensure continued receipt of research which it believes is useful.

Other judgmental factors utilized in determining the broker-dealer to effect your transactions may include:

- knowledge of negotiated commission rates currently available and other current transaction costs;
- the nature of the security being traded;



- the size of the transaction;
- confidentiality;
- the execution, clearance and settlement capabilities of the broker-dealer selected and others which are considered;
- and knowledge of the financial stability of the broker-dealer selected and others that are selected.

In regards to the established programs, Cary Street Partners recommend that our clients use First Clearing or Schwab as the qualified custodian. We are independently owned and operated and are not affiliated with First Clearing or Schwab. First Clearing or Schwab will hold your assets in a brokerage account and buy and sell securities when instructed. While we recommend that you use First Clearing or Schwab as custodian/broker, you will decide whether to do so and will open your account with First Clearing or Schwab. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at First Clearing or Schwab, we can still use other brokers to execute trades for your account.

### **Your Brokerage and Custody Costs**

For our clients' accounts that Schwab or First Clearing maintains, Schwab or First Clearing generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your account. For some accounts, Schwab or First Clearing may charge you a percentage of the dollar amount of assets in the account in lieu of commissions.

### **Products and Services Available to Us from Schwab**

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage-trading, custody, reporting, and related services many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts; while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. The following is a more detailed description of Schwab's support services:

**Services That Benefit You.** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

**Services That May Not Directly Benefit You.** Schwab and First Clearing also make available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

**Services That Generally Benefit Only Us.** Schwab and First Clearing also offer other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab or First Clearing may provide some of these services itself, in other cases, it will arrange for third-party vendors to provide the services to us. Schwab or First Clearing may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab or First Clearing may also provide us with other benefits, such as occasional business entertainment of our personnel.

### **Our Interest in Those Services**

The availability of these services from Schwab or First Clearing benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's (or First Clearing's) services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that the availability of Schwab or First Clearing as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's or First Clearing's services and not their services that benefit only us.

You authorize that we may effect and execute brokerage transactions. On occasion, you may designate, or the law may require, the use of other broker-dealers. Costs and transaction fees arising from transactions effected by entities other than Cary Street Partners LLC or attributable to dealer mark-ups, markdowns or “spreads” (in transactions where Cary Street Partners LLC or another entity acts as principal for its own account) will be separately borne by clients.

Under certain programs, Cary Street Partners LLC is generally appointed as sole and exclusive broker by the client with respect to the referenced account for the execution of transactions. In connection with these transactions, they may act as agent or, where permitted by law, principal (including instances wherein we are acting as underwriter or selling group members). We are not responsible for the day-to-day investment management of client accounts; we will effect only transactions as instructed by the investment advisers, or, in the case of Asset Advisor and CustomChoice, the client. We will perform no discretionary acts with respect to clients’ accounts unless authorized in writing by the client. We are under no obligation to effect any transaction for a client account that we believe to be improper under applicable law, rule or regulation.

Advisory client orders are treated with the same priority and procedural flow as non-advisory brokerage customer trades, except to accommodate the trading restrictions placed on these accounts with respect to principal and agency cross-transactions. When feasible, it is our practice to aggregate, for execution as a single transaction, orders for the purchase or sale of a particular security for the accounts of several clients, in order to seek a more advantageous net price. In addition, investment advisers may similarly aggregate for execution as a single transaction, trades directed to us. The benefit, if any, obtained as a result of such aggregation generally is allocated pro-rata among the accounts of clients that participated in the aggregated transaction in accordance with procedures adopted by investment managers. Client transactions are monitored regularly by branch supervisors, and Wealth Management personnel monitor Program exceptions. In addition, Cary Street Partners uses system controls and identification to restrict fee-based accounts from being charged commissions. We also regularly review reports to determine if clients have been charged commissions in error and correct client accounts where appropriate. Clients who have a brokerage account relationship with Cary Street Partners LLC unrelated to an advisory service will be charged commissions, fees and execution costs, if any, in effect for the specific brokerage account.

Cary Street Partners does not engage in soft dollar arrangements except to the extent your qualified custodian may provide services described below.

Schwab or First Clearing may make available, arrange and/or pay third-party vendors for the types of services rendered to Cary Street Partners. These firms may discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees to a third-party providing these services to Cary Street Partners. Schwab or First Clearing may provide other benefits such as educational events or occasional business entertainment of Cary Street Partners personnel. In evaluating whether to recommend or require that you custody your assets at Schwab or First Clearing or any other firm, Cary Street Partners may take into consideration the availability of some of the foregoing products or services and other arrangements as part of the

total mix of factors it considers and solely the nature, cost or quality of custody and brokerage services provided, which may create a potential conflict of interest.

Cary Street Partners may recommend that you establish brokerage accounts with First Clearing, Schwab or other qualified custodian to maintain custody of your assets and to effect trades for your account(s). Although, depending on the product or service, Cary Street Partners may recommend that you establish account(s) at First Clearing, Schwab, or other qualified custodian, it is your decision to custody assets with First Clearing, Schwab, or other qualified custodian. Cary Street Partners is independently owned and operated and not affiliated with First Clearing, Schwab or any other qualified custodian.

Schwab provides Cary Street Partners with institutional trading and custody services, which are typically not available to retail clients. These services are generally available to independent investment advisers at no charge to them so long as they maintain a minimum amount of client assets at Schwab. These services may be contingent upon Cary Street Partners committing to Schwab a specific amount of business (assets in custody or trading commissions). Schwab's and First Clearing's brokerage services include the execution of securities transactions, custody, research and access to mutual funds or other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For Cary Street Partners client accounts maintained in Schwab's custody, Schwab generally does not charge separately for its custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle in Schwab accounts.

In cases where you direct that broker-dealers other than Cary Street Partners or its affiliates are to be used to execute securities transactions, it is your sole responsibility to negotiate the applicable commission rates with the broker-dealers. You should also understand that such directed broker arrangements may cause you to forgo any savings on execution costs that your investment manager otherwise might be able to negotiate with such other broker-dealer or broker-dealers, such as obtaining volume or other discounts on batched orders, and that, in the aggregate, you may pay materially different commissions from such investment manager's other clients, depending upon your arrangement with Cary Street Partners. Directed brokerage arrangements may cause you to forgo any savings on execution costs that might have been provided by the wrap fee program. For your accounts subject to ERISA, you should understand that your broker arrangement must be done for the exclusive benefit of participants and beneficiaries of the plan and that it must not constitute or cause the account to be engaged in a prohibited transaction as defined by ERISA. You may wish to compare the possible costs or disadvantages of such brokerage arrangements.

As appropriate, orders effected by Cary Street Partners for you may be aggregated for the purpose of obtaining best execution. In such an event, the transactions, as well as the expenses incurred in the transaction, will be allocated according to one or more methods designed to ensure that such allocation is reasonable and equitable and does not consistently advantage or disadvantage any account. It may not be possible to receive the same price or time of execution for all of the securities purchased or sold in an aggregated order. Therefore, such aggregated

order may be executed in one or more transactions at varying prices and your order generally will receive the average price for the day with respect to such transactions. Partially filled orders will be allocated on a pro-rata, random, or otherwise equitable basis, with your order generally receiving the average price for a given day with respect to such transaction.

### **Item 13 Review of Accounts**

Cary Street Partners associates will review your account on a periodic basis (typically quarterly, but sometimes more or less frequently, if the client desires) to evaluate performance, concentration, style drift, cash flows, adherence to investment guidelines or restrictions, investment selection, and asset quality and other metrics of the investment vehicle.

Cary Street Partners may, if requested, show you how the investment compares to its peers and/or relevant benchmark and provide other assessments.

Upon the opening of each account, your investment objectives and strategy are reviewed for approval and consistency. Thereafter, accounts are reviewed on a transaction, monthly, quarterly or annual basis, as applicable, to monitor the account's performance, the individual mutual funds for appropriateness, and certain restrictions that may apply.

We provide you, through the services of our sub-adviser, with periodic portfolio monitoring services which may include a statistical presentation of the performance of your account(s), based on such information as is reflected on our records and outgoing comparisons of such performance with selected industry indices. Normally, the periodic portfolio monitoring report is calculated based on the activity of the account since its inception in our program. As an additional service, we may include supplemental historical information as provided by you, your previous qualified custodian or investment adviser related to your account when it was held outside of our program. At your direction, where feasible, we will incorporate this information in a consolidated periodic portfolio monitoring report. We have not reviewed or audited any of this supplemental historical information and do not in any way certify, guarantee, or provide any assurance as to the reliability of the information. In addition, we do not guarantee the accuracy of the calculations performed on such information nor offer any assurance that the portfolio monitoring report was calculated in accordance with accounting or industry standards. The additional time necessary to obtain, input, and report on the historical information may cause a delay in producing the portfolio monitoring reports for accounts new to our program.

In addition, we will transmit to you (and where appropriate the investment manager) the following:

- a. trade confirmations reflecting all transactions in securities; provided, however, that we may furnish periodic statements of account activity in lieu of transaction-by-transaction confirmations to the extent and in the manner permitted by Rule 10b-10 under the Exchange Act; and
- b. a statement of account activity at least quarterly.

Program services provided by our personnel and facilities include a review and monitoring of your account(s).

You agree to inform us in writing of any material change in your financial circumstances that might affect the manner in which your assets should be invested. Those changes deemed material or appropriate will be forwarded to any applicable investment manager under the particular program as soon as practicable after we become aware of the change. In addition, those responsible for making investment decisions for you will be reasonably available to you for consultation.

Upon the opening of each account, the client's investment objectives and strategy are reviewed for approval and consistency with guidelines. Thereafter, the accounts are reviewed on a transaction, monthly, quarterly, or annual basis, as applicable, to monitor the accounts performance, the individual mutual funds for appropriateness, and certain restrictions that may apply.

The services provided include quarterly progress reviews for the client's account. The reports include a review and evaluation of the client's portfolio with respect to the client's investment goals and objectives. Such reports may contain our investment recommendations for the client's account.

## **Item 14 Client Referrals and Other Compensation**

Cary Street Partners or its affiliates may from time to time enter into solicitation agreements providing cash compensation to solicitors who secure clients for its investment advisory programs. Cary Street Partners also may from time to time enter into solicitation agreements under which it receives cash compensation for referring clients to other investment managers, including one or more of its affiliates. These agreements are fully disclosed to the client.

Cary Street Partners, or its affiliates, may from time to time enter into joint marketing activities with investment managers and/or sponsors of mutual funds in the investment advisory programs it offers. These managers and/or sponsors may pay a portion, or all, of the cost of the activities, which payment may at times take the form of reimbursement to Cary Street Partners or Cary Street Partners LLC.

Cary Street Partners may from time to time enter into arrangements with other investment advisers whereby Cary Street Partners agrees to provide certain services to clients of the investment adviser in exchange for a portion of the investment advisory fee paid to the investment advisers by the client.

Clients who have investment advisory accounts with Cary Street Partners may also have other accounts with the firm or its affiliates in which management fees are not charged. The payment of commissions in these non-managed accounts is negotiated on an entirely separate basis from the payment of fees and commissions, if any, in the investment advisory accounts.

## **Item 15 Custody**

Your broker-dealer, bank or qualified custodian will send you directly, at least quarterly, account statements reflecting the activity in your account. You should always carefully review these statements. You should also always compare the account statements you receive from your broker-dealer, bank or qualified custodian to any statements you may receive from Cary Street Partners Investment Advisory LLC.

## **Item 16 Investment Discretion**

In certain investment consulting programs, Cary Street Partners and its employees may accept discretionary authority over the accounts of investment advisory clients, including authority to determine the identity and amount of securities to be purchased or sold. The breadth and limitations on such discretionary authority are determined by law and by agreement with the client. For example, securities sold in a public offering generally may be purchased for certain investment advisory clients. However, certain clients may be precluded from participating in such offering if the client is designated as a restricted person. Furthermore, from time to time, Cary Street Partners may agree to comply with the investment guidelines and/or limitations set forth in negotiated client agreements, including asset allocations and restrictions. Guidelines and/or limitations necessarily vary from client to client based upon client objectives and other factors.

In addition to the discretionary authority described above, the client may grant discretionary authority to Cary Street Partners under the Private Investment Management Program and, in certain instances, the Schwab One accounts. Upon signing the Cary Street Partners Discretionary Account Agreement, we will have full discretionary power to supervise and direct the investments in these accounts, as long as the accounts have the same client registration, based on your Investment Policy Statement and any other written investment guidelines or restrictions you have provided to us. The discretionary agreement also authorizes the transfer of funds and/or securities between your accounts with like registration.

## **Item 17 Voting Client Securities**

Cary Street Partners may exercise proxy-voting authority for certain accounts as authorized in the client service agreement. Cary Street Partners will retain a third party vendor to provide independent proxy voting based on objective research in order to avoid any potential conflicts of interest between the client and those of the Firm. The service votes proxies on behalf of clients. The proxy voting strategy seeks to maximize shareholder value and attempts to vote the proxies

in their best interests. Cary Street Partners reserves the right to recommend a different voting strategy on behalf of the client that is consistent with the client's needs and constraints.

In certain investment consulting programs, such as the Masters and Network Programs, the client may have authorized the third-party investment manager to vote proxies on his or her behalf. In those instances, Cary Street Partners will forward the proxy materials to the client's investment manager. To the extent we have contracted to do so, Cary Street Partners will provide this information to clients on behalf of third-party investment managers who vote on behalf of clients. Clients should contact their FA if they have any questions and/or to obtain this information.

## **Item 18 Financial Information**

Cary Street Partners Investment Advisory LLC's financial condition is sufficient to meet its financial commitments to clients and the firm has not been the subject of any bankruptcy proceeding.