



**Part 2A Appendix 1 of Form ADV**

**Managed Account Access®  
Managed Account Marketplace®  
Managed Account Select®  
Schwab Charitable Fund™**

**Cary Street Partners Investment Advisory LLC  
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**Revised April 1, 2013**

**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 material changes and other changes to our Cary Street Partners Investment Advisory LLC **Managed Account Access®**, **Managed Account Marketplace®**, **Managed Account Select®**, and **Schwab Charitable Fund™** programs since the last amendment of our Form ADV on April 30, 2012.

### Material Changes

1. Cary Street Partners Investment Advisory LLC has revised Item 4 of the brochure to reflect updated figures for the firm's assets under management.
2. Cary Street Partners Investment Advisory LLC added the Allocation Advisors Program as a new service available to our clients. This investment advisory program enables you to invest in one of several discretionary portfolios. Program portfolios are developed by an unaffiliated investment advisor who has been contracted by our sub-advisor for their management expertise, and who provides their investment strategy to us. For information regarding the Allocation Advisors Program please see the Masters Program, Diversified Managed Allocations, Compass Advisory Program, Private Advisor Network, and Allocation Advisors brochure.

### Other Changes

1. Cary Street Partners Investment Advisory LLC added the following new types of securities and investment instruments:
  - Investment advisory variable annuities
  - Private equities,
  - Real estate funds
  - Currencies

For information on these securities see the Individual and Institutional Consulting Services and Retirement Plan Participant Investment Education Services brochure

2. The Methods of Analysis, Investment strategies and Risk of Loss sections of the brochures have been updated to reflect changes in the firm's research processes.

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## Item 4 Services, Fees and Compensation

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.

All of the services and programs listed below begin with a consultation with you by a Cary Street Partners’ Financial Advisor (“FA”) to review your investment objectives, financial situation, and risk tolerance. You are asked to complete an Account Profile/Investment Policy questionnaire (“account profile”) to document the results of this assessment. After a review by the FA of your account profile, the FA will determine which program would fit your needs.

Cary Street Partners investment consulting services include:

Identifying investment goals and priorities. Your 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 investment selection. Depending on the program selected, your FA, after establishing your asset allocation strategy, will identify an investment portfolio strategy whose style, philosophy and performance best suit your investment needs. Also, depending on the program selected your FA or the 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 custodian broker-dealer.

These investment consulting services are provided to you through the following services and established programs:

Individual and Institutional Consulting Services  
Personal Financial Planning Services  
Retirement Plan Participant Investment Education Services

Established Programs:

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

This brochure is being provided to describe Managed Account Access®, Managed Account Marketplace®, Managed Account Select®, and Schwab Charitable Fund™. Other brochures, available upon request, describe the investment consulting service program and fee structures for:

1. Individual and Institutional Consulting Services, Cary Street Partners Portfolio Management and Retirement Plan Participant Investment Education Services;
2. Personal Financial Planning;
3. Masters, DMA, Compass Advisory, Private Advisor Network and Allocation Advisors programs;
4. PIM, Asset Advisor, FundSource and CustomChoice programs;

Schwab’s Managed Account Marketplace®, a program where your assets are custodied at Schwab and trades are effected by Schwab, usually on a commission basis. Cary Street Partners, under a separate contractual arrangement, provides investment consulting and advice to you and may help you in the selection of investment managers to manage your portfolio.

Schwab’s Managed Account Access®, a program which allows you to select one or more investment managers with your FA’s assistance. These investment managers will manage your investment portfolio on a discretionary basis based on an investment strategy. This program includes investment managers that are not affiliated with Schwab and two investment managers that are affiliated with Schwab.

Schwab's Managed Account Select®, a program which allows you to select one or more investment managers with your FA's assistance. These investment managers will manage your investment portfolio on a discretionary basis based on an investment strategy. This program includes investment managers that are not affiliated with Schwab.

Schwab's Charitable Fund™ is committed to increasing charitable giving in the United States by providing advantageous ways to give, useful information and unbiased guidelines. The Fund is recognized as a tax-exempt public charity and is eligible to receive tax deductible charitable contributions.

Many of the services listed above can be combined under our portfolio management service. This service provides discretionary investment advice and investment management to the various accounts that make up your portfolio. 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, the Master's Program, the Private Advisor Network Program, the Schwab One accounts, the Schwab Access or Select Program, the Schwab Marketplace program or other accounts, where Cary Street Partners may take discretion. 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.

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

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

For our clients' accounts that Schwab maintains, Schwab 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 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 makes 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 these firms, based on our interest in receiving their 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 out of 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.

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

These firms 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 the 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.

The amount of client assets managed as of December 31, 2012, on a discretionary basis, is \$181,350,325 and the amount of client assets managed on a non-discretionary basis is \$639,861,731.

## **Item 5 Account Requirements and Types of Clients**

The programs described in this brochure 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.

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

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 and real estate. Managers are indicated on the list as either "Recommended" or "Monitored." "Recommended" managers or funds are those officially endorsed for additional investment within that sub-asset class, assuming it fits within the parameters of a client's diversified portfolio. "Monitored" managers are ones that are not recommended for new investment but are closely and regularly followed by the Research group so that they may continue to be held in client accounts. They may be downgraded in the future if on-going monitoring warrants dropping the manager from the Research Coverage List. Manager deletions from the Research coverage List are also subject to Investment Committee approval.

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, private equity and real estate 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; currencies, commodities and precious metals; MLPs and REITs; preferreds; region-country and sector-specific strategies; and asset allocation 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, (4) market/peer group correlation, (5) benchmark tracking error, (6) adherence to manager's style and process, and (7) growth in assets in strategy/fund. Qualitative factors are equally important and include (1) the experience and integrity of the investment professionals, (2) the quality of the manager's infrastructure, (3) the soundness and capacity of the investment strategy, (4) the manager's risk management controls, (5) employee turnover, (6) transparency of strategies and positions, and (7) ease and openness of communications.

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. Form ADVs, prospectuses, limited partnership agreements and other legal and regulatory documents are then reviewed for potential problems and 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 and 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.

Schwab determines the investment managers and investment strategies for Managed Account Marketplace®, Managed Account Select® and Managed Account Access®. You can find Schwab's review process and evaluation procedures in their disclosure brochure that your FA will give you at the time of opening an account.

Cary Street Partners does not have any related persons acting as a portfolio manager in the Schwab programs.

## **Item 7 Client Information Provided to Portfolio Managers**

The sub-adviser will forward to the investment manager a copy of your account profile, as well as any restrictions you want to impose on your account.

## **Item 8 Client Contact with Portfolio Managers**

You may contact an investment manager directly, although it is generally expected that you will direct all questions to Cary Street Partners or your FA concerning your account.

## **Item 9 Additional Information**

### **Disciplinary Information**

Cary Street Partners Investment Advisory LLC or its management personnel are not involved and have not been involved in any legal or disciplinary events that are considered material.

### **Other Financial 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 Investment Advisory LLC 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 the Individual and Institutional Consulting Services brochure, 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. The firm may offer similar investments to our investment advisory clients in the future. 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 "onshore fund"). V The fund is a Delaware limited partnership and Hedge Fund Management is provided by Cary Street Partners Investment Advisory LLC. Our firm also serves as the investment manager to the Jefferson global Growth Fund, Ltd., a Cayman Islands exempted company that pursues a similar investment strategy as the onshore fund.

Cary Street Partners will 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 have agreed 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.

### **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 certain securities for a period of 24 hours after investment committee approval and/or a period of 24 hours after significant recommended asset allocation adjustments are determined. Research Analysts and Financial Advisors are prohibited from purchasing securities that an analyst has recommended for 24 hours following the official release of the recommendation.

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.

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 period of time, unless such shares are sold prior to issuance of a buy 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.

## **Review of Accounts**

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.

Schwab will send you a monthly account statement detailing positions and activity in your account during the preceding month. The statement will include a summary of all transactions made on your behalf, all contributions and withdrawals made to or from your account, all fees and expenses charged to your account, and the value of your account at the beginning and end of the period. The statement may be based upon information obtained from third parties. Schwab believes that the data obtained from these third parties is accurate but has no independent means of verifying and cannot guarantee such accuracy.

Investment managers monitor and review their clients' accounts based on their own compliance and supervisory systems of account review. Investment managers may provide performance information directly to you or Cary Street Partners. This performance information may not be calculated on a uniform or consistent basis and Schwab does not review that information and is not responsible for accuracy.

We provide you, through the services of our Fortigent, 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 custodian broker-dealer 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, your custodian will transmit to you (and where appropriate the investment adviser) 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, 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.

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

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 Brokerage Practices in the Individual and Institutional Consulting Services brochure). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Cary Street Partners may receive indirect compensation from clients by the directed allocation of all or a portion of their brokerage business to Cary Street Partners LLC on securities transactions executed for the client by the client's investment manager(s). All of the business that is allocated to Cary Street Partners LLC is done at rates which are fully disclosed to the client and which are competitive with those that could be obtained from other broker-dealers for similar services. The client should understand that, in such cases, the client may pay commissions which are higher

than if the transactions were effected through broker-dealers other than Cary Street Partners LLC or if the client's investment manager negotiated the commission rates. The statistically based, objective portfolio and investment manager analysis furnished to the client on a quarterly basis by Cary Street Partners LLC in connection with its investment advisory programs is in no way influenced by the percentage of brokerage business provided by the investment manager to Cary Street Partners LLC. In addition, Cary Street Partners LLC may receive mutual fund sales charges and/or distribution and shareholder servicing fees with respect to mutual fund shares for which Cary Street Partners LLC is designated to be broker of record.

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 advisers, 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.

## **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.