

Folger Nolan Fleming Douglas Incorporated

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March 30, 2020

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This brochure provides information about the qualifications and business practices of Folger Nolan Fleming Douglas Incorporated (“FNFD”) private wealth management services. If you have any questions about the content of this brochure, please contact Christopher Durchanek, Senior Vice President at (202) 626-5326. The information in this brochure has not been approved or verified by the U. S. Securities and Exchange Commission or by any state securities authority.

Additional information about FNFD is also available on the SEC’s website at www.advisorinfo.sec.gov .

Material Changes

Set forth below is a discussion of material changes to FNFD's wrap fee program brochure since the last annual update to the brochure, which was filed with the U.S. Securities and Exchange Commission on March 31, 2019.

- **Custody and Clearing Services.** The section entitled Custody was updated to reflect the change in clearing brokers and qualified custodian from Wells Fargo Clearing Services, LLC to Pershing LLC.

This page contains a statement of material changes only, and not a complete listing of all changes since the last update of the firm's wrap fee program brochure dated March 31, 2019.

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Advisory Business

FNFD is a dually registered broker-dealer and investment adviser. FNFD was formed as a broker-dealer in 1931, and has a history as an investment firm dating back to 1889. FNFD registered as an investment adviser in 2007 to participate as an investment adviser in wrap fee (all-inclusive fee that covers generally, advisory, brokerage, custodial and reporting services) programs made available by Pershing LLC (“Pershing”) FNFD is principally owned by Lee M. Folger through limited partnerships and corporations.

FNFD provides advisory services encompassing family private wealth management. This brochure provides information on FNFD’s private wealth management services. Private wealth management services encompass investment review, analysis, and recommendations combined with the ongoing management for a family’s accumulating assets and wealth in any type of account (personal, trust, retirement, charitable, foundations, etc.).

The wrap fee programs offered by WFA and currently available from FNFD are discussed in a separate brochure, available from your Account Executive.

FNFD has entered into a brokerage clearing agreement with Pershing to execute and perform the clearance on a fully disclosed basis of all purchase and sale orders directed to it by FNFD.

FNFD is not related to or affiliated with Pershing.

As of March 18, 2020 there was \$447,381,771 in assets under management in private wealth management client accounts.

Fees and Compensation

Private wealth management services encompass investment review, analysis, and recommendations combined with the ongoing management for a family’s accumulating assets and wealth in any type of account (personal, trust, retirement, charitable, foundations, etc.).

Private wealth management services may also include review, analysis, and recommendations across key areas of a family’s personal financial situation. Included may be review and analysis for assets and debts, income and expense cash flow, and estate and gift planning, and along with the review coordination of activities with a client’s accountant or attorney. There may also be other unique client requirements to be met at the request of a client.

FNFD Account Executives meet with the client to review the client’s investment objectives, financial circumstances and risk tolerance, and investment profile information provided by the client. The result of this assessment is used in establishing an investment management account consistent with client guidelines.

Each client has the ability to impose reasonable restrictions on the management of the client’s account, in some cases including the designation of particular securities or types of securities that should not be purchased for the account or sold if held in the account. A client will not be able to provide instructions that

prohibit or restrict the investment advisor of an open-end or closed-end mutual fund or exchange traded funds with respect to the purchase or sale of specific securities or types of securities within the mutual fund.

FNFD's private wealth management fees are based on a percentage of the client's assets under management.

Our current standard private wealth management fee schedule is 0.50% of client assets.

Fees may be negotiable, and may be higher or lower than the standard schedule depending upon the type of assets under management, the size of the account, relationship with other accounts, the extent of supplemental services to be provided to the relationship, and other factors.

Investment advisory fees are charged quarterly in advance and are based on the value of the assets under management on the last day of the previous quarter. The quarterly fee is computed at one fourth the annual rate. Fees may be deducted from the client's account in custody at Pershing, the clearing broker for FNFD, or may be billed to the client, at the client's option.

Each client enters into an advisory agreement that continues in full force until either the client of FNFD gives written notice to the other party of its intention to cancel it, in which event the contract terminates on such date as is specified by the terminating party. When either party terminates the relationship, the "unused" portion of the prepaid management fee is refunded by FNFD. The "used" portion covers the period from the beginning of the quarter in which the contract is cancelled through the specified termination date.

In addition to advisory fees, clients will incur brokerage commission costs. In such cases where clients have directed that FNFD act as broker in their transactions, FNFD earns a brokerage commission for security trades effected for clients. FNFD transaction charges for security trades effected in client accounts are disclosed below in the section entitled Brokerage Practices.

Trades executed by FNFD for CMI client accounts are cleared through Pershing. FNFD pays Pershing for the execution, clearance, and other services, and CMI receives research and other analysis from Pershing as a result of this relationship.

Pursuant to the clearing agreement between FNFD and Pershing, Pershing performs for FNFD certain custodial functions customarily performed with respect to securities brokerage accounts, which, among other things, will include crediting of interest and dividends on account assets and crediting of principal on called or matured securities in the account. FNFD compensates Pershing pursuant to a brokerage clearance fee schedule.

The fee does not include certain dealer markups or markdowns, costs attributable to "spreads" between the inter-dealer purchase and sales price, odd lot differentials, transfer taxes, exchange fees (among which SEC fees may be included), and any other fees required by law. Non-brokerage-related fees, such as IRA fees are not included and may be charged to accounts separately.

The initial fee is calculated as of the date that the account is accepted and covers the remainder of the current calendar quarter. Subsequent fees will be determined for calendar quarter periods and shall be calculated on the basis of the market value of the securities and cash held for the particular account of the Client on the last business day of the preceding calendar quarter.

No fee adjustment will be made during any fee period for appreciation or depreciation in the value of the assets in the Account during that period.

Whenever there are changes to the fee schedule, the schedule charges previously in effect shall continue until the next billing cycle. Established fees may not be increased unless the Client executes a new agreement.

FNFD Account Executives are compensated solely by FNFD. A portion of the fees received by FNFD for its advisory services is normally paid by FNFD to its Account Executives in connection with the introduction of accounts and/or the provision of client-related services. The portion of the fee paid by FNFD to its Account Executives ranges from 20% to 50% of the fees received by FNFD. FNFD makes available to Program clients

and its own brokerage clients sweep arrangements with various money market mutual funds managed by Dreyfus Corporation (“Dreyfus”), and sweep arrangements to interest bearing deposit accounts through Reich & Tang Deposit Solutions, LLC with banks insured by the Federal Deposit Insurance Corporation up to limits established by Congress. Dreyfus is a BNY Mellon Company and an affiliate of Pershing. The sweep arrangement money market mutual funds are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency, unless disclosed otherwise in the prospectus for the fund.

Mutual funds typically offer different share classes with different costs. Generally, share classes that cost the holder more pay more to a financial intermediary, such as FNFD. Nonetheless, FNFD attempts to recommend or purchase the lowest cost share class available to a client provided to FNFD by WFCS, FNFD’s clearing broker. On occasion, this may not be the case, for instance when mutual fund positions are acquired by the client before the management of the account is transferred to FNFD. In such cases, conversion to the lowest cost share class available to the client through the appropriate clearing broker may not occur for up to ninety days after the legacy positions are placed in the client’s advisory account at FNFD. Share classes may not be converted at all if such conversions create tax liabilities that outweigh the cost savings from conversion.

FNFD selects the lowest cost share class available to a client that is offered by WFCS or another broker selected by the client. Not all clearing brokers offer every share class of a particular mutual fund, and some clearing brokers require other conditions to be satisfied before making a particular share class available. It is possible that lower cost share classes would be available to the client if another clearing broker was used.

CMI ordinarily does not recommend or purchase mutual fund shares for its clients. From time to time, client accounts hold mutual fund share classes that pay Rule 12b-1 fees to FNFD. These payments create a conflict of interest for FNFD due to the incentive to recommend that the client continue to hold or purchase these mutual fund share classes, even if a lower cost share class of the same mutual fund is available to the client through the appropriate clearing broker. FNFD seeks to address this conflict by making investment recommendations based solely in its client’s best interests, by disclosing to its clients the conflict of interest associated with buying and holding mutual fund shares with Rule 12b-1 fees, and where appropriate, by conversions to the lowest share class available to the client.

For more information about any mutual fund, and a complete description of its fees, charges and expenses or any of its revenue sharing or expense compensation arrangements, clients should consult the applicable fund’s prospectus.

Performance Based Fees and Side-by-Side Management

FNFD does not charge performance-based fees.

Types of Clients

FNFD offers family private management services to various types of clients, including high net worth individuals, their families, family offices and related entities, foundations, endowments and charitable and other nonprofit institutions.

FNFD’s usual target dollar value of assets for starting a client relationship is \$25 million, which may include several related accounts. FNFD reserves the right to waive or reduce the minimum relationship size in its sole discretion.

Methods of Analysis, Investment Strategies and Risk of Loss

Account relationships and investment strategies are based upon consultation by our Account Executive with the client, and concurrent review of the client’s investment objectives, financial circumstances, risk tolerance, and any investment restrictions. The information provided by the client during the new account opening and

investment profiling process is used to determine and implement an investment strategy specific to the client's needs and circumstances.

The main sources of information used to make investment recommendations include research reports prepared by others, financial publications, corporate rating services, company press releases and annual reports, prospectuses, and filings with the Securities and Exchange Commission.

Investments to implement a strategy may be made in equity securities, fixed income securities, open and closed end mutual funds, and exchange-traded funds ("ETFs"). ETFs and mutual funds may be used to gain exposure to fixed income markets, specific equity market sectors and international markets. ETFs represent shares of ownership in either mutual funds or unit investment trusts that hold portfolios of common stocks or bonds, which are designed generally to correspond to the price and yield performance of their underlying indexes, representing either the broad stock market, various market sectors at different capitalization levels, industry sectors, international stock, U.S. bonds, or international bonds.

Any investment in securities involves the risk of loss of principal. The success of investment activities for client accounts may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of client investments. Unexpected volatility or illiquidity could impair profitability of investments or result in losses. There is no guarantee that any investment advisor will be successful in implementing its investment strategies.

Account values could fluctuate over short periods of time due to short-term market movements and over longer periods due to market downturns. Individual securities in client accounts may face trading risks, including the potential lack of an active trading market and the resulting inability to sell the security or sell at favorable times or prices. The value of individual securities in your account may be adversely affected and decline in value as a result of changes to the issuer's financial condition, credit rating or other adverse circumstances.

Specific types of securities each have attendant risks:

The equity market sector will generally present the greatest degree of risk of loss to client portfolios. The value of equity securities may fluctuate in response to company specific factors, industry market conditions or the general economic environment. Common shares generally are the most junior securities in a company's capital structure and are thus in the first-loss position and the most susceptible to fluctuations in value. The securities of smaller companies may involve greater risk and their prices may be subject to greater volatility than those of larger companies.

International equity investments involve additional risks, including the risk of capital loss from unfavorable fluctuations in currency values, differences in accounting treatment, or economic or political instability in other nations. In addition, the application of foreign tax laws (e.g. the imposition of withholding taxes on dividends or interest payments) or confiscatory taxation may effect investments in foreign securities.

The value of fixed-income securities may change as the general levels of volatility and interest rates fluctuate. When interest rates decline, the value of fixed income securities can be expected to rise. Conversely, when interest rates rise, the value of fixed income securities can be expected to decline. The market value of fixed-income securities also varies according to the relative financial condition of the issuer.

Although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indexes, ETFs may not be able to replicate exactly the performance of the indexes because of their expenses, tracking error (discrepancy between the composition of the underlying index and the composition of the ETF), and other factors. An exchange traded sector fund may be adversely affected by the performance of that specific sector or group of industries on which it is based.

For clients that may borrow against the value of the assets in their account, interest is charged as disclosed in

the Pershing margin lending agreement. To the extent margin is used in your account, the margin debit balance will not reduce the market value of eligible assets, and will therefore increase the asset-based advisory fee you are charged. The increased asset-based advisory fee may provide an incentive for your Account Executive to recommend the use of margin. The use of margin increases risk through the increase of leverage in an account. In addition to the risks mentioned above, with respect to investment advisory account(s) that are pledged or otherwise used as collateral for margin or any other securities-based lending product, the exercise of Pershing rights and powers over the assets in your advisory account(s), including the disposition and sale of any and all assets pledged as collateral may be contrary to your interests and the investment objective of your advisory account(s). For example, such recommendation to use margin or a securities-based lending product could result in a situation in which we are required to liquidate securities your Account Executive or money manager would otherwise not sell, and which may not otherwise be in your best interests to sell, to satisfy a maintenance call.

FNFD receives payments from Pershing for a portion of the interest rate charged to clients. The portion FNFD receives is based on a number of variables including the amount of FNFD customer debit balances versus FNFD free credit balances (“matched” and “unmatched” customer debit balances) and the net cost of funds assessed to FNFD by Pershing as determined by the matched and unmatched customer debit balances.

Disciplinary Information

Neither the firm nor any of its employees or principals has any disciplinary information to report.

Other Financial Industry Activities and Affiliations

FNFD is a dually registered broker-dealer and investment adviser and is a member of the New York Stock Exchange and the Financial Industry Regulatory Authority, Inc. (FINRA). Accordingly, management personnel of FNFD are registered representatives and registered principals.

CMI is a wholly owned, indirect subsidiary of FNFD providing discretionary investment management services to its clients.

The advisory business of CMI is entirely separate from the advisory services provided by FNFD to FNFD clients who elect to participate in the Programs. CMI does not act as advisor in connection with any of the Programs described in this brochure.

CMI and FNFD share certain members of management. Richard S. Foster is President, Chief Executive Officer, Treasurer and Chief Operating Officer of CMI and FNFD and a Registered Principal and Registered Representative of FNFD. John R. Current, a Senior Executive Vice President and Secretary of FNFD and a Registered Principal and Registered Representative of FNFD, is also Secretary of CMI and a director of both FNFD and CMI. Lee M. Folger is the Chairman of the Board of both CMI and FNFD. Neil C. Folger is a director of both FNFD and CMI, a Registered Principal and Registered Representative of FNFD and a Senior Portfolio Manager of CMI.

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

FNFD and its affiliate CMI are engaged in other securities and investment advisory services. FNFD or CMI may also give advice and take action in the performance of their duties to clients which differ from advice given, or the timing and nature of action taken, with respect to the Programs, or advice being given by Program advisors. Additionally, FNFD or CMI may, from time to time, not be free to divulge or act upon certain information in their possession received from confidential sources.

FNFD Account Executives may invest in the same securities recommended to clients and may also buy or sell securities for client accounts at or about the same time that the Account Executives buy or sell the same securities for their own accounts.

In order to address conflicts that may arise from personal trading by Account Executives, FNFD has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisors Act. The portion of the Code that governs personal securities transactions is applicable to all Account Executives, certain officers of FNFD and members of their households. The Code requires all Account Executives to exercise their authority and responsibility for the benefit of clients and to refrain from activities that may conflict with the interests of clients. The Code contains policies and procedures that, among other requirements prohibit Account Executives from taking personal advantage of opportunities belonging to clients, prohibit trading on the basis of material nonpublic information (insider trading), address personal trading by Account Executives and impose reporting requirements with respect to such trading, impose limitations on the giving or receiving of gifts and entertainment and restrict outside business activities.

It is FNFD's policy that it will not trade with FNFD investment advisory clients as principal.

A copy of FNFD's Code of Ethics may be obtained from FNFD's investment advisory Chief Compliance Officer, Joseph M. Urban, at (202) 626-5300.

Brokerage Practices

Not all advisers require or recommend that their clients direct brokerage. However, FNFD does request that clients direct brokerage to a specific broker-dealer firm. Investment advisory clients may also direct that FNFD use brokers other than FNFD. FNFD may have an incentive to recommend FNFD to its clients instead of an unaffiliated broker-dealer. Where the client directs FNFD to use a specific broker other than FNFD, the commission rate will be as agreed between the client and such broker. Commission rates charged by such brokers may be higher or lower than those charged by FNFD, which are described below in this section.

For clients who have directed that FNFD use particular brokers, (including FNFD) such a direction of brokerage may result in their receiving less favorable executions in certain transactions, or in their paying higher transaction costs either in individual transactions or in the aggregate, because FNFD will be bound to use their broker regardless of its execution capabilities or other execution opportunities available in the marketplace with respect to particular transactions.

FNFD generally manages accounts and places orders on an account by account basis. Clients who have directed that FNFD act as broker in their transactions generally pay brokerage commissions on equity trades at rates not to exceed \$.05 per share, subject to a minimum of \$10 per trade.

Commission rates charged by FNFD may be higher than rates available from certain other brokers. Commissions charged to other FNFD brokerage customers are negotiated and may be higher or lower than commissions charged to FNFD advisory clients.

Compensation for trades in fixed income securities on behalf of clients varies according to the nature of the security, the size of the trade and the depth and liquidity of the market for the security in question. The commission schedule for such trades is as follows.

FNFD is compensated for purchases and sales of U.S. Treasury securities on behalf of advisory clients at a maximum rate of \$1.00 per \$1,000 par value, up to \$25 per trade, except for sales of U.S. Treasury securities with a remaining maturity of six months or less, for which there is no charge.

FNFD is compensated for purchases and sales of municipal securities, at rates that range from \$2.50 per \$1,000 par value for trades up to \$100,000 par value to a maximum of \$500 for trades of \$426,000 par value or more. There is a minimum charge of \$20 for the purchase or sale of municipal securities.

For the purchase and sale of corporate bonds commissions are \$1.00 per \$1,000 par value, up to a maximum of \$25.

Although FNFD generally manages accounts individually and places trades for such accounts separately, from time to time it may aggregate client trades for execution when it believes in its discretion that such aggregation will achieve the most equitable execution for all clients involved. Aggregated orders placed

through Pershing's block desk and may be executed as a single block or in a series of trades throughout the day and will receive the average price for executions done in a single trading day.

Clients who have directed that FNFD use brokers other than FNFD, may be excluded from participating in any block trades effected by FNFD and thus from the benefits of average pricing and any available economies of scale. Transactions for such other clients may be effected either before or after transactions effected by FNFD for clients who have directed brokerage to it.

FNFD may effect transactions for FNFD advisory clients in fixed income securities that trade in dealer markets. In such cases, commission charges may be imposed in addition to dealer costs, with the result that total transaction costs in some transactions may be higher than might be obtained in direct trades with dealers. FNFD believes that utilizing the brokerage services of FNFD provides both expertise on selection of specific fixed income issues in light of credit risk, market risk and call risk and access to specialized dealer networks in such instruments. This may improve the quality of securities made available to advisory clients for such securities, particularly in decentralized or opaque markets such as the secondary market for municipal securities.

FNFD does not have any soft dollar commission arrangements and does not direct brokerage in exchange for referrals.

Review of Accounts

At least annually, Account Executives contact each of their clients to determine whether there have been any material changes in the client's financial circumstances, investment objectives or instructions and to provide a review and evaluation of the client's portfolio in light of investment goals and objectives. When necessary, any changes are communicated to the Program manager.

FNFD through Pershing will transmit to clients (and where appropriate to the applicable investment advisor) trade confirmations reflecting all transactions in securities; provided, however, that periodic statements of account activity may be furnished in lieu of transaction by transaction confirmations to the extent and in the manner permitted by Rule 10b-10 under the Exchange Act. FNFD will also transmit statements of account activity at least quarterly.

Periodic portfolio monitoring reports (generally quarterly) are prepared by WFA or its affiliates for those clients that have directed FNFD to use Pershing for their clearance and execution services. FNFD does not audit the accuracy of the calculations performed on client account information or warrant that the portfolio monitoring report was prepared in accordance with industry standards. Upon request, the Account Executive will review each client's quarterly portfolio monitoring report with the client. In addition, at the request of clients, Account Executives may prepare other reports encompassing the client's holdings at other broker-dealers or custodians, holdings of other family members, foundations, or other accounts unique to the client relationship.

Client Referrals and Other Compensation

FNFD does not compensate any person who is not an FNFD supervised person for client referrals.

Custody

Pershing qualifies as "qualified custodian" as described by Rule 206(4)-2 of the Investment Advisers Act and pursuant to the clearing agreement between FNFD and Pershing, Pershing maintains custody of client assets.

Investment Discretion

FNFD does not manage client accounts on a discretionary basis.

Voting Client Securities

FNFD does not vote proxies on behalf of clients; accordingly, it does not maintain proxy voting procedures. Clients will receive their proxies or other corporate actions directly from the custodian or transfer agent.

Financial Information

FNFD does not require or solicit more than \$1,200 in fees per client, six months or more in advance.

FNFD has never been the subject of a bankruptcy petition and is not aware of any financial conditions that is reasonably likely to impair its ability to meet its contractual commitments to its clients.

Requirements for State-Registered Advisers

FNFD is not registered with any states, but is registered with the U.S. Securities and Exchange Commission.