

**Item 1. Cover Page**

**Form ADV Part 2A**

**INVEST Financial Corporation**

**8745 Henderson Road, Suite 300**

**Tampa, FL 33634**

**(800) 242-4732**

**[www.investfinancial.com](http://www.investfinancial.com)**

**March 31, 2012**

**This brochure provides information about the qualifications and business practices of INVEST Financial Corporation. If you have any questions about the contents of this brochure, please contact us at the above phone number. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.**

**Additional information about INVEST Financial Corporation ("IFC") is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**INVEST Financial Corporation is an SEC-registered investment advisor; however, registration itself does not imply a certain level of skill or training.**

## Item 2. Material Changes

We may update this document at any time but are required to promptly send clients a copy of any material changes to our disclosures upon doing so. In addition, we will also deliver an annual summary of all material changes that occur to this brochure along with an offer to provide you with a current version. The following updates have been made to this document since the last annual update of March 31, 2011.

Please be advised that language appearing under Item 14 “Program Compensation May Vary” has been updated to include information regarding new internal incentives relating to the WealthONE® Program. Additionally, Item 12 “Directed Brokerage” and Item 14 “Mutual Fund Distribution and Servicing Revenue” have also been updated to reflect that IFC may receive a portion of the administrative and servicing fees paid in connection with the sale of certain mutual funds.

You may request copies of this document by contacting us at (800) 242-4732, e-mailing us at [ia.compliance@investfinancial.com](mailto:ia.compliance@investfinancial.com), or downloading it at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### Item 3. Table of Contents

	Page
Item 1. Cover Page .....	1
Item 2. Material Changes .....	2
Item 3. Table of Contents .....	3
Item 4. Advisory Business .....	4
Item 5. Fees and Compensation .....	7
Item 6. Performance-Based Fees and Side-by-Side Management .....	10
Item 7. Types of Clients .....	11
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	11
Item 9. Disciplinary Information .....	12
Item 10. Other Financial Industry Activities and Affiliations .....	12
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	14
Item 12. Brokerage Practices .....	14
Item 13. Review of Accounts .....	16
Item 14. Client Referrals and Other Compensation .....	17
Item 15. Custody .....	20
Item 16. Investment Discretion .....	20
Item 17. Voting Client Securities .....	20
Item 18. Financial Information .....	21

## Item 4. Advisory Business

### Firm Overview

IFC Holdings, Inc., which conducts business under the name INVEST Financial Corporation (“IFC”), is an investment advisor registered with the SEC that provides a range of investment advisory services to clients through its licensed Investment Advisor Representatives (“Representatives”). IFC and its Representative may be referred to as “us,” “we” or “our” in this document, and clients may be referred to as “you” and “your.” Although IFC also offers brokerage and certain other investment related services, this document is limited to describing the investment advisory services we provide to clients. IFC has been in business since 1984 and is a direct subsidiary of National Planning Holdings, Inc., which is a Delaware based holding company that itself is an indirect subsidiary of the Prudential plc, a publicly traded international financial services company incorporated in the United Kingdom that was established in 1848. (Note: Prudential plc is not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America).

### Types of Advisory Services

IFC’s investment advisory services are offered to clients in three general categories each referred to as a “Program”—WealthONE®, Third Party Asset Managers (“TPAMs”), and Consulting Services.

## PROGRAM DESCRIPTIONS

### WealthONE® Program

The WealthONE® Program consists of two different options for which IFC acts as the investment advisor—Advisor Solutions and Strategist Solutions®. As your investment advisor, IFC assumes a “fiduciary” role and obligation to act in your best interest when providing investment advice regarding management of your investments. In so doing, our Representative provides personalized investment advice and recommends or selects investments based on the client’s “Investment Profile Information” (which is explained under the *Individual Investment Approach* section below on page 7).

**Advisor Solutions.** For Advisor Solutions Program accounts, our Representative may make investment recommendations based on use of asset allocation software and models. Asset allocation models are generally designed to achieve diversification of investment types to reduce the risk of loss due to variation of investment returns of any particular asset class (for example, stocks, mutual funds, and bonds are each separate asset classes).

Advisor Solutions services are provided on either a non-discretionary or discretionary basis. *Non-discretionary services* require clients to approve each securities transaction recommended by the Representative before it can occur, and *discretionary services* authorize the Representative to buy, sell or exchange securities in client accounts without obtaining their consent prior to each transaction. Clients have the option of selecting whether or not to grant IFC discretionary authority over their portfolios.

**Strategist Solutions®.** The Strategist Solutions® Program offers clients an opportunity to maintain a customized investment portfolio composed of either mutual funds or exchange-traded funds. A mutual fund is a pooled investment company that brings together money from many people which it invests in stocks, bonds or other assets. An exchange-traded

fund (also referred to as an “ETF”) is a fund that tracks a select group of securities (referred to as an “index”) and is traded actively through a stock exchange. The portfolio is managed by a select group of asset managers who are not affiliated with IFC, based on model investment allocations they determine. The Program is a wrap-fee program (which bundles investment advice, custody and execution services for a single fee) offered by IFC along with its co-advisor to the Program, Curian Capital, LLC, an SEC registered investment advisor and affiliate of IFC. For additional details on the Strategist Solutions® Program, please carefully review Form ADV Part 2A, Appendix 1, entitled the “*WealthONE® Wrap Program Brochure*,” which is available upon request from IFC or your Representative.

### **Third Party Asset Manager Program**

IFC’s TPAM Program provides clients with the opportunity to have their investment portfolios professionally managed by independent money managers unaffiliated with IFC through arrangements we have negotiated with certain TPAMs that we have selected to participate in the Program. TPAMs are selected by IFC based on these firms satisfying our due diligence review process and requirements. In limited situations, we may waive certain of these requirements and may also limit the services provided by some TPAMs to a “service only” relationship, under which no new client assets are placed under the TPAM’s management.

The investment strategies and types of investments utilized by each of the TPAMs participating in the Program vary, and we will recommend a specific TPAM based on the Investment Profile Information provided by clients. IFC contacts clients at least annually to determine whether there have been any changes to their Investment Profile Information, and we remind clients to notify us of any such changes on a quarterly basis. TPAM Program services include investment portfolio analysis, asset allocation modeling and analysis, trade execution, performance monitoring, portfolio reporting and other related investment services.

Under our TPAM Program, clients enter an agreement with IFC appointing us to serve as their investment advisor on a non-discretionary basis. IFC assists clients with the selection and management of TPAM relationships by recommending, monitoring and providing reporting on the performance of the selected TPAMs to clients. Clients also enter an agreement with the TPAM that typically provides the TPAM with trading discretion to determine which products to purchase, sell and/or exchange on behalf of clients without having to obtain client approval for each transaction initiated. Upon request, Representatives are available for periodic consultations with clients to evaluate the performance of their TPAM managed portfolios.

Since each TPAM is uniquely structured with different investment products, please ensure that you carefully review (i) the TPAM’s Form ADV Part 2A and 2B or alternate disclosure brochure for specific Program descriptions, (ii) the TPAM’s client agreement for specific contractual terms, and (iii) any additional disclosure or offering documentation provided by the TPAM related to its services or investment products. Among other important information, the TPAM’s Form ADV Part 2A and 2B or alternate disclosure brochure will have specific information describing: methods of analysis and investment strategies, conflicts of interest, disciplinary actions, fee calculation and deduction, fee schedules, refund policies, minimum account sizes, termination procedures, and proxy voting policies (which may permit you to nominate the TPAM to exercise voting rights regarding your investments). You should also be aware that certain TPAMs may utilize back-tested

hypothetical performance modeling in marketing materials which attempt to estimate the potential performance of their investment products based on past performance of selected investments. Please note that these types of performance projections are created retroactively with the benefit of hindsight, and do not reflect actual investment results or guarantee future results.

IFC and its Representatives may occasionally act as a referral source to TPAMs (in which case we are referred to as a “solicitor”) for a fee; however, this is outside the scope of the investment advisory services described in this document. When we act as a TPAM solicitor, neither IFC nor the Representative are the client’s investment advisor or provide investment advice.

You may obtain a copy of each TPAM’s Form ADV Part 2A providing the same information contained in this brochure by visiting [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or upon request from the TPAM. You may also request Form ADV Part 2B from the TPAM which contains detailed information about the individual TPAM representative(s) who will be responsible for managing your assets.

### **Consulting Services Program**

For clients seeking financial advice or investment education involving analysis of a particular investment or financial situation, IFC provides consultation services designed to meet the client’s specific financial objectives and needs. The consulting services generally take the form of preparing a financial plan, but may also involve more general consulting. In addition, services may include focused planning arrangements in areas such as retirement planning, estate planning, college planning, cash flow analysis, or analysis with regard to investment of lump sum distributions from employer pension and profit sharing plans.

In preparing a financial plan, the Representative gathers information from the client relevant to the particular service by conducting personal interviews and obtaining documents and other information supplied by the client. These services may include an analysis of the client’s financial information, such as their current assets and investments, liabilities, short and long-term capital and liquidity needs, risk tolerance, and short and long-term financial goals and objectives.

If a client wishes to implement the recommendations contained in a financial plan, IFC suggests that the client work closely with his or her attorney, accountant, insurance agent and/or securities broker. Although Representatives generally make recommendations with respect to products or services offered by IFC and its affiliates, the decision to implement any such recommendation rests exclusively with the client, and the client has no obligation to implement any such recommendation through IFC or its affiliates.

As noted above, all investment programs involve risk and there is no guarantee that using our Consulting Services will produce favorable results. Please carefully review the information and statements contained in the particular financial plan presented by our Representative, and be sure to ask them for assistance in clarifying any questions you may have regarding the information you receive.

### **Individual Investment Approach: Investment Profile Information**

The investment advisory services we offer to each client will vary in type and complexity depending on a client's individual investment goals and circumstances. Generally, our services begin with the Representative gathering information from you regarding your financial circumstances, investment objectives and risk tolerance, which together we refer to as the "Investment Profile Information." This information assists the Representative in determining which services and investments are most appropriate to recommend or select on your behalf. It is important that you provide accurate and complete responses to the questions asked by the Representative in gathering your Investment Profile Information, and that you promptly inform the Representative of any subsequent changes to your Investment Profile Information.

In certain situations, clients may request a restriction on the types of investments purchased on their behalf, based on either general social categories or specific securities. However, doing so may impact the performance of a client's account and it may differ from accounts without the same restrictions.

### **Assets Under Management**

IFC has \$1,114,047,879 in discretionary assets under management and \$877,745,062 in non-discretionary assets under management, calculated as of December 31, 2011.

## **Item 5. Fees and Compensation**

The fees we charge and compensation received for investment advisory services will vary depending on the particular Program, products and services offered, as outlined below. All fee arrangements are negotiable and IFC may agree to waive its management fee or any other applicable fees or costs either on an ongoing or a one-time basis.

Fees are automatically billed by us in advance on a quarterly basis, according to one of three fee schedules outlined below, based on the fair market value of a client's portfolio as reported to us by the independent custodian at which your assets are held. One fee schedule may be more advantageous than another, depending on the total value of assets under management, as our Representative can assist in explaining.

### **Advisor Solutions Fees**

#### ***Standard Linear Fee Schedule***

<b>Portfolio Value</b>	<b>Maximum Annual Fee</b>
Up to \$249,999	2.75%
\$250,000 - \$499,999	2.25%
\$500,000 - \$999,999	1.90%
\$1,000,000 - \$1,999,999	1.75%
\$2,000,000 - \$4,999,999	1.50%
\$5,000,000 +	1.40%

### ***Standard Tiered Fee Schedule***

<b>Portfolio Value</b>	<b>Maximum Annual Fee</b>
Up to \$249,999 (first \$249,999)	2.75%
\$250,000 - \$499,999 (Next \$249,999)	2.25%
\$500,000 - \$999,999 (Next \$499,999)	1.90%
\$1,000,000 - \$1,999,999 (Next \$999,999)	1.75%
\$2,000,000 - \$4,999,999 (Next \$2,999,999)	1.50%
\$5,000,000 +	1.40%

### ***Flat Fee Schedule***

An annual percentage fee is negotiated and charged to the client. The annual percentage rate will not exceed the corresponding portfolio value indicated on the above Standard Linear Fee Schedule.

### **Additional Fee Calculation Information**

The initial fee for the first calendar quarter in which a client participates in a Program shall be calculated on a pro-rata basis beginning the day after initial assets are deposited in the Program, and is debited the following month. Fees are subsequently calculated at the beginning of each calendar quarter, based on the fair market value of the portfolio on the last business day of the prior calendar quarter. If an account is opened in the last month of a calendar quarter, fees will be calculated and debited for the remaining period in that calendar quarter, along with fees for the next calendar quarter, on the day after initial assets are deposited. If our relationship with a client terminates and all assets are withdrawn from the Program prior to the end of a quarter, we will issue a refund for the pro-rata portion of the fee owed to the client.

**Fee Billing Notices.** IFC will send billing notices to each client showing the amount of the management fees charged for the period, the value of the account assets on which Program fees are based, and the manner in which the Program fees were calculated. It is the client's responsibility to carefully review account statements and fee deductions since the custodian does not determine the accuracy of fees deducted by us.

The services offered by the Programs may cost clients more or less than purchasing the same services separately and/or through other channels. Factors that impact the cost of the Programs in relation to the cost of the same services purchased separately include the type and size of the client's portfolio, the historical and/or expected size or number of trades for the client's portfolio, and the number and range of supplemental advisory and related services provided. Clients may pay fees other than those listed above that are based on fee schedules in effect prior to their becoming clients of IFC or on fee schedules no longer in effect for new IFC clients, depending on their client agreement.



**Mid-Cycle Fee Adjustments.** If a client deposits assets (cash and securities) with a market value of ten-thousand dollars (\$10,000) or more in an account on any given day after the inception of a calendar quarter, the amount of the deposit will immediately be subject to a pro-rated fee based on the applicable Fee Schedule. Clients shall be entitled to a fee rebate calculated in the same manner if account assets are withdrawn in excess of this amount on any given day. However, this does not apply to withdrawals of \$10,000 or more in accounts custodied with National Financial.

**Householding.** IFC may allow direct family members or clients sharing the same household address with multiple accounts to aggregate assets for purposes of calculating fees according to the above fee schedules.

### **Other Fees**

**Termination Fee.** If a client terminates their relationship with IFC within the first twelve months, an administrative fee of \$100 may apply at our discretion to offset associated termination costs. However, clients may terminate their relationship with us without penalty within the first 5 business days of establishing an account. Any prepaid fees will be refunded to the client on a pro-rata basis in the event of termination.

**Clearing and Service Provider Charges.** IFC reserves the right to pass on charges imposed by the clearing broker-dealer (the firm through which we arrange for securities transactions to occur) or other services providers to the client. These fees include, but are not limited to, transaction charges and service fees, IRA and qualified retirement plan fees, mutual fund 12b-1 fees (an expense charged against fund assets by fund companies that is paid to broker-dealers such as IFC to assist with marketing and servicing fund sales), subtransfer agent fees (an expense charged against fund assets by fund companies that is paid to record keeping firms who provide fund accounting and administration services), mutual fund and money market management fees and administrative expenses, mutual fund transaction fees, deferred sales charges (certain mutual funds charge a fee when you sell shares of the fund) on previously purchased mutual funds or variable annuities products transferred in the portfolio, and other charges that are assessed by third parties. As described in IFC's Premier Sponsor Program and Revenue Sharing Product Disclosure (a copy of which is available on IFC's website and through our Representatives), IFC and its Representatives may receive revenue sharing payments and other benefits from certain firms, including Pershing LLC ("Pershing") and National Financial ("National Financial") in their roles as clearing broker-dealers and custodians for client assets, from the revenue earned by these firms from client fees. See Item 13 below for additional details regarding certain revenue sharing arrangements that may benefit IFC and its Representatives.

**Internal Fees by Product Sponsors.** Certain investments may have internal fees and costs which are not assessed by IFC and will not appear on your account statement, such as internal management fees for mutual funds charged by the fund manager, which can impact the returns on your investments as an operational expense assessed by the investment sponsor for managing the fund. The prospectus or offering documents for mutual funds, annuities, real estate investment trusts (REITs) or other investments will detail the fees and charges assessed by the managers of those products. Clients should be aware that when assets are invested in shares of mutual fund products, annuities, unified investment trusts (UITs) or REITs, clients will pay both the direct management fees to IFC for its services in connection with these investments and management and other fees paid to the mutual fund

or other product. In the case of mutual funds, “no load” funds may be available which do not assess a commission or sales charge (unlike “load” funds). A client may be able to invest directly in the mutual fund's shares and other investments without incurring the fees charged by IFC, and may also purchase investment products that we recommend through other brokers or agents not affiliated with us. In addition, there may be tax effects relating to fund share redemptions or the cancellation of insurance policies made by or on behalf of clients, as well as deferred sales charges or redemption fees where investment positions are sold prior to the expiration of a specified holding period.

**Strategist Solutions® Fees.** For detailed information regarding applicable fees for this WealthONE® Program, please consult the Form ADV, Part 2A, Appendix 1, “WealthONE® Wrap Program Brochure,” which is available upon request from IFC or your Representative.

**TPAM Program Fees.** These are assessed directly by the TPAM and generally billed on a quarterly basis, starting at the inception of the account. Fees are detailed in the respective TPAM's client agreement, fee schedule and/or Form ADV, Part 2A disclosure brochure and are not determined by IFC. TPAM fees may be calculated based on either (i) the fair market value of the assets being managed or (ii) on a performance based fee criteria, depending on the TPAM Program. We will not charge any additional fees; however, we do receive a portion of the fees charged by TPAMs pursuant to our arrangement with them.

**Consulting Services Fees.** The fees for consulting services are negotiated between the Representative and the client. Fees are assessed on an hourly basis or as a flat fee for the consulting project that may be either a set dollar amount or a percentage of the fair market value of assets that are subject to our Consulting Services Agreement. The client may terminate the advisory relationship without penalty within five (5) days of entering into the financial planning agreement. However, IFC reserves the right to bill the client for actual time and expenses incurred prior to termination.

**Compensation for the Sale of Securities.** IFC and Representatives may receive direct and indirect forms of compensation related to the sale of securities or other investment products to clients. The receipt of this type of compensation presents a conflict of interest and gives us an incentive to recommend investment products based on the compensation received, rather than on a client's needs. Please see Item 14 below for additional detail regarding our receipt of this type of compensation, the conflicts it creates, and how we address these conflicts.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

Under limited circumstances, Representatives may be compensated based on a share of the capital gains or capital appreciation of the asset in a client account, also known as performance-based fees. This may create a conflict to the extent that we may also charge asset-based, hourly, or flat fees, since it creates an incentive to favor accounts for which we receive a performance-based fee. We limit this conflict by allowing certain Representatives to charge performance-based fees on an exceptions basis only, and we have policies and procedures designed to monitor the appropriateness of these fees and account activity in comparison with other accounts.

## Item 7. Types of Clients

IFC provides its advisory services to a variety of different client types, including individuals, corporate entities, trusts, and pension plans and their participants. Certain account balance minimums must be met for a client to participate in IFC's Programs, although we reserve the right to amend or waive these requirements at any time.

**Advisor Solutions Program** accounts are generally available only for clients with an initial portfolio value of at least \$25,000. However, IFC may waive this requirement at its option, depending upon the circumstances of a particular client. IFC reserves the right to terminate the client agreement at any time portfolio assets are less than \$25,000; the client Agreement is subject to termination at IFC's option.

**Strategist Solutions® Program** account minimums vary depending upon the particular asset manager selected and range from \$25,000 to \$100,000, although IFC and the asset managers may agree to waive this option depending upon the circumstances of a particular client. IFC reserves the right to terminate the client agreement at any time portfolio assets are less than \$25,000.

**TPAM Program** accounts minimum opening portfolio balance requirements vary according to each TPAM. Generally, account minimums range from \$50,000 to \$250,000. Other terms may apply to account opening and maintenance, as outlined in the TPAM's client agreement.

**Consulting Services Program** arrangements do not have a specified portfolio minimum and are subject to the discretion of the Representative and the mutually agreed upon terms of our Consulting Services Agreement.

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

Our Representatives may rely on a number of tools to assist in recommending or selecting an investment strategy to clients, including asset allocation and portfolio modeling software that assists with their analysis of investment options when recommending or purchasing investments for your portfolio. Although our advisory services are generally designed for long-term investing in which investment positions are maintained for a longer period of time (also referred to as "strategic" investing), short-term investment strategies which aim to take advantage of frequent market movements (also referred to as "tactical" investing) may also be made available to accommodate certain circumstances. Investment returns, particularly over shorter time periods, are highly dependent on the value of securities within an investment portfolio which are impacted by trends in the various investment markets. As a result, our investment advisory services are generally more suited for investors seeking long-term investment objectives or strategies, rather than for short-term trading purposes. Under the TPAM Program, each TPAM will have its own methods of analysis, investment strategies and unique investment risks that should also be reviewed and considered.

IFC may provide investment advice concerning various types of investments, including, equity securities (exchange-listed securities, securities traded over-the-counter, and foreign issuer securities trading as American Depositary Receipts), warrants, commercial paper, corporate debt securities (other than commercial paper), certificates of deposit, municipal securities, investment company securities, variable annuities, variable life insurance, U.S.

Government securities, option contracts, fixed insurance, unit investment trusts, exchange-traded funds, interests in partnerships involving real estate, oil and gas, certain types of structured investment products, and other investments, depending upon a client's Investment Profile Information. Our advisory services are generally designed for long-term investment strategies, although short-term investment strategies may be made available by Representative to accommodate certain circumstances.

Investing in securities and other investment products involves inherent risks, including the possible loss of the total principal amount invested. Although we seek to achieve the investment objectives and financial goals, past investment performance does not guarantee future results and we are unable to make any guarantees to clients with respect to avoiding monetary losses. These risks apply to both strategic long term and shorter term tactical approaches to investing. Clients should carefully read the terms of all agreements, product offering documents and related disclosures provided either by IFC, TPAMs or product sponsors to better understand the risks associated with each Program and/or the particular investment product(s) under consideration.

## **Item 9. Disciplinary Information**

IFC is required to disclose the following disciplinary information for your consideration:

**October 16, 2006 NASD Censure and Fine of \$10,000**—IFC was deficient in reporting to the Municipal Securities Rulemaking Board certain municipal bond transactions and certain customer trade prices, and incorrectly listed our role as agent instead of principal on written confirmations for certain customers.

**June 26, 2006 State of Florida Stipulation and Consent Agreement/Final Order and Fine of \$20,000**—IFC was unable to adequately verify it provided each client with a new account form to confirm/update account information; was untimely in amending branch office registration forms with State of Florida; and was deficient in maintaining documentation demonstrating enforcement of our written procedures prohibiting Representatives in the Jacksonville branch office from engaging in outside investment advisory business without written notice to IFC.

**September 23, 2005 NASD Censure and Fine \$1,520,000**—Between January 2001 and December 2003, IFC received fees for providing certain mutual funds with enhanced marketing opportunities to our Representatives, although we did not actually execute any trades for these mutual funds.

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

IFC is an indirect, wholly owned subsidiary of Prudential plc, an international financial services group with operations in the United Kingdom, Europe, Asia, and the United States. We are affiliated by common ownership with a variety of financial services companies, including the following:

**Broker-Dealers**

Investment Centers of America, Inc. ("ICA"), National Planning Corporation® ("NPC®"), SII Investments, Inc.® ("SII") and Curian Clearing, LLC are each registered as a broker-dealer and/or an investment advisor with the SEC and various state securities agencies, and each is a member firm of the Financial Industry Regulatory Authority ("FINRA").

Jackson National Life Distributors LLC ("JNLD") is a broker-dealer registered with the SEC and member firm of FINRA. JNLD acts as principal underwriter of variable insurance products issued by Jackson National Life Insurance Company® ("JNL®") and Jackson National Life Insurance Company of New York® ("JNLNY"). See also "Insurance Companies/Investment Companies" below.

Certain of our executive officers and directors also serve as officers and/or directors of these affiliated entities.

**Insurance Companies/Investment Companies**

JNL® and JNLNY issue variable annuity and life insurance products that are registered under the Investment Company Act of 1940, as amended. The separate accounts of JNL® and JNLNY that issue variable products are similarly registered as investment companies.

Brooke Life Insurance Company® is an insurance company offering traditional life insurance and annuity products.

**Investment Advisors**

ICA, NPC®, SII, and Curian Capital, LLC are each affiliated with IFC and investment advisors registered with the SEC.

Jackson National Asset Management, LLC® ("JNAM") is an investment advisor registered with the SEC that serves as investment advisor to: the JNL Series Trust, the JNL Investors Series Trust, the JNL Variable Fund, LLC, the JNL Variable Fund III, LLC, the JNL Variable Fund IV, LLC, and the JNL Variable Fund V, LLC and (with respect to JNLNY) the JNLNY Variable Fund I, LLC, and the JNLNY Variable Fund II, LLC.

PPM America, Inc. ("PPM") is an investment advisor registered with the SEC that serves as the investment manager for the general accounts of JNL® and JNLNY and as a sub-advisor to certain series of the JNL Series Trust and JNL Investors Series Trust. M&G Investment Management Ltd. is also a registered investment advisor that offers advisory and investment management services to investors, institutions, trusts, and investment companies.

Jackson Investment Management, LLC is an SEC registered investment advisor that provides ongoing investment advice, economic analyses, asset allocation and investment manager recommendations to institutions.

**Referrals to Other Investment Advisors; Conflicts of Interest**

As explained in greater detail below under Item 14, we may receive compensation for recommending or selecting both affiliated and unaffiliated investment advisors to provide investment products or services to clients. IFC monitors the sales practices and all forms of direct and indirect compensation received by our Representatives to ensure they are acting in compliance with IFC's policies and procedures which are designed to prevent abuses, and

to ensure that compensation is within industry standards and compliant with securities laws, rules and regulations.

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

IFC maintains a Code of Ethics in compliance with SEC requirements that is available upon request from IFC or your Representative. The Code of Ethics applies to all IFC Representatives and covered personnel and is designed to ensure we fulfill our fiduciary duty to clients by always acting in their best interest, avoiding conflicts of interest, and maintaining a strong culture of compliance by following all securities laws, rules and regulations. Among the specific areas addressed by our Code of Ethics are:

- Pre-approval and reporting of personal securities transactions;
- Restrictions on initial public offering and private placement purchases to prevent unfair investment advantage;
- Insider trading prohibitions to prevent use of non-public information for unfair investment advantage;
- Reporting of gifts and business entertainment; and
- Penalties assessed for Code of Ethics violations to ensure its enforcement.

Although IFC does not generally engage in principal transactions (where we enter a purchase or sale of securities with clients on behalf of our own account) or cross-agency transactions (where we broker the purchase or sale of securities between advisory clients), we may recommend or select certain insurance products which are sponsored by our affiliate, Jackson National Life Insurance. We may also engage transactions for our accounts or the accounts of others involving the same investments we recommend or select for our clients. Please refer to Item 14 below for more detailed information on these and various other potential conflicts of interest and how we address them.

## **Item 12. Brokerage Practices**

IFC has an obligation to provide for “best execution” of client securities transactions and seeks to satisfy this by ensuring the best combination of net price and execution quality when effecting brokerage transactions for clients. In compliance with applicable securities laws, rules and regulations, we consider a range of factors when assessing our clearing brokerage relationship to make this determination, including:

- Transaction costs associated with the purchase and sale of investments;
- The trade execution, clearance, and settlement capabilities of the broker-dealer;
- The size of brokerage transactions accommodated;
- The efficiency and timing of brokerage transactions;
- The activity existing and anticipated in the market for a particular security;
- The nature of the securities being purchased or sold and access to purchasers and sellers within the investing marketplace (which may be limited due to thin trading activity or unavailability of certain securities);
- The financial stability and reputation of the executing broker-dealer; and
- The research products and other services provided for the benefit of IFC and its clients.

IFC regularly monitors the reporting of execution costs and quality to evaluate the brokerage services provided to its clients in comparison with industry standards to confirm the reasonableness of our determination.

### **Advisor Solutions and Strategist Solutions® Programs**

Based on these factors, IFC generally requires Advisor Solutions and Strategist Solutions® Program clients to establish a brokerage relationship with either Pershing or National Financial, for whom we serve as the introducing broker-dealer pursuant to a clearing agreement between IFC and both Pershing and National Financial (see Directed Brokerage section below).

### **TPAM Program**

Under our TPAM Program, the TPAM is responsible for determining best execution and typically predetermines the broker-dealer relationship as should be detailed in the TPAM's disclosure documents and agreements, which should be carefully reviewed by clients.

### **Research and other Soft-Dollar Benefits**

IFC does not allocate or direct brokerage transactions to the broker-dealer executing client transactions based on our receipt of products or services (referred to as "Soft-Dollar Transactions").

### **Directed Brokerage**

As noted above, clients who participate in either the Advisor Solutions or Strategist Solutions® Programs are generally required to establish a brokerage account with Pershing or National Financial, which serve as the custodians of client funds and securities and maintain these in brokerage accounts registered in the client's name, in addition to effecting trades in client accounts, providing cashiering functions, sending trade confirmations and periodic account statements to clients, and providing portfolio reporting and account administration services.

You should be aware that IFC is compensated by Pershing and National Financial when client securities transactions are executed through these firms. This industry practice is generally known as "payment for order flow" and does not affect the quality of execution services or IFC's duty to obtain best execution for clients. Client transactions executed through Pershing and National Financial also pay a ticket charge on their transactions that may include an additional fee charged by IFC in its role for servicing these transactions for clients. In addition, various other custodial, transaction, and account administration related fees or charges assessed or received by Pershing and National Financial may include an amount that is paid to IFC for our role in assisting with servicing of client accounts, including fees paid to Pershing and National Financial for account maintenance, account transfers, margin lending (which enables clients to borrow money to buy additional investments by using existing investments as security collateral), handling of restricted stocks subject to regulatory sales limitations, returned checks, shipping/handling expenses, and account administration and shareholder servicing fees paid in connection with the sale of certain no transaction fee ("NTF") mutual funds.

Not all investment advisory firms require their clients to direct their brokerage business to a particular firm, and by doing so we may be unable to achieve most favorable execution and pricing for client transactions. Similarly, IFC may agree to allow clients to establish brokerage arrangements with a firm other than Pershing or National Financial upon request

by a client. However, doing so may result in higher costs since we will be unable to obtain aggregated trade cost savings (see immediately below) or to pass along pricing discounts we receive from Pershing and National Financial, and the extent of services and reporting available to clients through these firms may be less favorable. You will receive notification if an alternative custodian is appointed to maintain your account, along with its contact information and additional details regarding the arrangement.

### **Aggregation of Trades**

Client trade orders are typically completed independently for each client's account. However, IFC may purchase or sell the same securities or investments for a number of clients at the same time. In these situations, orders for the same security or investments may be combined or "aggregated" to facilitate best execution and to reduce brokerage commissions or other costs charged to clients.

IFC places aggregated trade orders in a manner designed to ensure that no participating client is favored over any other client. Specifically, each client that participates in an aggregated transaction participates at the average share price for all of trades placed by IFC to fulfill the entire trade order. Securities purchased or sold in aggregated transactions are typically allocated pro-rata to the participating client accounts in proportion to the size of the order placed for each account.

In situations where IFC maintains discretion, we may increase or decrease the amount of securities allocated to each account if necessary to avoid holding odd lot (which refers to a trade order for less than the minimum number of shares or units of a security that may be purchased) or small numbers of shares for certain clients. Additionally, if the clearing firm is unable to fully execute an aggregated transaction and IFC determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro-rata basis, IFC may allocate these securities in a manner determined in good faith to be fair and equitable. Clients directing IFC to effect trades through a broker-dealer other than Pershing or National Financial should be aware that they may not benefit from the execution cost savings that may be obtained by aggregated trades placed through IFC.

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

IFC's home office personnel, our Office of Supervisory Jurisdiction Branch Managers (referred to as "OSJs"), and our Representatives monitor client portfolios to identify situations that may warrant either a more detailed review or specific action on behalf of our clients. These reviews may be triggered by concerns regarding the suitability of investments in relation to a client's Investment Profile Information, account inactivity and high concentrations in individual securities, among other factors.

For Advisor Solutions and TPAM Program accounts, we provide ongoing review of client portfolio holdings, communicate with clients at least annually, and remind clients at least quarterly to inform us of any changes to their Investment Profile Information to ensure the suitability of the investments in their portfolio, any social exclusions or investment restrictions, and all applicable rules and regulations. We also review the investment results of client portfolios on a regular basis and, where appropriate, we may change or recommend a change of the Representative for a client's account.



IFC also provides clients with written periodic performance reports that include relevant portfolio information, such as asset allocation, account transactions, securities positions, the fair market values of investments in client portfolios, investment performance for the period, and advance billing notification. IFC does not verify performance data provided to it by third parties with exception of the calculation methods and the related account holdings shown. Please refer to the specific Program agreements and related disclosure documents supplied prior to establishing an account to confirm the frequency of review and type of reports to be provided in connection with the respective Programs.

The extent of our review process is typically more limited in the case of our Consulting Service Program and may vary depending on the arrangement negotiated with the Representative.

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

Clients need to be aware of and consider potential conflicts of interest related to direct and indirect forms of compensation and benefits IFC and our Representatives may receive from third parties in connection with the sale of investment products and services to clients. These forms of compensation are in addition to client advisory fees we receive and create an incentive to recommend certain investment products based on the potential compensation received rather than on a client's needs.

IFC maintains a Code of Ethics (see Item 11 above) and policies and procedures that are designed to ensure our Representatives act in the best interest of clients at all times. Representatives are limited in their ability to receive both an advisory fee and asset-based sales compensation or commissions (also referred to as "double-dipping"), and we closely monitor our Representatives' sales practices and all forms of direct and indirect compensation received to ensure they act in compliance with our policies and procedures, industry standards, and all securities laws, rules and regulations governing sales compensation practices.

In addition to providing advisory services through the Consulting Services Program, our Representatives may also sell clients securities products and other investment and insurance products in their capacity as IFC registered broker-dealer Representatives and as licensed insurance agents. We receive additional compensation in connection with this activity and the amount of compensation will depend on the type of product purchased. Representatives acting on behalf of IFC in a broker-dealer capacity (as opposed to investment advisor) and/or an insurance agency will have a greater financial incentive to sell certain products as opposed to others (for example, a product issued by an affiliate and in the case of mutual funds those that have a higher 12b-1 fee than others). While securities sales are reviewed to confirm they are suitable for a client's Investment Profile Information by an appointed supervisor of IFC, clients should be aware of these incentives.

**Premier Product Program and Revenue Sharing.** In compliance with applicable securities laws, rules and regulations, and upon entering into an agreement with the product sponsors of certain mutual funds, variable insurance products, REITs and other investment products, IFC may recommend or select these investment products on behalf of clients where (i) IFC receives commissions, service/sales charges, revenue sharing payments or other forms of benefit as a result of a client's investment in such investment products and (ii) IFC or one of its affiliates is the investment advisor, sponsor, principal

underwriter or other service provider and, as such, receives compensation as a result of the client's purchase of the investment product.

These payments to IFC are shared with our Representatives and may vary depending on the Representatives' compensation arrangement with IFC. These arrangements generally pay higher amounts for the sale of "packaged products" (like mutual funds, annuities and REITs) over individual stocks and bonds, and provide a higher percentage of the compensation received by IFC to Representatives who generate greater revenue for IFC. Clients should be aware that this presents a potential conflict of interest because IFC and its Representatives may have a greater incentive to recommend or select investments that provide greater compensation to IFC or its affiliates. For more information, please see the "Premier Sponsor Program and Revenue Sharing Disclosure" contained on IFC's website at [www.investfinancial.com](http://www.investfinancial.com) under "Investors" then "Disclosures."

**Premier TPAM Program and Revenue Sharing.** In compliance with applicable law, IFC may recommend or select certain TPAMs to manage client accounts where IFC receives additional compensation or benefits from the particular TPAM. These payments to IFC are shared with our Representatives and may vary depending upon the Representative's compensation arrangement with IFC. These arrangements generally pay a higher percentage of the compensation received by IFC to Representatives who generate greater revenue for IFC. Clients should be aware that this presents a potential conflict of interest because IFC and its Representative may have a greater incentive to recommend or select TPAMs that provide additional compensation to IFC that is not provided by other TPAMs. For more information, please see the "TPAM Sponsor Program and Revenue Sharing Disclosure" contained on IFC's website at [www.investfinancial.com](http://www.investfinancial.com) under "Investors" and then "Disclosures."

**Mutual Fund Distribution and Servicing Revenue.** In its role as introducing broker-dealer, IFC may receive various distribution and marketing fees from the managers of mutual funds held in client accounts pursuant to Rule 12b-1 of the Investment Company Act of 1940 (referred to as "12b-1 fees"), in addition to related fund servicing or administration compensation payable to IFC in connection with certain no transaction fee ("NTF") mutual funds. The amount of fees that are received will vary depending on the particular mutual fund investments pursuant to distribution agreements between IFC as a broker-dealer and the mutual fund sponsors.

**Due Diligence Fees.** IFC conducts an initial and ongoing due diligence review of the TPAMs selected for participation in our TPAM Program to ensure they satisfy our approval requirements. IFC may collect a fee from TPAMs that participate in our TPAM Program in an effort to defray all or a portion of the costs we incur conducting these reviews. This fee is paid to IFC regardless of whether or not we ultimately decide to approve a particular TPAM for inclusion in our TPAM Program. IFC does not charge due diligence fees to TPAMs participating in its Premier TPAM Program (please see "Premier TPAM Program and Revenue Sharing" description immediately above), and we may also agree to waive due diligence fees for other TPAMs at our discretion.

**Program Compensation May Vary.** Compensation to IFC, including your Representative and certain home office personnel, varies according to the advisory Program in which you participate. The compensation received by IFC and these individuals may be more than what we would receive if you participated in another Program or paid for investment

advice, brokerage or other services separately. This may provide a financial incentive to recommend a particular Program that pays us a higher amount of compensation than other Programs or services.

IFC may provide performance-based compensation to certain of its home office employees related to their promotion of our WealthONE® Program since it generates more revenue for IFC than unaffiliated programs. These incentives may result in your Representative having greater exposure and marketing support for the WealthONE® Program over other programs.

**Special Treatment of Certain Qualified Account Types.** For certain qualified retirement account types, we may either (i) provide a client rebate or refuse receipt of any direct or indirect compensation it may otherwise be entitled to receive as a result of a particular client's purchase of investment products or services (including 12b-1 fees and revenue sharing payments from third parties), or (ii) recommend or select investment share classes or products with lower fees or expenses that may not be made available to non-qualified accounts. Doing so may result in cost savings to these particular client accounts but does not obligate IFC to make these same benefits available to other clients.

**Margin Commissions.** In limited situations, IFC may permit clients to establish a margin account pursuant to an agreement entered with the custodian. "Margin lending" enables clients to borrow money to buy additional investments by using existing investments as security collateral. In these situations, IFC may receive compensation from the custodian in the form of a margin commission that typically amounts to a percentage of the total margin interest charged to clients by the custodian. Clients should carefully read the margin disclosure statement provided by the custodian outlining risks related to margin prior to considering this type of arrangement.

**Pershing FundVest Institutional Program.** Representatives may initiate purchases of participating mutual funds through the Pershing FundVest Institutional Program, subject to minimum purchase amounts. Representatives may have an option to purchase certain of these fund shares without incurring any ticket charges, though this may result in a slightly higher mutual fund operating expense ratio. As such, Representatives who absorb client transaction charges may have an incentive to recommend those mutual funds that do not impose ticket charges over other available funds that may have a slightly lower operating expense.

**Competing Transactions.** IFC, Representatives and our affiliates may have a conflict in our role as an investment advisor for other clients and our own accounts to the extent we may initiate competing securities transactions for these clients or our accounts. The investment actions taken may also differ from the recommendations or selections we provide to you. We are not obligated to acquire for your account any investments that may be purchased on behalf of other clients or our own accounts, and you shall have no first refusal, co-investment, or other rights in any such investment. However, we strive to act in good faith and attempt to allocate investment opportunities to you over a period of time on a fair and reasonable basis relative to other clients and our own accounts, and based on your Investment Information Profile.

**Payments to Solicitors.** IFC may utilize the services of approved individuals who act as solicitors for purposes of referring clients to us in accordance with SEC regulations and

applicable state securities law. These solicitors will generally be paid a portion of the ongoing investment advisory fee charged to the client by IFC. Clients referred to IFC by a solicitor will not be charged a referral fee and shall remain subject to the same advisory fee schedule as non-referred clients, as set forth above. These solicitation arrangements are required to be disclosed to clients at the time of the referral in a document outlining IFC's solicitation compensation arrangement with the particular solicitor.

## **Item 15. Custody**

IFC will arrange for you to receive account statements directly from the independent qualified custodian of your account assets, generally either Pershing or National Financial. These are your official account statements for valuation, tax and all other purposes. We encourage you to please review the transactions, positions and valuations for accuracy, and to compare this information with any account statements or performance reports you may receive from IFC or your Representative. The information contained in your official custodial account statements may vary slightly with that contained in other statements or performance reports you receive due to differences in the computing method, timing of calculation, and source of valuations. Any concerns should be immediately reported to the IFC Compliance Department at (800) 242-4732, option 1, option 4, option 2. You may also contact Pershing or National Financial directly with related questions at:

**Pershing LLC**  
One Pershing Plaza  
Jersey City, NJ 07399

**National Financial Services LLC**  
200 Seaport Blvd., Z2P  
Boston, MA 02210

## **Item 16. Investment Discretion**

Clients have the option of providing IFC with investment discretion on their behalf pursuant to a grant of a limited power of attorney contained in our client agreement. By granting IFC investment discretion, IFC is authorized to execute securities transactions, which securities are bought and sold, the total amount to be bought and sold, and the costs at which the transactions will be effected. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with IFC's written acknowledgement.

## **Item 17. Voting Client Securities**

When a client owns stock, they become a shareholder of that company that issues the stock. As a shareholder, clients may have the right to exercise a vote with respect to various corporate matters involving the management of the company in which they hold shares. Rather than doing so directly, clients may grant a "proxy" to enable another person or entity to vote on such matters on their behalf.

**For our Advisor Solutions, Strategist Solutions® and Consulting Services Programs,** IFC and its Representatives will not (a) vote proxies related to any investments held client accounts or (b) participate in any legal proceedings involving investments held in client accounts, or that involve the sponsors or issuers of any investments (including bankruptcy proceedings). Unless IFC and the client make other written arrangements, IFC will send all proxy and legal proceeding related documents it receives to the client so that the client may act upon the materials.

**For TPAM Program Accounts**, clients may have the ability to appoint the TPAM as their delegate to act on their behalf to vote proxies relating to any investments in their accounts. In these instances, IFC will send all proxy and legal proceeding related information and documents it receives to the TPAM so that the TPAM may take whatever action it deems advisable.

## **Item 18. Financial Information**

Attached for your consideration is IFC's balance sheet outlining its financial condition.



**IFC HOLDINGS, INC. AND SUBSIDIARY**  
(An Indirect, Wholly Owned Subsidiary of Prudential plc)

(SEC Identification No. 8-27691)

Consolidated Statement of Financial Condition

December 31, 2011

(With Report of Independent Registered Public Accounting Firm Thereon)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	April 30, 2013
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8-

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING January 1, 2011 AND ENDING December 31, 2011  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: IFC Holdings, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

8745 Henderson Road, Suite 300

(No. and Street)

Tampa, FL 33634

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Maura Collins 310-899-8805

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

KPMG, LLP

(Name - if individual, state last, first, middle name)

355 South Grand Avenue, Suite 2000, Los Angeles, CA 90071

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

## OATH OR AFFIRMATION

I, Maura Collins, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of IFC Holdings, Inc, as of December 31, 2011, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Maura Collins

Signature

SVP, Chief Financial Officer

Title

Christine Fierro  
Notary Public

**CHRISTINE FIERRO  
NOTARY PUBLIC  
STATE OF COLORADO**

**MY COMM. EXP. 12/29/2012**

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**



**IFC HOLDINGS, INC. AND SUBSIDIARY**  
(An Indirect, Wholly Owned Subsidiary of Prudential plc)

**Table of Contents**

	<b>Page</b>
Report of Independent Registered Public Accounting Firm	1
Consolidated Statement of Financial Condition	2
Notes to Consolidated Statement of Financial Condition	3



**KPMG LLP**  
Suite 2000  
355 South Grand Avenue  
Los Angeles, CA 90071-1568

## **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholder  
IFC Holdings, Inc.:

We have audited the accompanying consolidated statement of financial condition of IFC Holdings, Inc. and subsidiary as of December 31, 2011 that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This consolidated financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit of a statement of financial condition also includes examining, on a test basis, evidence supporting the amounts and disclosures in that statement of financial condition, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the consolidated statement of financial condition referred to above presents fairly, in all material respects, the financial position of IFC Holdings, Inc. and subsidiary as of December 31, 2011, in conformity with U.S. generally accepted accounting principles.

**KPMG LLP**

February 22, 2012

**IFC HOLDINGS, INC. AND SUBSIDIARY**  
(An Indirect, Wholly Owned Subsidiary of Prudential plc)  
Consolidated Statement of Financial Condition  
December 31, 2011

**Assets**

Cash and cash equivalents	\$ 23,679,866
Marketable securities	120,129
Commissions receivable	12,136,266
Investment advisory receivable	1,495,307
Forgivable notes receivable, net of accumulated amortization of \$10,544,925 and allowance of \$59,956	14,002,814
Other receivables	1,851,483
Receivables from registered representatives, net of allowance of \$679,080	483,487
Income taxes receivable, net	1,030,448
Deferred tax assets	13,819,449
Fixed assets, net of accumulated depreciation of \$3,623,687	594,096
Prepaid expenses and other assets	6,483,745
Goodwill	16,814,500
	<hr/>
Total assets	\$ 92,511,590
	<hr/> <hr/>

**Liabilities and Stockholder's Equity**

Liabilities:	
Drafts payable	\$ 741,593
Commissions payable	10,749,143
Investment advisory payable	1,339,398
Accounts payable and other accrued expenses	11,050,791
Payable to affiliates	1,369,814
	<hr/>
Total liabilities	25,250,739
Stockholder's equity	67,260,851
	<hr/>
Total liabilities and stockholder's equity	\$ 92,511,590
	<hr/> <hr/>

See accompanying notes to consolidated statement of financial condition.

**IFC HOLDINGS, INC. AND SUBSIDIARY**  
(An Indirect, Wholly Owned Subsidiary of Prudential plc)

Notes to Consolidated Statement of Financial Condition

December 31, 2011

**(1) Organization**

IFC Holdings, Inc. (the Company) and subsidiary is a wholly owned subsidiary of National Planning Holdings, Inc. (NPH), which in turn is an indirect, wholly owned subsidiary of Prudential plc. The Company is a registered broker-dealer and investment advisor with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority. The Company offers financial products (primarily mutual funds and insurance products) through its registered representatives to customers located throughout the United States.

The Company has evaluated events occurring after the balance sheet date (subsequent events) through February 22, 2012, the date the consolidated statement of financial condition was available to be issued, to determine whether any subsequent events necessitated adjustment to or disclosure in the consolidated statement of financial condition. No such events were identified.

**(2) Significant Accounting Policies**

The consolidated statement of financial condition includes the accounts of the Company and its wholly owned subsidiary, Investment Centers of America, Inc. (ICA). These companies are collectively referred to as the Company. All significant intercompany transactions have been eliminated in the consolidation process.

**(a) Cash and Cash Equivalents**

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents include \$22,271,247 in money market funds and accounts. Cash held in banks periodically exceeds the Federal Deposit Insurance Corporation's (FDIC) insurance coverage of \$250,000, and as a result, there is a concentration of credit risk related to amounts in excess of FDIC insurance coverage.

**(b) Marketable Securities**

Securities are carried at fair value based on quoted market prices and are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date, and interest is recorded on the accrual basis.

**(c) Drafts Payable**

Drafts payable represents amounts drawn by the Company pursuant to a sweep agreement with a bank. Under this agreement, the bank does not advance cash to the Company.

**(d) Fixed Assets**

Fixed assets are carried at cost, less accumulated depreciation and amortization. Depreciation is computed on a straight-line basis using the estimated useful lives of the assets. Fixed assets consist primarily of computer hardware and software, leasehold improvements, office equipment, and furniture and fixtures, which are depreciated over three to seven years. Leasehold improvements are depreciated over the shorter of the estimated useful life or the lease term.

**IFC HOLDINGS, INC. AND SUBSIDIARY**  
(An Indirect, Wholly Owned Subsidiary of Prudential plc)

Notes to Consolidated Statement of Financial Condition

December 31, 2011

**(e) Goodwill**

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a purchase business combination. Goodwill is reviewed for impairment at least annually. The goodwill impairment test is a two-step test. Under the first step, the fair value of the enterprise is compared with its carrying value (including goodwill). If the fair value of the enterprise is less than its carrying value, an indication of goodwill impairment exists and the enterprise must perform step two of the impairment test. Under step two, an impairment loss is recognized for any excess of the carrying amount of the enterprise's goodwill over the fair value of that goodwill. The fair value of goodwill is determined by allocating the fair value of the enterprise in a manner similar to a purchase price allocation. The residual fair value after this allocation is the implied fair value of the enterprise's goodwill.

During 2011, the Company performed its annual impairment review of goodwill and concluded that there was no impairment.

**(f) Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

The Company is included in a consolidated federal income tax return with Brooke Holdco1 Inc. (BH1), an indirect, wholly owned subsidiary of Prudential plc. The Company's tax-sharing agreement with BH1 is based on the separate return method and any intercompany taxes are settled on an annual basis. The Company files combined state tax returns in approximately 25 states and separate state income tax returns for the other states that the Company is required to file income tax returns. Beginning with the first taxable year ended December 31, 2006, the Company does not have a right to reimbursement for the utilization of its losses in the federal consolidated tax return.

**(g) Receivable from Registered Representatives**

Receivable from registered representatives relates to outstanding balances from representatives and forgivable notes offered to registered representatives who have not achieved a predetermined percentage of the agreed-upon gross dealer concessions and must pay down a portion of the note. When it has been determined that a note will be repaid by a representative, the amount to be repaid is reclassified from forgivable notes receivable to receivable from registered representative. Upon

**IFC HOLDINGS, INC. AND SUBSIDIARY**  
(An Indirect, Wholly Owned Subsidiary of Prudential plc)

Notes to Consolidated Statement of Financial Condition

December 31, 2011

reclassification, the receivable accrues interest at the stated rate of the note. The Company has not and does not intend to sell these receivables.

The allowance for doubtful accounts is the Company's best estimate of the amount of credit losses in the Company's existing receivable from registered representatives. The allowance is determined on an individual receivable basis upon review of the probability that a registered representative will not repay all principal and interest contractually due. A receivable is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due, including contractual interest payments. The Company does not accrue interest when a receivable is considered impaired. When ultimate collectibility of the principal balance of the impaired receivable is in doubt, all cash receipts on impaired receivables are applied to reduce the principal amount of such receivables until principal has been recovered and are recognized as interest income thereafter. Impairment losses are charged against the allowance. Receivables are written off against the allowance when all possible means of collection have been exhausted and the potential for recovery is considered remote.

**(h) *Use of Estimates***

The preparation of the accompanying consolidated statement of financial condition in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and the accompanying notes. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate.

**(i) *Fair Value Measurements***

The financial instruments of the Company are reported in the consolidated statement of financial condition at fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments. The Company has determined the fair value of money market funds, marketable securities, and investments held in the nonqualified deferred compensation plan using the market approach as these financial instruments trade in an active market.

**IFC HOLDINGS, INC. AND SUBSIDIARY**  
(An Indirect, Wholly Owned Subsidiary of Prudential plc)

Notes to Consolidated Statement of Financial Condition

December 31, 2011

**(3) Income Taxes**

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities are as follows:

Deferred tax assets:	
Forgivable loans	\$ 2,784,527
Allowance for doubtful accounts	274,950
Depreciation	220,502
Deferred compensation	12,817,793
Accrued vacation	176,325
Commission held	118,537
Accrued rent	172,616
State NOL	136,576
Accrued bonus	69,534
Other	133,602
	<hr/>
Total deferred tax assets	16,904,962
	<hr/>
Deferred tax liabilities:	
Prepays	(333,181)
Intangible amortization	(2,747,110)
Unrealized gain on marketable securities	(5,222)
	<hr/>
Total deferred tax liabilities	(3,085,513)
	<hr/>
Net deferred tax assets	\$ 13,819,449
	<hr/> <hr/>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Based upon the projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences.

**IFC HOLDINGS, INC. AND SUBSIDIARY**  
(An Indirect, Wholly Owned Subsidiary of Prudential plc)

Notes to Consolidated Statement of Financial Condition

December 31, 2011

For tax purposes as of December 31, 2011, the Company had a state net operating loss (NOL) of \$2,482,982, which can be carried forward and will expire according to the following table:

<u>Number of years to utilize</u>	<u>Amount of loss expiring</u>
0 – 5 years	\$ 377,271
6 – 7 years	211,071
8 – 10 years	1,301,975
11 – 12 years	8,712
13 – 15 years	563,316
16 – 20 years	20,637
	<u>\$ 2,482,982</u>

The Company has a state tax receivable of \$595,125 and a federal income tax receivable of \$435,323. As of December 31, 2011, there are no unrecognized tax benefits.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Balance as of December 31, 2010	\$ 59,491
Reductions to prior year tax positions	<u>(59,491)</u>
Balance as of December 31, 2011	<u>\$ —</u>

The Company's federal income tax returns are under examination by the Internal Revenue Service for tax years 2007 and 2008. The federal income tax returns for 2009 and 2010 remain open to examination. The Company does not believe it is probable that a significant change will occur within the coming year to its unrecognized tax benefits.

**(4) Fair Value Measurements**

The Company's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with Accounting Standard Codification (ASC) ASC 820-10, *Fair Value Measurements*. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.



**IFC HOLDINGS, INC. AND SUBSIDIARY**  
(An Indirect, Wholly Owned Subsidiary of Prudential plc)

Notes to Consolidated Statement of Financial Condition

December 31, 2011

ASC 820-10 established a three-level hierarchy for fair value measurements that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The hierarchy level assigned to each security in the Company is based on the assessment of the transparency and reliability of the inputs used in the valuation of such security at the measurement date. The three hierarchy levels are defined as follows:

- Level 1 – Valuations based on unadjusted quoted market prices in active markets for identical securities
- Level 2 – Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment

The Company has evaluated its investments in money market funds (\$22,271,247 included in cash and cash equivalents), marketable securities, and investments held in the nonqualified deferred compensation plan, and determined that based on the unadjusted quoted market prices in active markets used to determine fair value that these are classified as Level 1 investments.

**(5) Clearing Agreement**

The Company is an introducing broker and clears transactions with and for customers on a fully disclosed basis with National Financial Services Corporation (NFSC) and Pershing LLC, a Bank of New York Mellon company. The Company promptly transmits all customer funds and securities to NFSC and Pershing LLC. In connection with these arrangements, the Company is contingently liable for its customers' transactions.

**(6) Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1 (Rule 15c3-1) and is required to maintain minimum "net capital" equivalent to \$250,000, or 2%, of "aggregate debit items," whichever is greater, as these terms are defined. As of December 31, 2011, the Company had net capital of \$6,935,349, which was \$6,685,349 in excess of its requirement.

**(7) Forgivable Notes Receivable**

The Company holds forgivable notes from certain registered representatives. Under the terms of the forgivable notes, the principal is forgiven over a period of time, generally five to seven years. The forgiveness of the notes is contingent upon the continued affiliation of the representative and the representative achieving agreed-upon production levels, measured in terms of gross dealer concessions.

The Company records amortization of the principal balance of the notes monthly on a straight-line basis over the term of the note. Typically, when the representative does not achieve the minimum gross dealer concessions, but does achieve a predetermined percentage of the agreed-upon production levels, the term

**IFC HOLDINGS, INC. AND SUBSIDIARY**  
(An Indirect, Wholly Owned Subsidiary of Prudential plc)

Notes to Consolidated Statement of Financial Condition

December 31, 2011

of the forgivable notes may be extended. Under such circumstances, the unamortized balance of the note is amortized over the remaining term. Typically, if the representative achieves an amount lower than the predetermined percentage of the agreed-upon production levels, the representative must pay down a portion of the note, and the remaining balance is amortized over the remaining term. In some instances, when it has been determined that a note will be repaid by a representative; the amount to be repaid is reclassified from forgivable notes receivable to receivable from registered representatives.

The activity in the forgivable notes receivable comprises the following:

Balance as of December 31, 2010	\$ 16,854,065
Granted	537,740
Amended notes	(625,417)
Allowance	(59,956)
Amortization	<u>(2,703,618)</u>
Balance as of December 31, 2011	<u><u>\$ 14,002,814</u></u>

During 2011, forgivable notes receivable totaling \$494,821 became fully amortized and were forgiven by the Company.

**(8) Receivables from Registered Representatives and Allowance for Doubtful Accounts**

Notes receivable from registered representatives, net with interest rates ranging from 3.00% to 5.25%. The receivables mature from March 20, 2012 through May 20, 2015	\$ 339,358
Other receivables from registered representatives	<u>144,129</u>
Receivables from registered representatives	<u><u>\$ 483,487</u></u>

The activity in the allowance for doubtful accounts for receivables from registered representatives for the year ended December 31, 2011 comprises the following:

Allowance for doubtful accounts at beginning of year	\$ 657,726
Additions charged to bad debts expense	277,780
Write-downs charged against the allowance	<u>(256,426)</u>
Allowance for doubtful accounts at end of year	<u><u>\$ 679,080</u></u>

**IFC HOLDINGS, INC. AND SUBSIDIARY**  
(An Indirect, Wholly Owned Subsidiary of Prudential plc)  
Notes to Consolidated Statement of Financial Condition  
December 31, 2011

**(9) Fixed Assets**

The major classifications of fixed assets are as follows:

Leasehold improvements	\$ 1,698,814
Office equipment, furniture, and fixtures	1,311,946
Computer hardware and software	<u>1,207,023</u>
Total fixed assets	4,217,783
Less accumulated depreciation	<u>(3,623,687)</u>
Fixed assets, net	<u><u>\$ 594,096</u></u>

**(10) Defined Contribution Plans**

The Company has defined contribution retirement plans covering all eligible full-time employees. The Company's annual contributions are based on a percentage of covered compensation paid to participating employees during each year.

**(11) Employee Deferred Compensation Plan**

The Company has a nonqualified deferred compensation plan for certain employees. Effective December 28, 2006, this plan is no longer accepting new contributions. All plan assets are included as an asset in prepaid expenses and other assets with a corresponding liability in accounts payable and other accrued expenses. The asset and liability are each \$115,188 as of December 31, 2011, and are included in the accompanying consolidated statement of financial condition.

**(12) Related-Party Transactions**

The Company participates in the allocation of costs in which NPH and the other wholly owned subsidiaries of NPH allocate a portion of their operating expenses to the Company, and the Company allocates a portion of its operating expenses to the other subsidiaries of NPH. Jackson allocates the shared services expense based on a percentage of time spent on the activity.

Pursuant to the tax-sharing agreement, the Company paid \$5,705,888 for federal income taxes for the year ended December 31, 2011.

**(13) Representative Deferred Compensation Program**

The Company has a nonqualified deferred compensation plan for certain registered representatives of the Company. Effective April 1, 2004, all plan assets were frozen and are included as an asset in prepaid expenses and other assets with a corresponding liability in accounts payable and other accrued expenses. The asset and liability are each \$3,974,682 as of December 31, 2011, in the accompanying consolidated statement of financial condition.

**IFC HOLDINGS, INC. AND SUBSIDIARY**  
(An Indirect, Wholly Owned Subsidiary of Prudential plc)

Notes to Consolidated Statement of Financial Condition

December 31, 2011

All contributions made after April 1, 2004 are transferred to Jackson for the purpose of facilitating administration of the plan. The Company's annual contributions are based on commission revenue production of participating registered representatives during the year.

**(14) Commitments and Contingencies**

**(a) Leases**

The Company leases its primary premises under an operating lease, which expires November 30, 2013. The lease agreement provides for rental escalations over the term of the operating lease. The Company recognizes the rental increases over the term of the lease on a straight-line basis. The following is a schedule by years of the minimum rental commitments for the premises under this noncancelable lease as of December 31, 2011:

2012	\$	806,417
2013		<u>760,892</u>
	\$	<u><u>1,567,309</u></u>

**(b) Litigation**

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, or liquidity.