



**CUNA Brokerage Services, Inc.**

Member FINRA/SIPC

Office of Supervisory Jurisdiction

2000 Heritage Way Waverly, IA 50677-9202

**CUNA BROKERAGE SERVICES, INC.**

**2000 Heritage Way  
Waverly, IA 50677**

**MEMBERS.CUNAMUTUAL.COM  
CUNABROKERAGE.COM**

**February 27, 2012**

This Wrap Fee Program Brochure provides information about the qualifications and business practices of CUNA Brokerage Services, Inc. ("CUNA Brokerage", "we", "our" or "us"). If you have any questions about the contents of this Wrap Fee Program Brochure, please contact us at (319) 352-4090. The information in this Wrap Fee Program Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about us is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

The following describes material changes in our advisory business since the last updating amendment of this Brochure effective November 16, 2011.

1. We updated references to CUNA Mutual Insurance Society to CMFG Life Insurance Company to reflect CUNA Mutual Insurance Society's structural and name changes associated with our reorganization to a mutual holding company structure.
2. We updated the Disciplinary History to reflect the fact that we have not been the subject of any legal or disciplinary actions in the last ten years.

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## Services, Fees and Compensation

We are the sponsor and distributor of the Lockwood Asset Allocation Portfolios (“LAAP”) and Lockwood Investment Strategies (“LIS”) investment advisor wrap programs. As the sponsor of the LIS and LAAP programs, we assist advisory clients with selecting the program that best meets their needs as communicated by the client to us.

LAAP. LAAP is a discretionary, multi-discipline managed account product housed in a single portfolio. Lockwood Advisors, Inc. (“Lockwood”), serving as the portfolio manager, determines asset allocation strategy and selects investment vehicles for each investment style component of the portfolios, based upon proprietary modeling strategies, macroeconomic outlook and investment research discipline. The five LAAP models are:

Model I: Current Income

Model II: Growth & Income

Model III: Conservative Growth

Model IV: Moderate Growth

Model V: Growth

Model I is the most conservative model, with the majority of the model allocated to fixed income and the balance to equities; Model V is the most aggressive model, with 100% of the model allocated to equities. These portfolios may consist of open and closed-end mutual funds, ETF’s and other types of securities, as determined by Lockwood, in its sole discretion. The securities currently employed in the LAAP portfolios are described in Lockwood’s Brochure, and are subject to change at Lockwood’s sole discretion.

LIS. LIS is a discretionary, multi-discipline managed account product housed in a single portfolio with five core models. The five core models span the risk/return spectrum from a current income model to a growth model within the context of a diversified portfolio. A client may also choose from four additional models which include exposure to non-traditional asset classes. Lockwood, serving as the portfolio manager, determines asset allocation and selects both sub-managers and specific investment vehicles for each investment style based on its proprietary modeling strategies, as well as its macroeconomic outlook and investment discipline.

Lockwood selects a sub-manager or investment vehicle, such as an exchange-traded fund (“ETF”) or mutual fund, for each investment style. When selected for inclusion within the program, each sub-manager electronically provides its model portfolio (buy-list) to Lockwood on a daily basis. Lockwood, as overlay manager, combines each of the model portfolios into one investment strategies portfolio designed to perform and act similar to the target benchmark for the portfolio. Lockwood gathers each of the portfolios and runs an optimization program that removes security overlap, minimizes tax implications, and creates better tracking to the target benchmark. The sub-managers and investment vehicles currently employed in LIS portfolios are described in Lockwood’s Brochure and are subject to change at Lockwood’s sole discretion.

When Lockwood selects investment vehicles for each investment style component of each of the portfolios, a number of factors are evaluated. Not only must the vehicle stand on its own investment merits, but it also must fit within the overall strategy. The amount allocated to an investment style component may determine which instrument may be used to manage that portion of the portfolio. An instrument such as a mutual fund or ETF may be utilized to allow broad market exposure to be achieved for lower dollar values. A basket of individual securities supplied by a sub-manager may be used for allocations where Lockwood seeks active management exposure. Lockwood reviews sub-manager and investment vehicle combinations to determine the most effective combination of investments to satisfy the goals of the portfolio. Lockwood also pays considerable attention to fees, liquidity, investment minimums, and operational issues as they pertain to the implementation and inclusion of investment vehicles and sub-managers in the portfolios.

Lockwood offers a series of strategies limited to traditional asset classes only and a series of strategies that include traditional and alternative investment asset classes for implementation. Each of these strategies is discussed in detail in Lockwood's Brochure.

Fees and Compensation. LAAP accounts are subject to the following fee schedule:

<b><i>Fee Amount (In Basis Points, bp) 1bp = .01%</i></b>	
<b><i>Program Fee</i></b>	<b><i>Asset Level Breakpoint</i></b>
40 bps	\$0 - \$500,000
35 bps	\$500,000.01 - \$1,000,000
30 bps	\$1,000,000.01 - \$5,000,000
25 bps	\$5,000,000.01 - \$10,000,000
20 bps	Over \$10,000,000

LIS accounts are subject to the following schedule:

<b><i>Fee Amount (In Basis Points, bp) 1bp = .01%</i></b>	
<b><i>Program Fee*</i></b>	<b><i>Asset Level Breakpoint</i></b>
75 bps	\$0 - \$500,000
55 bps	\$500,000.01 - \$1,000,000
40 bps	\$1,000,000.01 - \$5,000,000
35 bps	\$5,000,000.01 - \$10,000,000
30 bps	Over \$10,000,000

The program fee includes Lockwood's advisory fee, a program administration fee, and clearing and custody fees. In addition to the program fee, our investment advisor representatives may negotiate a fee for advisory services provided by the representative to the client in connection with the program. In no event will the total fee (i.e., the program fee and investment advisor representative fee) paid by the client exceed 2.25%. Clients will also pay any fees and expenses of the underlying investment vehicles, such as redemption fees, ongoing sales charges (e.g., Rule 12b-1 fees), and mutual fund management, custody and administration expenses, mark-up or mark-down charges on over-the-counter securities (OTC) transactions, and fees and

expenses for transactions in a program account for securities that are not otherwise part of the program.

Accounts may be householded for billing purposes. Accounts are billed quarterly in advance by Lockwood and fees are automatically deducted from client accounts.

From time to time, we may maintain solicitation agreements with affiliated or unaffiliated solicitors pursuant to Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended. Fees paid by LIS and LAAP clients that are solicited by an unaffiliated firm may be higher than those paid by other clients in those programs.

In LIS and LAAP, several service providers, an investment adviser, a broker-dealer, a clearing firm and a custodian, are bundled together for a single fee. Some clients like having these various services packaged together, while others prefer to select individual providers. Similarly, some clients like a fee structure that converts trading costs into an asset-based fee calculated on the same basis as advisory fees; others prefer that trading costs be assessed on a per trade basis. Depending on a variety of factors, such as the number, size and nature of securities transactions in an advisory account, the overall fees and charges borne by a LIS or LAAP client over time could be more or less than what these fees and charges would be if the same services were provided separately.

The amount of compensation investment advisor representatives receive in connection with LIS and LAAP may be more than that if the client participated in our other programs or paid separately for investment advice, brokerage, and other services, and, therefore, investment advisor representatives may have a financial incentive to recommend these accounts over other programs or services.

We have established and maintain policies and procedures reasonably designed to detect and prevent violations of the Investment Advisers Act of 1940 and rules and regulations related to that Act. These include a Code of Ethics, described in our Brochure or Wrap Fee Program Brochure. We also utilize an internal review process and regular audits to supervise investment advisor representatives. Pursuant to these policies, we review the recommendations of investment advisor representatives and monitor investment advisor representatives' investment advisory activities and receipt of cash and non-cash compensation to disclose conflicts of interest or avoid them. These policies and procedures are designed to prevent investment advisor representatives from acting in any way that is inconsistent with our legal obligations to clients, including the requirement that investment advisor representatives place client interests first. Should any violation of these policies and procedures be detected, we will take appropriate corrective action.

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

The minimum initial investment to establish a LIS account is \$250,000. The minimum initial investment to establish a LAAP account is \$50,000, with minimum subsequent

investments of \$1,000 each. We and Lockwood reserve the right to lower the minimum required amount on a case-by-case basis, as well as the right to terminate an account if the assets in an account fall below the minimum.

The LIS and LAAP programs are available to individuals, trusts, and corporate entities.

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

We selected Lockwood, an investment adviser that is not affiliated with us, to act as the portfolio manager for program clients due to Lockwood's portfolio selection methodology, service, and other considerations. We intend to continue to use Lockwood as the portfolio manager for these programs until such time as the agreement between us and Lockwood is terminated. Lockwood selects all sub-managers in the LIS and LAAP programs. More information about Lockwood's selection process is available in Lockwood's brochure.

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

Persons interested in establishing a LIS or LAAP account will be asked to meet with one of our investment advisor representatives to discuss their current financial situation, risk tolerances, and investment goals. A completed Client Profile that includes this information and Schedule A of the Client Services Agreement, which indicates the initial asset allocation and investment strategy model for the account, are then transmitted to and reviewed by Lockwood. Once approved, Lockwood obtains discretion to manage the account.

Clients are requested to inform us and Lockwood whenever there is a change in financial condition or any change in the investment restrictions they wish to impose.

### **Client Contact with Portfolio Managers**

While our investment advisor representatives are available to assist with any LIS or LAAP program issues, clients may also contact Lockwood directly. Program sub-managers are not generally available to clients.

### **Additional Information**

Disciplinary Information. We have not been the subject of a material legal or disciplinary action in the last ten years.

Other Financial Industry Activities and Affiliations. We engage in businesses other than providing investment advisory services. We are also a registered broker-dealer, and, through our registered representatives, engage in a retail securities business. In the ordinary course, we and our investment advisor representatives receive compensation for securities transactions effected through us.

We are an indirect wholly-owned subsidiary of CMFG Life Insurance Company. CMFG Life Insurance Company and its affiliates, including CUNA Brokerage, operate under the trade name "CUNA Mutual Group." The entities that make up CUNA Mutual Group provide insurance, investments, lending, employee benefits and direct marketing solutions primarily to and through credit unions and credit union service organizations and also offer crop insurance products primary in connection with the U.S. federal crop insurance program. We serve as the principal distributor for the variable annuity contracts and life insurance policies issued by and the Trustee 401(k) retirement plan product offered by CMFG Life Insurance Company.

CMFG Life Insurance Company also has a non-controlling interest in Madison Asset Management, LLC, which sponsors certain investment advisory wrap programs for which our investment advisor representatives act as a solicitor and manages certain mutual funds that may be recommended by our investment advisor representatives. In addition to solicitation fees, commissions or similar amounts paid by Madison Asset Management, LLC to us and our investment advisor representatives, CMFG Life Insurance Company receives payments from Madison Asset Management, LLC or its affiliate that are based, in part, on the amount of assets in those wrap programs and mutual funds. This presents a conflict of interest that gives us and our investment advisor representatives an incentive to recommend those wrap programs and/or mutual funds.

Our investment advisor representatives may also be licensed insurance agents appointed with CMFG Life Insurance Company and other insurers, trust liaison officers or trust officers of MEMBERS Trust Company and/or employees of credit unions or credit union organizations. They may also otherwise engage in businesses, offer products or services and/or be employed by entities that are not affiliated with CUNA Mutual Group.

We have established and maintain policies and procedures reasonably designed to detect and prevent violations of the Investment Advisers Act of 1940 and rules and regulations related to that Act. These include a Code of Ethics, described in our Brochure or Wrap Fee Program Brochure. We also utilize an internal review process and regular audits to supervise investment advisor representatives. Pursuant to these policies, we review the recommendations of investment advisor representatives and monitor investment advisor representatives' investment advisory activities and receipt of cash and non-cash compensation to disclose conflicts of interest or avoid them. These policies and procedures are designed to prevent investment advisor representatives from acting in any way that is inconsistent with our legal obligations to clients, including the requirement that investment advisor representatives place client interests first. Should any violation of these policies and procedures be detected, we will take appropriate corrective action.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading. We have adopted and maintain a code of ethics to which all our personnel are subject that requires such persons to adhere to our fundamental principle that at all times the



interests of clients come first. Our code of ethics, which addresses our policies relating to compliance with federal securities laws, personal trading and reporting, confidentiality, gifts and insider trading, is intended to assist our personnel in carrying out their duties as fiduciaries to clients. A copy of our code of ethics is available upon request.

We are a registered broker-dealer and, through our registered representatives, transact business in a variety of securities products including mutual funds, stocks, bonds, and other investment products. We require that registered representatives who also act as investment advisor representatives clearly disclose their dual role in all communications with the public by reviewing all advertising and sales literature, including business cards and letterhead. We provide all investment advisor representatives with written policies for their advisory activities. Investment advisor representatives are also required to provide advisory clients with a copy of our brochure or this Wrap Fee Program Brochure, as applicable.

We have no material financial interest in the investment options available in the LIS or LAAP programs.

Review of Accounts. Lockwood is primarily responsible for monitoring and periodically rebalancing LIS and LAAP accounts to ensure the portfolios are consistent with the clients' investment objectives. Depending on the circumstances, investment advisor representatives and/or members of our Compliance Department may review advisory accounts periodically to determine whether the positions, transactions, and strategies are consistent with the clients' investment objectives. Our Compliance Department consists of a Chief Compliance Officer, Manager of Compliance, Manager of Field Compliance, Field Compliance Managers and Compliance Specialists. LIS and LAAP program clients receive periodic account statements and/or performance reports.

Client Referrals and Other Compensation. From time to time, we may maintain solicitation agreements with affiliated or unaffiliated solicitors pursuant to Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended.