

## **Wrap Fee Program Brochure**

### **BIFS Wrap Program**

#### **Brokers International Financial Services, LLC**

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This **Wrap Fee Program Brochure** provides information about the qualifications and business practices of Brokers International Financial Services, LLC ("BIFS") and details for the **BIFS Wrap Program**. If you have any questions about the contents of this brochure, please contact us at (877)-886-1939 or at [compliance@brokersifs.com](mailto:compliance@brokersifs.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Brokers International Financial Services, LLC is a registered investment adviser. While registration is required under law, registration of an investment adviser or broker-dealer does not imply any specific level of skill or training.

Additional information about Brokers International Financial Services, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and on FINRA's website at [www.finra.org/brokercheck](http://www.finra.org/brokercheck)

## Item 2 – Material Changes

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that BIFS provides to clients as required by applicable rules and regulations. This Wrap Fee Program Brochure dated April 1, 2013 is a new document prepared according to the new requirements and rules. This item will discuss only specific material changes that are made to the Wrap Fee Program Brochure and provide readers with a summary of such changes. We will also reference the date of the last annual update of the brochure.

Pursuant to new rules, we will ensure that you receive a summary of any material changes to this and subsequent Wrap Fee Program Brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes no later than April 30 each year. At that time we will also offer a copy of the most current Wrap Fee Program Brochure. We may also provide other ongoing disclosure information about material changes as necessary.

The following summarizes the material changes made to BIFS’ Wrap Program since April 24, 2012:

### 1) Item 6 Participation in Wrap Fee Programs

**Retirement Ally** – Brokers International Financial Services, LLC has developed and sponsors the Retirement Ally Program which is a wrap-fee program.

### 2) Item 9 Client Referrals and Other Compensation

**Solicitation Arrangements** - Situations may arise in which unaffiliated individuals may solicit clients for BIFS that they deem appropriate. Pursuant to a written referral agreement between BIFS and unaffiliated individuals and other parties (collectively, “Solicitors”), Solicitors agree to refer prospective clients to BIFS to participate in our investment management programs. Where applicable, the agreement will identify the roles and responsibilities of the solicitor, the Investment Adviser Representative (IAR) and BIFS and the specific amount of the annual advisory fee to be shared with the solicitor. This fee compensates the Solicitor for referring clients to us, assisting in the enrollment of clients for participation in our programs, and facilitating communication between us and clients. The annual advisory fee charged to the client will not be affected if the client was introduced or referred by a solicitor. Through the Solicitors Written Disclosure Document, each client is made aware of the referral agreement prior to or at the time of entering into an advisory contract and acknowledges receipt of BIFS’ current Form ADV Part 2A. The advisory fee will be paid quarterly for so long as the client maintains an Investment Management Agreement with BIFS and the solicitor’s agreement with BIFS remains in-force. If at any time either agreement is terminated, the advisory fee payments to the solicitor will cease.

### 3) Item 4 – Services, Fees and Compensation

**Approved Service Providers** - BIFS has entered into a written agreement BridgePortfolio® to provide certain administrative and back-office functions for clients in the Program. Under this agreement, BridgePortfolio® services that may be provided to BIFS include, but are not necessarily limited to: due diligence assistance, performance and/or position reports for client accounts, calculation and deduction of management fees, trading of client accounts and other back-office support.

BridgePortfolio® will not have direct contact or require any signed advisory agreements with our clients. However, as part of the clients' standard agreement with BIFS they will be granted limited power of attorney on the client's account in order to enter transactions, when applicable, and in order to deduct advisory fees directly from the client's account. The BridgePortfolio® fee for providing services to BIFS is based upon the total assets held within our client accounts. BridgePortfolio® will retain a portion of the Program's Fixed Cost. Our use of the services provided by BridgePortfolio® does not result in an increase in your overall management fee.

The following summarizes the material changes made to BIFS' Wrap Program since April 1, 2013:

1) Item 4 – Service, Fees and Compensation

**The Program Sponsored by BIFS** - BIFS allows discretion only when both the client and BIFS have provided written authorization. When a BIFS' IAR is authorized by the client to exercise discretion, he or she may execute trades in the client's account without contacting the client prior to each trade to obtain the client's permission. When discretionary trading authority is granted the BIFS' IAR will have the authority to do the following without contacting the client:

- determine the security or securities to buy or sell; and/or
- determine the price and amount of the security or securities to buy or sell; and/or
- determine the time to buy or sell the security or securities

Only IARs who have received written authorization from both the client and BIFS may exercise discretion in their clients' accounts. Clients give BIFS' IARs discretionary authority when they sign a discretionary agreement with BIFS, and may terminate this authority by giving BIFS written instructions.

### Item 3 – Table of Contents

Item 2 – Material Changes .....	2
Item 3 – Table of Contents .....	4
Item 4 – Services, Fees and Compensation .....	5
The Program sponsored by Brokers International Financial Services, LLC .....	5
Suitability .....	7
Brokerage, Clearing and Custody .....	7
Aggregation of Client Orders .....	10
Trading Error Policy .....	10
Custody .....	11
Program Fees .....	11
Other Fees .....	13
Termination of Services .....	14
Item 5 – Account Requirements and Types of Clients .....	14
Account Minimums .....	14
Opening an Account .....	14
Types of Clients .....	14
Item 6 – Portfolio Manager Selection and Evaluation .....	14
Description of Other Advisory Services .....	15
Financial Planning .....	15
Asset Management .....	16
Specialization .....	16
Advice on Certain Types of Investments .....	16
Participation in Wrap Fee Programs .....	17
Performance-Based Fees and Side-By-Side Management .....	17
Methods of Analysis, Investment Strategies and Risk of Loss .....	17
Fundamental .....	18
Technical .....	18
Risk of Loss .....	19
Voting Client Securities .....	20
Item 7 – Client Information Provided to Portfolio Managers .....	20
Item 8 – Client Contact with Portfolio Managers .....	21
Item 9 – Additional Information .....	21
Disciplinary Information .....	21
Other Financial Industry Activities and Affiliations .....	21
Code of Ethics Summary .....	22
Affiliate and Employee Personal Securities Transactions Disclosure .....	22
Account Reviews and Reviewers .....	23
Statements and Reports .....	23
Client Referrals and Other Compensation .....	23
Financial Information .....	24

#### **Item 4 – Services, Fees and Compensation**

Brokers International Financial Services, LLC (referred to as “BIFS” in this document) has developed and sponsors the **BIFS Wrap Program** (referred to simply as the “Program” in this document). The Program is a wrap-fee program. Only investment advisor representatives of BIFS may serve as portfolio managers in the Program. Therefore, participants in the Program must be advisory clients of BIFS.

Our investment advisor representatives (IARs) are not employees of BIFS, they are independent contractors. Our IARs are restricted to providing services and charging fees based in accordance with the descriptions detailed in this document. However, the exact services you will receive and the fees you will be charged are dependent upon your IAR. Fees may also vary depending on the geographic location of our clients and/or your IAR. BIFS’ IARs are instructed to consider the individual needs of each client when recommending an advisory service.

Our Firm provides investment advisory services other than the Program described in this Wrap Fee Program Brochure. A description of the other fee based investment advisory services is available in our Form ADV Part 2A Disclosure Brochure. Some of our IARs are approved to also provide investment advice in their separate capacities as registered representatives of our Firm in its separate capacity as a broker-dealer member FINRA/SIPC. In those capacities, our IARs that are also broker-dealer registered representatives may charge commissions on a per-transaction basis when implementing their advice on behalf of clients.

When making the determination of whether one of the advisory programs available through BIFS is appropriate for their needs, clients should bear in mind that fee based accounts through BIFS, when compared with commission based accounts may result in lower costs during periods when trading activity is heavier, such as the year an account is established. However, during periods when trading activity is lower, such arrangements may result in a higher annual cost for transactions. The total cost for transactions under a fee account versus a commission account can vary significantly and depends upon a number of factors. Some such factors include account size, amount of turnover (number of transactions), type and quantities of securities purchased or sold, commission rates and the client’s tax situation. Clients should have a conversation with their IAR and read this brochure carefully as it explains our program in detail.

#### **The Program sponsored by BIFS**

Under the Program, BIFS provides investment supervisory services defined as giving continuous investment advice to a client and making investments for the client based on the individual needs of the client. Through this service, BIFS offers a customized and individualized investment program for clients. Various investment strategies are provided under the Program; however, a specific investment strategy and investment policy is crafted for each client to focus on the specific client’s goals and objectives.

BIFS shall obtain information from clients to determine each individual client’s financial situation and investment objectives. Accounts are managed on the basis of each client’s financial situation and investment objectives. Clients are instructed to notify BIFS whether the client’s financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of accounts managed under the Program. At least annually, BIFS shall

contact individual clients to determine whether their financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of accounts managed. BIFS shall be reasonably available to consult with individual clients relative to the status of their accounts. Clients shall have the ability to impose reasonable restrictions on the management of their accounts, including the ability to instruct BIFS not to purchase certain securities. Client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account. A separate account is maintained for each client with the custodian and clients retain right of ownership of the account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

BIFS allows discretion only when both the client and BIFS have provided written authorization. When a BIFS' IAR is authorized by the client to exercise discretion, he or she may execute trades in the client's account without contacting the client prior to each trade to obtain the client's permission. When discretionary trading authority is granted the BIFS' IAR will have the authority to do the following without contacting the client:

- determine the security or securities to buy or sell; and/or
- determine the price and amount of the security or securities to buy or sell; and/or
- determine the time to buy or sell the security or securities

Only IARs who have received written authorization from both the client and BIFS may exercise discretion in their clients' accounts. Clients give BIFS' IARs discretionary authority when they sign a discretionary agreement with BIFS, and may terminate this authority by giving BIFS written instructions.

If you decide not to sign a discretionary agreement with BIFS, trading is done on a **non-discretionary** basis. BIFS' IAR will be required to contact you prior to implementing changes to the investment in your account. Therefore, you will be contacted and be required to accept or reject the investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, BIFS and/or the BIFS' IAR will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

All clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. You may also place reasonable limitations on the discretionary power (if any) granted to our Firm so long as the limitations are specifically set forth or included as an attachment to the client agreement.

BIFS or a related person does not act as a principal (buys securities for itself or sells securities it owns to any client) in the Program. BIFS or a related person does not affect transactions in which client securities are sold to or bought from a brokerage (commission-only) client.

### **Suitability**

BIFS will assist clients in determining their objective(s), investment strategy, and investment suitability, prior and subsequent to opening a Program account. Clients must advise BIFS of any changes in their investment objective(s) and/or financial situation. An IAR of BIFS will assist a prospective client in a review of their investment objectives, investing time horizon, financial situation and investment risk tolerance. The IAR will also assist the prospective client in completing an investor questionnaire. Based on the answers provided in the investor questionnaire, the IAR will recommend one of a number of asset allocation models.

Our services are always provided based on the individual needs of each client. This means, for example, that you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. After choosing an asset allocation model, the prospective client with the assistance of their IAR will choose the investments the client wishes to purchase or transfer in kind to the client's Program account. Unless requested otherwise by the prospective client, the IAR will recommend investments that correspond to the Asset Class Mix of the asset allocation model chosen by the client. All decisions to purchase, sell, or transfer investments to or from the Program account shall be made solely by the client. The IAR is available to the client at any time to provide consultation on buying, selling and reinvesting investments in the Program account consistent with the client's investment objectives.

BIFS and its IARs may provide different investment or asset allocation modeling recommendations to one client in the Program from that given to another client. The Program does not give investment advice as to assets that the client has chosen not to hold in a Program account.

We may manage a client's account in accordance with one or more investment models. When client accounts are managed using models, investment selections are based on the underlying model and we do not develop customized (or individualized) portfolio holdings for each client. However, the determination to use a particular model or models is always based on each client's individual investment goals, objectives and mandates.

### **Brokerage, Clearing and Custody**

Accounts managed through the Program must be established through one of the two brokerage platforms detailed in this section. Your IAR has the discretion to select the platform he or she will use with clients. You should discuss with your IAR the optimal brokerage platform given your situation.

There are some investment advisors that permit the use of multiple broker-dealers and permit clients to select the broker-dealer. BIFS has considered the positive factors to this approach which include the ability to better negotiate brokerage costs such as transaction fees, the ability to better analyze speed of execution, and the ability to compare and negotiate services. However, BIFS has determined that the use of two brokerage platforms (Pershing or TD Ameritrade) allows BIFS to provide more streamlined operational and trading services. BIFS considers the fact that allowing multiple brokerage arrangements and client-directed brokerage arrangements would increase the need for additional internal staff and technology which may increase the overall fees charged to clients. By permitting only BIFS-directed brokerage platforms, we are able to avoid additional compliance, recordkeeping, staffing, and technological costs that may be associated with implementing procedures designed to work with multiple

brokerage platforms. Considering all factors in relation to BIFS' structure and capacities, BIFS has concluded that requiring our pre-approved brokerage platforms (Pershing or TD Ameritrade) is a better policy than permitting multiple brokerage arrangements including client directed brokerage arrangements. However, the current policy may change in the future and if BIFS decides to permit other brokerage arrangements all clients will be made aware of the change in policy.

#### **BIFS and Pershing, LLC as Broker-dealer**

BIFS in its separate capacity as a registered broker-dealer may be used for Program accounts. IARs of BIFS may also be registered representatives of BIFS in its capacity as a broker-dealer. All representatives of BIFS (whether dually licensed as IARs and broker-dealer registered representative or only licensed as IARs) are required to use the services of BIFS and BIFS' approved broker-dealer arrangements.

BIFS serves as an introducing broker-dealer. All accounts established through BIFS, as a broker-dealer, will be cleared and held at Pershing which acts as the qualified custodian.

BIFS has a wide range of approved securities products for which BIFS performs due diligence prior to selection. BIFS' registered securities agents are required to adhere to these products when implementing securities transactions through BIFS.

The option (and in some cases requirement) to use BIFS is based on our decision that we can provide efficient and cost-effective services as opposed to using an alternative introducing broker-dealer. However, the use of an affiliated broker-dealer is an inherent conflict of interest between BIFS and its clients because requiring BIFS clients to use our Firm as the broker-dealer allows us to retain brokerage revenue that would otherwise be retained by an unaffiliated broker-dealer.

The requirement to use Pershing LLC ("Pershing") (which is not affiliated with BIFS) is based on the fact that we have established a clearing agreement with Pershing as our preferred clearing broker-dealer and qualified custodian. The decision to use Pershing is based on past experiences, minimizing brokerage expenses and other costs as well as offerings or services Pershing provides that we and/or our clients may require or find valuable.

Commission and fee structures of various broker-dealers, along with services, research and tools are periodically reviewed by BIFS in order to evaluate the overall execution services provided by Pershing. Accordingly, while we consider competitive rates, we may not necessarily obtain the lowest possible commission and brokerage rates for client account transactions. Therefore, the overall services provided by both BIFS and Pershing are evaluated to determine the level of best execution provided to clients. However, considering BIFS requires its clients to use the brokerage services of BIFS and Pershing, BIFS may be unable to achieve the *most* favorable execution of client transactions and therefore our practice of requiring the use of BIFS and Pershing may cost clients more money compared to advisory programs offered by other investment advisors.

While clients may be able to attain brokerage services with lower costs and expenses, clients should be aware of some of the qualitative factors BIFS considers for selecting BIFS and Pershing as its required Program brokerage platform. These factors include, but are not necessarily limited to, being able to rely on the internal staff of BIFS to provide operations, trading, and other services.

Pershing is able to provide numerous specialized service groups and a Client Service Manager who is dedicated to servicing BIFS and Program accounts. Their back-office system generates exception



reports designed to monitor all aspects of brokerage accounts, including trading, money movement, transfers, and client account data. Client paperwork is processed through a secure electronic workflow and storage system. Pershing's electronic trading platform provides a real-time order matching system, ability to "block" client trades, program investment models, automated rebalancing, account balance and position information, and access to mutual fund families. Clients may access their account information over the internet, including balances, transactions, positions, statements, confirmations, and tax documents. Advisory fees can be calculated on aggregated account balances and are debited directly from client accounts.

#### **TD Ameritrade as Broker-dealer**

You and your IAR also have the option to open or move Program accounts to TD Ameritrade through the TD Ameritrade Institutional platform. TD Ameritrade, Inc. serves as the broker-dealer and qualified custodian for all accounts through TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. a SEC-registered broker-dealer, member FINRA/SIPC/NFA.

For accounts at TD Ameritrade, you must designate BIFS, solely in its capacity as a registered investment advisor, as your investment advisor on the accounts you'd like your IAR to manage. BIFS will be granted limited power-of-attorney on the account to implement trades within the account and (when agreed to by the client) deduct BIFS advisory fees from the account.

TD Ameritrade offers to independent investment advisors (such as BIFS) services which include custody of securities, trade execution, clearance and settlement of transactions. BIFS is independent and unaffiliated with TD Ameritrade.

We do not receive client referrals from TD Ameritrade; however, we do receive certain benefits from them. Costs associated with TD Ameritrade may be higher than other broker-dealers in return for those products and services. Commission and fee structures of various broker-dealers are periodically reviewed to analyze quality of overall execution services. Accordingly, while BIFS will consider competitive rates, it may not necessarily obtain the lowest possible commission rates or most favorably execution services for client account transactions. Therefore, the overall services provided by broker-dealers are evaluated to determine best execution.

While there is not a direct linkage between the investment advice provided to clients and BIFS' recommendation to use TD Ameritrade, economic benefits are received by BIFS which would not be received if the Firm did not give investment advice to clients and are not typically available to TD Ameritrade retail clients. These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors.

TD Ameritrade may also pay for business consulting and professional services received by our related persons and may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for our personnel to attend conferences or meetings relating to the program or to their advisory custody and brokerage services generally. Some of the products and services made available by TD

Ameritrade benefit us but may not benefit our client accounts. These products or services may assist us in managing and administering your accounts, including accounts not maintained at the broker-dealer offering the service. Other services are intended to help us manage and further develop our business enterprise. The benefits received by us or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. You should be aware, however, that the receipt of economic benefits by us or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our recommendation of TD Ameritrade for custody and brokerage services.

#### **Approved Service Providers**

BIFS has entered into a written agreement BridgePortfolio® to provide certain administrative and back-office functions for clients in the Program. Under this agreement, BridgePortfolio® services that may be provided to BIFS include, but are not necessarily limited to: due diligence assistance, performance and/or position reports for client accounts, calculation and deduction of management fees, trading of client accounts and other back-office support.

BridgePortfolio® will not have direct contact or require any signed advisory agreements with our clients. However, as part of the clients' standard agreement with BIFS they will be granted limited power of attorney on your account in order to enter transactions, when applicable, and in order to deduct advisory fees directly from your account. The BridgePortfolio® fee for providing services to BIFS is based upon the total assets held within our client accounts. BridgePortfolio® will retain a portion of the Program's Fixed Cost (described in Program Fees). Our use of the services provided by BridgePortfolio® does not result in an increase in your overall management fee.

#### **Aggregation of Client Orders**

Transactions implemented by BIFS for client accounts are generally affected independently, unless the Firm decides to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by the Firm when BIFS believes such action may prove advantageous to clients. When BIFS aggregates client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among the Firm's clients in proportion to the purchase and sale orders placed for each client account on any given day. When BIFS determines to aggregate client orders for the purchase or sale of securities, including securities in which BIFS may invest, the Firm will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* It should be noted, BIFS does not receive any additional compensation or remuneration as a result of aggregation.

#### **Trading Error Policy**

BIFS has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of BIFS to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction but will not receive any gains generated as a result of the error correction. In situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by BIFS or the BIFS' IAR if the error was caused by BIFS or the BIFS' IAR.

For trade errors occurring in BIFS/Pershing accounts, BIFS may retain gains resulting from correcting a trade error that are not retained by the client and in some instances may use such gains to offset overall losses BIFS incurs from trading errors.

For trade errors occurring in TD Ameritrade accounts, TD Ameritrade may maintain gains resulting from correcting a trade error that are not retained by the client and in some instances may use such gains to offset overall losses BIFS incurs from trading errors.

### **Custody**

Custody, as it applies to investment advisers, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

Our Firm is deemed to have custody of client funds and securities whenever BIFS is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody we maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which BIFS is deemed to have custody, the Firm has established procedures to ensure all client funds and securities are held at a qualified custodian (i.e. Pershing or TD Ameritrade) in a separate account for each client under that client's name. Clients or a duly authorized independent representative of the client will direct, in writing, the establishment of all accounts and therefore become aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from BIFS or any other source. When clients have questions about their account statements, they should contact their IAR, BIFS or the qualified custodian preparing the statement.

### **Program Fees**

The annual management fee charged for the Program may be negotiated with each client and is based on the client's assets under management, i.e. assets held in the account(s). The Program fee includes two components: the Fixed Costs and the management fee paid to the IAR. Fixed costs are used to pay the various parties responsible for providing services through the Program. These parties include BIFS for its operational and compliance functions and BridgePortfolio®. The portion of the advisory fee charged by a BIFS' IAR will vary by representative. However, BIFS' IARs may not charge fees that result in the total fee of the Program exceeding 2.85% annual. The client's IAR will provide the exact percentage based fee to each client based on both the nature and total dollar asset value of that account(s). The fee will be stated in the Client Fee Schedule which must be signed by both BIFS and the client. The following is a general fee schedule used by BIFS and is provided for illustrative purposes.

Program fees for accounts established through TD Ameritrade

Account Value	Fixed Fee*	Management Fee
\$0- \$500,000	0.20%	1.70%
>\$500,000 - \$1,000,000	0.20%	1.50%
>\$1,000,000 - \$5,000,000	0.20%	1.30%
>\$5,000,000 - \$9,000,000	0.20%	1.10%
>\$9,000,000 - \$10,000,000	0.20%	0.95%
>\$10,000,000	0.20%	0.70%

\*Represents Program Fixed Cost

Program fees for accounts established through Pershing

Account Value	Fixed Fee*	Management Fee
\$0- \$500,000	0.10%	1.60%
>\$500,000 - \$1,000,000	0.10%	1.40%
>\$1,000,000 - \$5,000,000	0.10%	1.20%
>\$5,000,000 - \$9,000,000	0.10%	1.00%
>\$9,000,000 - \$10,000,000	0.10%	0.85%
>\$10,000,000	0.10%	0.60%

\*Represents Program Fixed Cost

The annual management fee charged for BIFS Wrap Program is negotiable. As a result, clients with similar assets may have different fee schedules. The Firm may discount the BIFS Wrap Program fee below the standard minimum fee range to clients meeting criteria, such as:

- having investment relationships with BIFS or its affiliates, or
- having an immediate family member that is a BIFS' IAR.
- The Firm may also discount its BIFS Wrap Program fees for competitive reasons or upon the request of a prospective or current client.

For accounts established through Pershing, management fees are calculated and billed quarterly in arrears based on value of the client's account(s) at the end of the quarter. For accounts established through TD Ameritrade, management fees are calculated and billed quarterly, in advance, based on the value of the client's account(s) at the end of the prior quarter. Fees are calculated based on all investments held or connected with the account and include money market and cash balances. However, BIFS may exclude from the fee calculation certain portions that are transferred in to a Program account as an accommodation and/or are not actively managed by BIFS.

Fees are generally deducted directly from a client's Pershing brokerage account. Clients must provide written authorization to have fees deducted from the account and paid to BIFS. Pershing and TD

Ameritrade send client brokerage account statements, at least quarterly, showing all disbursements for the account including the amount of the advisory fee, when deducted directly from the account. Additionally, if a client has multiple managed accounts, they may choose to aggregate the fees charged in accounts to be deducted from a specified account. When fees are paid from other accounts, management fee debits will be noted on the account statement from which they are deducted.

The program fee covers BIFS' advisory services and all trade execution fees charged by Pershing and TD Ameritrade. Therefore, clients are not charged transaction fees separately from the Program fee. This creates an incentive to make fewer trades when managing accounts because Pershing and TD Ameritrade charge BIFS on a transaction-by-transaction basis. During periods when trading activity is lower, BIFS nets higher revenue because there are lower trading costs imposed by Pershing and TD Ameritrade. When trading activity is higher, BIFS revenue is reduced in order to cover the added Pershing and TD Ameritrade trading expenses

The Program may cost the client more or less than purchasing such advisory and execution services separately. As disclosed in this section, BIFS receives compensation as a result of a client's participation in Program. BIFS therefore has a financial incentive to recommend the Program over other programs or services. The amount of BIFS' compensation may be more than what a client would receive if the client participated in programs sponsored by other financial firms or paid separately for investment advice, brokerage, and other services.

For accounts established through Pershing as broker-dealer, BIFS accepts compensation for the sale of securities or other investment products, including asset-based sales charges, service fees from the sale of mutual funds and 12b-1 fees. Accepting this compensation may present a conflict of interest and give the Firm an incentive to recommend investment products based on the compensation received, rather than on a client's needs. As such, the general practice of the Firm is to recommend mostly "no-load" funds in the Program portfolios. Additionally, it is the general practice of the Firm to exclude securities and investment products that the Firm receives compensation on from the management fees. While it is not the normal practice of business, there may be accounts where clients are charged commissions in addition to their management fees. Clients have the option to purchase investment products that BIFS recommends through other brokers or agents that are unaffiliated with BIFS. Clients should review their agreement with BIFS closely and contact their financial advisor with any questions.

For accounts established through TD Ameritrade, all brokerage compensation is retained by TD Ameritrade and BIFS retains no portion of such compensation. This fact creates a potential conflict in that we have the incentive to recommend clients establish accounts through Pershing rather than TD Ameritrade. However, we control for this conflict by considering the total cost and expenses charged through both platforms and discussing with clients the total fees/expenses incurred including the portion retained by our Firm and representatives.

### **Other Fees**

Clients shall also incur certain charges imposed by third parties other than BIFS in connection with investments made through the account, including but not limited to, mutual fund sales loads, surrender charges, and IRA and qualified retirement plan fees charged by Pershing, a product sponsor or other third party. Program fees charged by BIFS are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus.

The Program Fee does not cover odd-lot differentials, American Depositary Receipt fees and exchange fees, transfer fees and other fees imposed by law; redemption fees imposed by certain Mutual Funds; and any contingent deferred sales charge assessed on the sale or liquidation of Mutual Fund shares, where applicable. In addition, it does not cover certain services available on request from BIFS, including periodic distribution fees, electronic funds and wire transfer fees, certificate delivery fees, and reorganization fees; and any check reordering cost and fees, where applicable.

### **Termination of Services**

Program services may be canceled at any time, by any of the parties, for any reason upon receipt of written notice to the other party. For Pershing brokerage accounts, services will be terminated without penalty and the client shall be billed a final quarterly fee that is pro-rated based on the amount of time remaining in the quarter. The date final fees are deducted will be also be used to calculate the value of the account(s) for fee-billing purposes.

For TD Ameritrade accounts, services will be terminated without penalty and the client will receive a pro-rated refund of any fees paid in advance but not fully earned by BIFS. The refund will be based on the number of days remaining in the quarter after notice of termination is received.

BIFS will cooperate fully in any requests to deliver funds and securities held in the Account to another custodian. Pershing and TD Ameritrade charge an Account Transfer fee when the client transfers the account(s) to a different custodian. Please refer to the respective Pershing and TD Ameritrade fee schedules for details. Transactions in a closed Pershing account are subject to BIFS' normal brokerage rates. Termination of services will not affect the liabilities or obligations of the parties arising out of transactions initiated prior to termination.

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

### **Account Minimums**

The minimum initial investment is generally \$25,000 for a BIFS Wrap Program Account. Any number of Program Accounts for the benefit of one client and family members may be linked together at the client's request to meet an account value threshold for determination of fees. BIFS reserves the right to close a Program Account if its balance falls below a certain level. BIFS also reserves the right to terminate its services if it believes the rendering of its investment advisory services is no longer appropriate for a client.

### **Opening an Account**

To become a Program participant, an agreement between the client and BIFS must be executed. In addition, the client will be required to establish a brokerage account through BIFS and held at Pershing or TD Ameritrade.

### **Types of Clients**

We offer advisory services to:

- Individuals
- High-Net Worth Individuals
- Trusts, estates, or charitable organizations
- Corporations or business entities

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

The Program does not allow IARs or clients to utilize portfolio managers that are not associated with BIFS. In other words, the only portfolio managers selected for managing client assets in the Program are IARs of BIFS. Therefore, conflicts of interest present in other wrap-fee programs that make available both affiliated and unaffiliated portfolio managers are not present in this Program. Because the Program does not provide for a multitude of outside portfolio managers, BIFS does not have procedures designed to select outside portfolio managers. Most of the items required by this item of the Wrap Fee Program Brochure instructions do not apply to BIFS. Items that do apply are answered below.

### **Description of Other Advisory Services**

Because IARs serve as portfolio managers of the Program, the following is provided as brief descriptions of BIFS' primary services. Detailed descriptions of BIFS' services other than the Program are provided in our Form ADV Part 2A Disclosure Brochure.

**Financial Planning** - We provide advisory services in the form of financial planning services. Financial planning services do not involve the active management of client accounts, but instead focuses on a client's overall financial situation. Financial planning can be described as helping individuals determine and set their long-term financial goals, through investments, asset allocation, risk management, retirement planning, and other areas. The role of a Financial Advisor in providing financial planning services is to find ways to help the client understand his/her overall financial situation and help the client set financial objectives.

**Hourly Consulting Services** – We provide advisory services in the form of hourly consulting services. Hourly consulting services do not involve the active management of client account, but instead focuses on the client's overall financial situation. Hourly consulting services can be described as advice regarding tax planning, asset allocation, risk management, retirement planning and other areas. The role of the IAR is to tailor the services to the needs of the client based on the investment objective chosen by the client. The IAR makes recommendations as to general types of investment products or securities that may be appropriate for the client to consider, and may also provide recommendations regarding specific investments or securities.

**Financial Planning Seminars** – We provide advisory services in the form of financial planning seminars. Financial planning seminars may include topics related to wealth management, financial planning, retirement strategies or various other economic and investment topics. Information presented will not be based on any one person's needs and individualized investment advice will not be provided to attendees during the seminar. Attendees are encouraged to have individual consultations with the IAR and to have a financial plan prepared but are under no obligation to do so. The IAR may receive approval to conduct financial planning seminars for corporate employees.

**Retirement Plan Consulting Services** – We provide advisory services in the form of retirement plan consulting services. We offer retirement consulting services to employee benefit plans and their fiduciaries. The services are designed to assist the plan sponsor (the "Company") in meeting its management and fiduciary obligations to the plan under ERISA. Retirement consulting services will consist of general or specific advice, and may include any one or all of the following:

1. Platform Provider Research and Plan Set-up
2. Strategic Planning and Investment Policy Development/Review
3. Plan Review
4. Plan Fee and Cost Review
5. Acting as a Third Party Service Provider Liaison

6. Assessment of Plan Investments and Investment Options
7. Plan Participant Education and Communication
8. Investment Advice to Participants
9. Plan Benchmarking
10. Plan Conversion to New Vendor Platform
11. Assistance in Plan Merger
12. Investment Manager Search

The Company may also engage us to provide a review of executive benefits, for separate compensation.

We will determine with the Company in advance the scope of the services to be performed and the fees for all requested services. Prior to engaging us to provide retirement consulting services, the Company will be required to enter into a written agreement with us setting forth the terms and conditions of the engagement, describing the scope of the service to be provided, and the relevant fees and fee paying arrangements. We will also provide additional disclosures about their services and fees, where required by ERISA. When we perform the agreed upon services, we will not be required to verify the accuracy or consistency of any information received from the Company. We will serve in a nondiscretionary ERISA fiduciary capacity with respect to some but not all of the services that we provide which will be further explained in the written agreement we sign with the Company. The Company is always free to seek independent advice about the appropriateness of any recommendations made by us.

**Asset Management** - We provide advisory services in the form of Asset Management Services outside of this Program. This includes BIFS Flexible Managed Account Program and the BIFS' Retirement Ally Program. Asset Management Services involve providing clients with continuous and on-going supervision over client accounts. This means that we will continuously monitor a client's account and make trades in client accounts when necessary.

**Outside Money Manager** - We also provide advisory services by referring clients to outside, or unaffiliated, money managers that are registered or exempt from registration as investment advisers. Under this service the third-party money managers will be responsible for continuously monitoring client accounts and making trades in client accounts when necessary.

**Specialization** - The Firm specializes in providing individualized investment advice through its asset management services.

**Advice on Certain Types of Investments** - Our Firm provides investment advice on the following types of investments.

- No-Load (i.e. no trading fee) and Load-Waived (i.e. trading fee waived) Mutual Fund Shares
- Exchange-listed securities (i.e. stocks)
- Securities traded over-the-counter (i.e. stocks)
- Fixed income securities (i.e. bonds)
- Closed-End Funds and Exchange Traded Funds (ETFs)
- Foreign Issues
- Warrants
- Corporate debt securities (other than commercial paper)
- Futures contracts on tangibles or intangibles,
- Commercial paper
- Certificates of deposit



- Municipal securities
- Variable life insurance
- Variable annuities
- United States government securities
- Options contracts on securities
- Interests in partnerships investing in real estate, oil and gas interests. These types of investments are often illiquid, which means that the investments can be difficult to trade and consequently limits a client's ability to dispose of such investments in a timely manner and at an advantageous price. Additionally, limited partnership investments may not have been registered pursuant to the Securities Act of 1933, and therefore the client will need to complete a subscription agreement showing the client is an "accredited" investor (as defined by applicable law and rules and regulations) and acknowledge that he or she has read and understands the private placement memorandum and is aware of the various risk factors associated with such an investment.

BIFS does not provide advice on options contracts on commodities or hedge funds.

When providing Asset Management Services, the Firm will typically construct each client's account holdings using mutual funds and equities to build diversified portfolios. It is not the Firm's typical investment strategy to attempt to time the market but we may increase cash holdings modestly as deemed appropriate, based on your risk tolerance and our expectations of market behavior.

We may modify our investment strategy to take into consideration situations like: low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

### **Participation in Wrap Fee Programs**

As thoroughly discussed in this brochure, we offer services through both wrap-fee programs and non-wrap fee programs.

- A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.
- A non-wrap fee program traditionally includes individual transaction charges and other service charges in addition to any investment advisory fee that is charged.
- Whenever a fee charged to a client for services described in this brochure (whether wrap fee or non-wrap fee), BIFS will receive all or a portion of the fee charged.

In addition to this Wrap Fee Program, BIFS also sponsors the Retirement Ally Program. Additional information regarding the Retirement Ally Program is provided in the Form ADV Part 2: Appendix 1 – Retirement Ally Program.

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

BIFS does not charge or accept performance-based fees. Regulators have defined performance based fees as charging fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

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

## **A. Method of Analysis**

BIFS' IARs use various methods of analysis and investment strategies. Methods and strategies will vary based on the BIFS' IAR providing advice. Models and strategies used by one IAR may be different than strategies used by other IARs. Some BIFS' IARs may use just one method or strategy while other IARs may rely on multiple. BIFS does not require or mandate a particular investment strategy be implemented by its IARs. Further, BIFS has no requirements for using a particular analysis method and our IARs are provided flexibility (subject to BIFS' supervision and compliance requirements) when developing their investment strategies. The following sections provide brief descriptions of some of the more common methods of analysis and investment strategies that are used by our IARs.

***Fundamental*** - A method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

***Technical*** - A method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost

opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

## **B. Investment Strategies**

BIFS utilizes several strategies when managing client accounts. Included are:

**Long term purchases.** Investments held at least a year.

**Short term purchases.** Investments sold within a year.

**Tactical asset allocation.** Allows for a range of percentages in each asset class (such as Stocks = 40-50%). These are minimum and maximum acceptable percentages that permit the investor to take advantage of market conditions within these parameters. Thus, a minor form of market timing is possible, since the investor can move to the higher end of the range when stocks are expected to do better and to the lower end when the economic outlook is bleak.

**Strategic asset allocation.** Calls for setting target allocations and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is akin to a “buy and hold” strategy, rather than an active trading approach. Of course, the strategic asset allocation targets may change over time as the client’s goals and needs change and as the time horizon for major events such as retirement and college funding grow shorter.

## **C. Risk of Loss**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including you) should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

- **Market Risk** – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- **Equity (stock) market risk** – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When our Firm invests in an ETF or mutual fund, it will bear additional expenses based on its pro rata share of the ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with our Firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities.

### **Voting Client Securities**

BIFS will not vote proxies on behalf of your account. While there are some investment advisors that will vote proxies and other corporate decisions on behalf of their clients, we have determined that taking on the responsibility for voting client securities does not add enough value to the services provided to clients to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in your accounts managed by our Firm.

You will receive proxies directly from your account custodian or investment transfer agent and these documents will not be delivered by our Firm. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact us.

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

Because only IARs of BIFS serve as portfolio managers, IARs or their assistants are responsible for gathering all information provided by clients. IARs will interview and work with clients to gather all information needed relative to their investment objectives and needs in order to provide management

services through the Program. Clients need to contact their IAR whenever there are changes to their financial situation that will impact or materially influence the way BIFS manages accounts.

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

Because only IARs of BIFS serve as portfolio managers, there are no restrictions placed on clients' ability to contact and consult with their portfolio managers. It is the policy of BIFS to provide an "open channel" of communication between IAR and their clients. Clients are encouraged to contact their IAR whenever they have questions about the management of their account.

### **Item 9 – Additional Information**

#### **Disciplinary Information**

April 4, 2012 – Regulatory Action Initiated by the Financial Industry Regulatory Authority.

On April 4, 2012 Brokers International Financial Services, LLC (BIFS) submitted a Letter of Acceptance, Waiver and Consent (AWC) to the Financial Industry Regulatory Authority (FINRA) for the purpose of settling alleged rule violations. BIFS entered into the AWC without admitting or denying the findings and was censured and fined \$16,000 for failing to make timely filings or making inaccurate filing for reportable events under FINRA and NASD Rules, deficient written supervisory procedures, and allowing an individual to be associated with the Firm who had become disqualified from FINRA registration related to a felony conviction due to a motor vehicle violation.

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

BIFS is **not** and does **not** have a related company that is a:

- (1) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
- (2) other investment adviser or financial planner
- (3) futures commission merchant, commodity pool operator, or commodity trading advisor,
- (4) banking or thrift institution
- (5) accountant or accounting firm
- (6) lawyer or law firm
- (7) pension consultant,
- (8) real estate broker or dealer
- (9) sponsor or syndicator of limited partnerships

Our principal business is that of a securities broker-dealer. BIFS spends in excess of 65% of its time on securities brokerage business. BIFS engages primarily in the sale of equities, bonds, mutual funds and variable products

**Participation or Interest in Client Transactions** - in addition to its investment adviser business, BIFS is a registered broker-dealer. Through its broker-dealer representatives BIFS transacts business in a variety of securities products. Most of these products generate compensation in the form of commissions to both the representative and to BIFS.

**Material arrangements with related entities** - in addition to being a dually registered broker-dealer and investment adviser, BIFS is licensed as an insurance agency. IARs of BIFS will normally have a contract relationship with that agency and solicit Clients to purchase insurance. Products sold by IARs in their capacity as insurance agents or brokers will generally involve first year commissions significantly higher than those of adviser program fees.

BIFS is a wholly owned subsidiary of Brokers International, LTD. ("Advisor's Owner" or "BI"). BI is an insurance agency that wholesales disability insurance, long-term care, life insurance and annuities to third-party insurance agents. BI is not registered as an investment adviser or securities broker-dealer. BIFS' IARs may also be employees of BI and/or may be licensed as insurance agents.

### **Code of Ethics Summary**

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts. In addition, an investment adviser has a duty of utmost good faith to act solely in the best interest of each of its clients. BIFS and its supervised persons have a fiduciary duty to all clients. BIFS has established a Code of Ethics, which all supervised persons must read and then execute an acknowledgement agreeing that they understand and agree to comply with BIFS' Code of Ethics. BIFS and its supervised persons' fiduciary duty to clients is considered the core underlying principle for BIFS' Code of Ethics and represents the expected basis for all supervised persons' dealings with clients. BIFS has the responsibility to make sure that the interests of clients are placed ahead of it or its associated persons' own investment interests. All supervised persons will conduct business in an honest, ethical and fair manner. All supervised persons will comply with all federal and state securities laws at all times. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to services being conducted. All supervised persons have a responsibility to avoid circumstances that might negatively affect or appear to affect the supervised persons' duty of complete loyalty to their clients. This section is only intended to provide current clients and potential clients with a description of BIFS' Code of Ethics. If current or prospective clients wish to review BIFS' Code of Ethics in its entirety, a copy may be requested from any of BIFS' supervised persons and a copy will be provided promptly.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

BIFS is and shall continue to be in compliance with The Insider Trading and Securities Fraud Enforcement Act of 1988. BIFS and our associated persons may buy or sell for their personal accounts, investment products identical to those recommended to clients. It is the express policy of BIFS that no associated person of our Firm may purchase or sell any security prior to a transaction being implemented for an advisory account, and therefore, preventing such associated persons from benefiting from transactions placed on behalf of advisory accounts. The Firm monitors this activity by a periodic review of all associated persons Personal Securities Transactions in accordance with our supervisory procedures.

A conflict of interest may arise if the IAR or associated person and a client own or trade in the same or similar security. The price at which an order is executed can vary significantly and may present a conflict of interest.

SEC regulations and BIFS policies require that the client receive the best price and most favorable execution reasonably possible. In a situation where orders are entered for both the IAR or associated person and client accounts for substantially the same security, BIFS will execute the IAR's or associated person's order only after the client's order has been executed. Entering an order for the Representative's benefit before soliciting orders from clients potentially violates "front-running" standards. Therefore, BIFS

reserves the right to prohibit solicited client orders from which an IAR might directly or indirectly benefit for up to 48 hours after an IAR's trade is entered.

BIFS' IARs or associated persons have an obligation to submit orders so that the resulting price to the customer is as favorable as possible under prevailing market conditions.

### **Account Reviews and Reviewers**

Clients are contacted at least annually for the purpose of reviewing their account and to determine if there have been changes in their financial situation or investment objectives. The calendar is the main triggering factor, although more frequent reviews may also be triggered by changes in the client's circumstances, client request, or changes within the market. The underlying investments held in accounts are reviewed on a more frequent basis, typically weekly.

Your IAR is the primary person responsible for reviewing your individual accounts managed by BIFS. Your IAR may seek the advice of other BIFS advisory personnel when conducting reviews and formulating strategies.

### **Statements and Reports**

Clients will receive statements at least quarterly from Pershing and/or TD Ameritrade. Clients may opt-out of receiving confirmations for the Program.

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

#### **Solicitation Arrangements**

Situations may arise in which unaffiliated individuals may solicit clients for BIFS that they deem appropriate. Pursuant to a written referral agreement between BIFS and unaffiliated individuals and other parties (collectively, "Solicitors"), Solicitors agree to refer prospective clients to BIFS to participate in our investment management programs. Where applicable, the agreement will identify the roles and responsibilities of the solicitor, the IAR and BIFS and the specific amount of the annual advisory fee to be shared with the solicitor. This fee compensates the Solicitor for referring clients to us, assisting in the enrollment of clients for participation in our programs, and facilitating communication between us and clients. The annual advisory fee charged to the client will not be affected if the client was introduced or referred by a solicitor. Through the Solicitors Written Disclosure Document, each client is made aware of the referral agreement prior to or at the time of entering into an advisory contract and acknowledges receipt of BIFS' current Form ADV Part 2A. The advisory fee will be paid quarterly for so long as the client maintains an Investment Management Agreement with BIFS and the solicitor's agreement with BIFS remains in-force. If at any time either agreement is terminated, the advisory fee payments to the solicitor will cease.

#### **Other Compensation**

Please refer to Item 4 for a description of the economic benefits received from Pershing.

BIFS, its owner, Brokers International LTD., and our IARs in their separate capacity as an insurance agency and agent receive commissions for the recommendation/sale of annuities and other insurance products. Certain insurance companies may offer incentives in addition to the standard compensation to BIFS, BI and your IAR acting in their separate capacities as insurance agents if your IAR sells a particular annuity or insurance product as a part of a special promotion during a specific brief window of time. Moreover, certain insurance companies may offer BIFS' IARs acting in their separate capacity as an insurance agent additional incentive compensation such as vacation trips for meeting a sales goal

associated with the insurance agent's overall sale of a particular annuity or insurance product offered by that insurance company. BIFS' IARs acting in their separate capacity as an insurance agent may also utilize a third-party insurance marketing organization ("IMO"). The IMO may share with your IAR acting in a separate capacity as an insurance agent a portion of the overrides that the IMO receives from the insurance company for the IMO's wholesaling activities associated with the sale of an annuity or insurance product by the insurance agent. The IMO may also offer special incentive compensation such as vacation trips to your IAR acting in their separate capacity as an insurance agent if the insurance agent meets certain overall sales goals by placing annuities and/or other insurance products through the IMO.

You should be aware that the receipt of commissions and additional incentive compensation itself creates a conflict of interest and may affect the independent judgment of your IAR when making recommendations about annuities and insurance products in general or a particular annuity or insurance product offered by a certain insurance company or through an IMO.

BIFS, in its capacity as an insurance agency, has entered into a referral arrangement with American Trust & Savings Bank, whereby BIFS' IARs acting in their separate capacities as insurance agents may refer clients to American Trust & Savings Bank's 401(k) retirement plan platform. When a client establishes an account through the 401(k) platform, American Trust & Savings Bank will pay BIFS in its capacity as an insurance agency, a portion of the on-going percentage based fee charged to the client by American Trust & Savings Bank. Therefore, a conflict of interest exists between BIFS and its clients when recommending the 401(k) plan services of American Trust & Savings Bank over other 401(k) services. Clients are not obligated to use the services of America Trust & Savings Bank.

#### **Financial Information**

This item is not applicable to this brochure. BIFS does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. BIFS is not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, BIFS has not been the subject of a bankruptcy petition at any time.