

**Item 1 – Cover Page**

**Part 2A Appendix 1  
Wrap Fee Program Brochure**

**BFT Financial Group**

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Date of Disclosure Brochure: January 2014

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This Wrap Fee Program Brochure provides information about the qualifications and business practices of BFT Financial Group (also referred to as we, us and BFT Financial throughout this disclosure brochure). If you have any questions about the contents of this brochure, please contact E. Stephen Freeman at (817)354-1090 or [steve@bftfg.com](mailto:steve@bftfg.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.

Additional information about BFT Financial is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for BFT Financial Group or our firm's CRD number 109121.

\*Registration as an investment adviser does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

This Form ADV Part 2A Appendix 1 Wrap Fee Program Disclosure Brochure dated January 2014 is the first Wrap Fee Program Disclosure Brochure document prepared by BFT Financial Group.

### **Material Changes:**

In January 2014 the firm added a WRAP Fee Asset Management Program option for clients. More information is provided in Items 4 and 5 of this Brochure and the new BFT Financial ADV Part 2A Appendix 1.

We will ensure that you receive a summary of any material changes to this and subsequent Wrap Fee Program Disclosure Brochures within 120 days after our firm's fiscal year ends. Our firm's 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 or provide a copy of the most current Wrap Fee Program Disclosure Brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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

BFT Financial is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) and is a limited liability company (LLC) formed under the laws of the State of Texas.

BFT Financial offers asset management services through both a traditional asset management program and a wrap fee management program. In our wrap fee management program, clients may elect to pay expenses under a “traditional” payment option meaning that advisory services are provided for a fee but transaction services are billed separately on a per-transaction basis, or may elect the bundled “wrap fee” payment option meaning that advisory services (including asset management) and transaction cost (including ticket charges) are provided for a combination of our standard asset management fee and a \$150 fixed annual fee billed quarterly. This brochure discusses our fee program. Whenever a fee is charged for services described in this Wrap Fee Program Brochure, We will receive all or a portion of the fee charged.

When making the determination of whether one of the advisory programs available through BFT Financial is appropriate for your needs, you should bear in mind that fee-based accounts, when compared with commission-based accounts, often 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, the fee-based account arrangements may result in a higher annual cost for transactions. Thus, depending on a number of factors, the total cost for transactions under a fee account versus a commission account can vary significantly. Factors which affect the total cost include account size, amount of turnover, type and quantities of securities purchased or sold, commission rates and your tax situation. It should also be noted that lower fees for comparable service may be available from other sources. The exact fees and other terms will be outlined in the agreement between you and BFT Financial.

You should discuss the advantages and disadvantages of fee-based and commission-based accounts with your adviser representative and you should read this Wrap Fee Disclosure Brochure carefully as it explains, in detail, our Asset Management Services.

#### Asset Management Services

BFT Financial offers asset management services, which involves BFT Financial providing you with continuous and ongoing supervision over your accounts. BFT Financial offers both traditional asset management services in addition to the wrap fee program discussed in this brochure. In providing asset management services, BFT Financial will continuously monitor your account and make trades in your accounts when necessary. Your account will be managed by BFT Financial based on your financial situation, investment objectives and risk tolerance. BFT Financial will actively monitor your account and will make management recommendations and decisions regarding buying, selling, reinvesting or holding securities, cash or other investments.

We recommend that your assets to be allocated to our Asset Management Services Program be maintained in a brokerage account with TD Ameritrade, an SEC registered broker/dealer and member NYSE/SIPC. TD Ameritrade is the qualified custodian for all accounts established through our Asset Management Services Program. You will appoint BFT Financial as your investment adviser of record on specified accounts. Your account will consist only of separate account(s) held by the qualified custodian under your name. **BFT Financial does not act as custodian and does not have direct access to your funds and securities except to have advisory fees deducted from your account with your prior written authorization.** The qualified custodian will maintain physical custody of all funds and

securities of your Account, and you will retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) for your account.

You will authorize BFT Financial to have trading authorization on your account and we will provide asset management services. You will authorize discretionary management in your agreement for our Asset Management Services. If you have authorized us to provide asset management services on a discretionary basis, we will make all decisions to buy, sell or hold securities, cash or other investments in your managed account in our sole discretion without consulting with you before making any transactions. You must provide us with written authorization to exercise this discretionary authority, and you can place reasonable restrictions and limitations on our discretionary authority.

Fees charged for our asset management services are charged based on a percentage of assets under management, billed in arrears (at the end of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the previous billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If asset management services are commenced in the middle of the billing period, then the prorated fee for that billing period will be billed in arrears at the end of that billing period.

Fees charged for our asset management services are negotiable based on the type of client, the complexity of the client's situation, the potential for additional account deposits, the relationship of the client with the investment adviser representative, and the total amount of assets under management for the client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

### **TRADITIONAL PORTFOLIO MANAGEMENT SERVICES FEES**

Our annual fees for Portfolio Management Services are based upon a percentage of assets under management and generally range from 0.25% to 3.0%.

The annualized fee for Portfolio Management Services is charged as a percentage of assets under management, according to the following schedule:

#### **Traditional Assets Under Management Annual Fee**

| <u>Assets Under Management</u> | <u>Annual Fees</u> |
|--------------------------------|--------------------|
| \$0 – \$499,999                | 1.500%             |
| \$500,000 – \$999,999          | 1.250%             |
| \$1,000,000 and above          | 1.00%              |

The annualized fee for Portfolio Management Services is charged as a fixed fee, negotiated on a case-by-case basis. Overall factors to be considered will include the type and amount of assets to be managed and the complexity of the client's circumstances. BFT Financial Group, LLC's fixed fees range from \$350 to \$15,000.

## MODEL PORTFOLIO MANAGEMENT FEES

Our annual fees for Model Portfolio Management Services are based upon a percentage of assets under management and generally range from 0.25% to 3.0%.

The annualized fee for Model Portfolio Management Services is charged as a percentage of assets under management, according to the following schedule:

### **Model Portfolio Assets Under Management Annual Fee**

| <u>Assets Under Management</u> | <u>Annual Fees</u> |
|--------------------------------|--------------------|
| \$0 – \$499,999                | 1.500%             |
| \$500,000 – \$999,999          | 1.250%             |
| \$1,000,000 and above          | 1.00%              |

The annualized fee for Model Portfolio Management Services will be charged as a fixed fee, negotiated on a case-by-case basis. Overall factors to be considered will include the type and amount of assets to be managed and the complexity of the client's circumstances. BFT Financial Group, LLC's fixed fees range from \$350 to \$15,000.

**Limited Negotiability of Advisory Fees:** Although BFT Financial Group, LLC has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

### **WRAP Account Program Annual Fee**

For our Wrap Account asset management services, client will be charged the following annual fee based upon the amount of assets under management:

| <u>Assets Under Management</u> | <u>Annual Fees</u> |
|--------------------------------|--------------------|
| \$0 – \$250,000                | 1.300%             |
| \$250,001 – \$7,500,000        | 1.000%             |
| \$750,001 and above            | 0.800%             |

Clients in our Wrap Fee Program are also charged \$150 annual service fee billed quarterly.

The only compensation received by BFT Financial for asset management services is the annual fee as specified in the client's advisory services agreement. BFT Financial receives no other forms of compensation in connection with providing asset management services.

BFT Financial believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual

investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to our compensation, you may also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

The investment advisory fees will be deducted from your account and paid directly to our firm by the qualified custodian(s) of your account. You will authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to our firm.

You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

Each client participating in our Asset Management Services will have the option to elect whether or not to bundle the transaction ticket fees that are charged by the qualified custodian as part of the fee for asset management services. If you elect to have transaction ticket fees that are charged by the qualified custodian bundled with the fee for our Asset Management Services, then the transaction ticket fees charged by the qualified custodian will be billed directly to BFT Financial by the qualified custodian for your account. If you elect not to bundle the transaction ticket fees charged by the qualified custodian with the fee for asset management services, then the transaction ticket fees will be billed directly to your account by the qualified custodian. BFT Financial will not receive any portion of such transaction ticket fees.

You may incur certain charges imposed by third parties other than BFT Financial in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by BFT Financial are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

The asset management services continue until terminated by either party (i.e., BFT Financial or you) by giving thirty (30) days written notice to the other party. When fees are billed in arrears, BFT Financial will prorate the final fee payment based on the number of days services are provided during the final period. The amount of client assets on the termination date will be used to determine the final fee payment.

### **Block Trading**

Investment advisors may elect to purchase or sell the same securities for several clients at approximately the same time when they believe such action may prove advantageous to clients. This process is referred to as aggregating orders, batch trading or block trading. BFT Financial does not engage in block trading.

It should be noted that implementing trades on a block or aggregate basis may be less expensive for client accounts; however, it is our trading policy is to implement all client orders on an individual basis. Therefore, we do not aggregate or "block" client transactions. Considering the types of investments we hold in advisory client accounts, we do not believe clients are hindered in any way because we trade accounts individually. This is because we develop individualized investment strategies for clients and holdings will vary. Our strategies are primarily developed for the long-term and minor differences in price execution are not material to our overall investment strategy.

### **Suitability and Investment Strategy**

BFT Financial will assist clients in determining their objective(s), investment strategy, and investment suitability, prior and subsequent to opening an Asset Management account. Clients must contact us to notify of any changes in their investment objective(s) and/or financial situation. Investment strategies used to implement investment advice include, but are not necessarily limited to, long term purchases (investments held at least a year); margin transactions; and option writing, including cover options, uncovered options or spreading strategies.

### **Additional Compensation, Economic and Non-Economic Benefits**

Our representatives are also registered representatives of BFT Financial Group, a securities broker-dealer. You may work with your investment adviser representative in his or her separate capacity as a registered representative of BFT Financial Group. When acting in his or her separate capacity as a registered representative, your investment adviser representative may sell, for commissions, general securities products such as stocks, bonds, mutual funds, exchange-traded funds, and variable annuity and variable life products to you. As such, your investment adviser representative may suggest that you implement investment advice by purchasing securities products through a commission-based brokerage account in addition to or in lieu of a fee-based investment-advisory account. This receipt of commissions creates an incentive to recommend those products for which your investment adviser representative will receive a commission in his or her separate capacity as a registered representative of a securities broker-dealer. Consequently, the objectivity of the advice rendered to you could be biased.

You are under no obligation to use the services of our representatives in this separate capacity or to use BFT Financial Group and can select any broker/dealer you wish to implement securities transactions. If you select our representatives to implement securities transactions in their separate capacity as registered representatives, they must use BFT Financial Group. Prior to effecting any such transactions, you are required to enter into a new account agreement with BFT Financial Group. The commissions charged by BFT Financial Group may be higher or lower than those charged by other broker/dealers. In addition, the registered representatives may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that you maintain the mutual fund investment.

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

### **Minimum Account Size**

There are no minimum investment amounts or conditions required for establishing an account managed by BFT Financial. However, all clients are required to execute an agreement for services in order to establish a client arrangement with BFT Financial and/or the third-party money manager or the sponsor of third-party money manager platforms.

### **Types of Accounts**

BFT Financial generally provides investment advice to the following types of clients:

- Individuals
- High net worth individuals
- Pension and profit sharing plans
- Other pooled investment companies (e.g. hedge funds)
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above



You are required to execute a written agreement with BFT Financial specifying the particular advisory services in order to establish a client arrangement with BFT Financial.

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

BFT Financial and its Investment Adviser Representatives act as the portfolio manager(s) for accounts receiving our Asset Management Services. Our Asset Management Service is considered a wrap fee program. For this service, we do not allow the use of portfolio managers that are not associated with BFT Financial. In other words, the only portfolio managers selected for managing client assets for our Asset Management Services are Investment Adviser Representatives of BFT Financial. Therefore, conflicts of interest present in other wrap fee programs that make available both affiliated and unaffiliated portfolio managers are not present in our wrap fee program. Because our Asset Management Services program does not provide for outside portfolio managers, we do not have procedures designed to select outside portfolio managers.

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

BFT Financial offers asset management services, through our Asset Management Services Program, which has a traditional and a wrap fee management program option. In our management programs you may elect to pay expenses under a “traditional” payment option meaning that advisory services are provided for a fee but transaction services are billed separately on a per-transaction basis, or you may elect the bundled “wrap fee” payment option meaning that advisory services (including portfolio management or advice regarding selecting other investment advisers) and transaction services are provided for a combination of our Asset Management fee and a \$150 annual fee billed quarterly. Our Asset Management Services are considered a wrap fee program. Whenever a fee is charged to a client for services described in this Wrap Fee Program Brochure, we will receive all of a portion of the fee charged.

From a management perspective, there is not a fundamental difference in the way we manage accounts that have elected the traditional payment option versus those that have elected the bundled wrap fee payment option. The only significant difference is the way in which transaction costs are paid.

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

The following are descriptions of the primary advisory services of BFT Financial. Please understand that a written agreement, which details the exact terms of the service, must be signed by you and BFT Financial before we can provide you the services described below.

**Financial Planning & Consulting Services** - BFT Financial also provides financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed financial plan designed to assist the client achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.

- **TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

We also offer consultations in order to discuss financial planning issues when you do not need a written financial plan. We offer a one-time consultation, which covers mutually agreed upon areas of concern related to investments or financial planning. We also offer "as-needed" consultations, which are limited to consultations in response to a particular investment or financial planning issue raised or request made by you. Under an "as-needed" consultation, it will be incumbent upon you to identify those particular issues for which you are seeking our advice or consultation on.

Our financial planning and consulting services do not involve implementing any transaction on your behalf or the active and ongoing monitoring or management of your investments or accounts. You have the sole responsibility for determining whether to implement our financial planning and consulting recommendations. To the extent that you would like to implement any of our investment recommendations through BFT Financial or retain BFT Financial to actively monitor and manage your investments, you must execute a separate written agreement with BFT Financial for our asset management services.

**Referral of Third-Party Money Managers** - BFT Financial offers advisory services by referring clients to a third-party money manager offering asset management and other investment advisory services. The third-party managers are responsible for continuously monitoring client accounts and making trades in client accounts when necessary. As a result of the referral, we are paid a portion of the fee charged and

collected by the third-party money managers in the form of solicitor fees. Each solicitation arrangement is performed pursuant to a written solicitation agreement and is in compliance with SEC Rule 206(4)-3 and applicable state securities rules and regulations.

Under this program, we assist you with identifying your risk tolerance and investment objectives. We recommend third-party money managers in relation to your stated investment objectives and risk tolerance, and you may select a recommended third-party money manager or model portfolio based upon your needs. You must enter into an agreement directly with the third-party money manager who provides your designated account with asset management services.

We are available to answer questions that you may have regarding your account and act as the communication conduit between you and the third-party money manager. The third-party money manager may take discretionary authority to determine the securities to be purchased and sold for your Account. We do not have any trading authority with respect to your designated account managed by the third-party money manager.

Although we review the performance of numerous third-party investment adviser firms, we enter into only a select number of relationships with third-party investment adviser firms that have agreed to pay us a portion of the overall fee charged to our clients. Therefore, BFT Financial has a conflict of interest in that it will only recommend third-party investment advisors that will agree to compensate us for referrals of our clients.

Clients are advised that there may be other third-party managed programs not recommended by our firm, that are suitable for the client and that may be more or less costly than arrangements recommended by our firm. No guarantees can be made that a client's financial goals or objectives will be achieved by a third-party investment adviser recommended by our firm. Further, no guarantees of performance can ever be offered by our firm.

#### Limits Advice to Certain Types of Investments

BFT Financial provides investment advice on the following types of investments:

- Mutual Funds
- Exchange-listed Securities
- Securities Traded Over-the-Counter
- Foreign Issues
- Warrants
- Corporate Debt Securities
- Commercial Paper
- Certificates of Deposit
- Municipal Securities
- Variable Annuities
- Variable Life Insurance
- US Government Securities
- Options Contracts on Securities
- Interests in Partnerships Investing in Real Estate

Although we generally provide advice only on the products previously listed, we reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives.

It is not our 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 accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

#### Tailor Advisory Services to Individual Needs of Clients

BFT Financial's advisory services are always provided based on your individual needs. This means, for example, that when we provide asset management services, you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information.

We will not enter into an investment adviser relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

When managing client accounts through our Asset Management Services Program, 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.

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

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. BFT Financial **does not charge or accept performance-based fees**.

#### Methods of Analysis

BFT uses the following methods of analysis in formulating our investment advice and/or managing client assets:

**Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Mutual Fund and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Third-Party Money Manager Analysis.** We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## Investment Strategies

BFT uses the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Margin transactions.** We may purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price

on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We may buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We may buy a put if we have determined that the price of the stock will fall before the option expires.

We may use options to speculate on the possibility of a sharp price swing. We may also use options to "hedge" a purchase of the underlying security; in other words, we may use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We may use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We may use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

### Risk of Loss

Past performance is not indicative of future results. Therefore, 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, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You 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 with investing in securities through our investment management program, as described below:

- 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 the 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 investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's 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. You 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. If our investment strategies do not produce the expected returns, the value of the investment will decrease.
- Margin Risk - When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you intended to borrow funds in connection with your Account, you will be required to open a margin account, which will be carried by the clearing firm. The securities purchased in such an account are the clearing firm's collateral for its loan to you.

If those securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and as a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any margin account that may be established as part of the Asset Management Agreement established between you and BFT Financial and held by the account custodian or clearing firm.

These risks include the following:

- You can lose more funds than you deposit in your margin account.
- The account custodian or clearing firm can force the sale of securities or other assets in your account.
- The account custodian or clearing firm can sell your securities or other assets without contacting you.
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call.

- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities.
- The account custodian or clearing firm can increase its “house” maintenance margin requirements at any time and they are not required to provide you advance written notice.
- You are not entitled to an extension of time on a margin call.

### **Voting Client Securities**

BFT Financial does not vote proxies on behalf of Clients. We have determined that taking on the responsibilities for voting client securities does not add enough value to the services provided to you 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 Account.

You will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided.

With respect to assets managed by a third-party money manager, we will not vote the proxies associated with these assets. You will need to refer to each third-party money manager’s disclosure brochure to determine whether the third-party money manager will vote proxies on your behalf. You may request a complete copy of third-party money manager’s proxy voting policies and procedures as well as information on how your proxies were voted by contacting the third-party money manager or by contacting BFT Financial at the address or phone number indicated on Page 1 of this disclosure document.

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

Only Investment Adviser Representatives of BFT Financial serve as portfolio managers for our Asset Management Services Program. Our associated Investment Adviser Representatives are responsible for gathering all information provided by you. We will interview and work with you to gather all information needed relative to your investment objectives and needs in order to provide management services through our Asset Management Services Program. You are responsible for promptly contacting your Investment Adviser Representative to notify us of any changes to your financial situation that will impact or materially influence the way we manage your accounts. Since we do not use any outside portfolio managers, we do not share your information with any outside portfolio managers.

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

Only Investment Adviser Representatives of BFT Financial serve as portfolio managers for our Asset Management Services Program. There are no restrictions placed on your ability to contact and consult with their portfolio managers. It is the policy of BFT Financial to provide for open communications between the Investment Adviser Representatives and clients. You are encouraged to contact your Investment Adviser Representative whenever you have questions about the management of your account(s).



## Item 9 - Additional Information

### Disciplinary Information

On 6/13/2007 Sammy D. Tally was fined \$7500 and censured for failure to obtain NASD approval prior to effecting material changes in the firm's business operations. Specifically, the firm increased the number of hired registered representatives and opened branch office that exceeded the number permitted by the safe harbor provisions found in interpretive material 1011-1.

### Other Financial Industry Activities and Affiliations

BFT Financial is **not** and does **not** have a related person that is an 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), another investment adviser or financial planner, a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, an insurance company or agency, a pension consultant, a real estate broker or dealer, and a sponsor or syndicator of limited partnerships.

We are an independent registered investment registered adviser and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than investment advice, our representatives may sell other products or provide services outside of their role as investment adviser representatives with BFT Financial.

### Registered Representative of a Broker-Dealer

Our representatives are also registered representatives of BFT Financial Group, a securities broker-dealer. You may work with your investment adviser representative in his or her separate capacity as a registered representative of BFT Financial Group. When acting in his or her separate capacity as a registered representative, your investment adviser representative may sell, for commissions, general securities products such as stocks, bonds, mutual funds, exchange-traded funds, and variable annuity and variable life products to you. As such, your investment adviser representative may suggest that you implement investment advice by purchasing securities products through a commission-based brokerage account in addition to or in lieu of a fee-based investment-advisory account. This receipt of commissions creates an incentive to recommend those products for which your investment adviser representative will receive a commission in his or her separate capacity as a registered representative of a securities broker-dealer. Consequently, the objectivity of the advice rendered to you could be biased.

You are under no obligation to use the services of our representatives in this separate capacity or to use BFT Financial Group and can select any broker/dealer you wish to implement securities transactions. If you select our representatives to implement securities transactions in their separate capacity as registered representatives, they must use BFT Financial Group. Prior to effecting any such transactions, you are required to enter into a new account agreement with BFT Financial Group. The commissions charged by BFT Financial Group may be higher or lower than those charged by other broker/dealers. In addition, the registered representatives may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that you maintain the mutual fund investment.

### Dually Registered as an Investment Adviser Representative

The representatives of BFT Financial are also licensed as investment adviser representatives with Investment and Asset Planning, LLC. BFT Financial and Investment and Asset Planning, LLC are not

affiliated. Through Investment and Asset Planning, LLC, the representatives provide asset management services as well as referrals to sub-advisors. They earn advisory fees when providing these services through Investment and Asset Planning, LLC. Therefore, you could receive advisory services from one individual acting as an investment adviser representative on behalf of two separate registered investment advisors. If the representatives of BFT Financial provide asset management or referral services to you, you will be given the disclosure brochure of Investment and Asset Planning, LLC describing the services provided, fees charged and other information. You are encouraged to read and review the disclosure brochures for both BFT Financial and Investment and Asset Planning, LLC and direct questions to your representative.

### **Third-Party Money Managers**

BFT Financial has developed several programs, previously described in *Item 6* of this disclosure brochure, designed to allow us to recommend and select third-party money managers for you. Once you select the third-party money manager to manage all or a portion of your assets, the third-party money manager will pay us a portion of the fees you are charged. Please refer to *Item 6* and BFT Financial's Form ADV Part 2A for full details regarding the programs, fees, conflicts of interest and materials arrangements when BFT Financial selects other investment advisers.

### **Insurance Agent**

You may work with your investment adviser representative in his or her separate capacity as an insurance agent. When acting in his or her separate capacity as an insurance agent, the investment adviser representative may sell, for commissions, general disability insurance, life insurance, annuities, and other insurance products to you. As such, your investment adviser representative in his or her separate capacity as an insurance agent, may suggest that you implement recommendations of BFT Financial by purchasing disability insurance, life insurance, annuities, or other insurance products. This receipt of commissions creates an incentive for the representative to recommend those products for which your investment adviser representative will receive a commission in his or her separate capacity as an insurance agent. Consequently, the advice rendered to you could be biased. You are under no obligation to implement any insurance or annuity transaction through your investment adviser representative.

### **Accounting Services**

Accounting services provided by representatives are separate and distinct from our advisory services, and are provided for separate and typical compensation. There are no referral fee arrangements between BFT Financial Group, LLC and our registered representatives for these recommendations. No BFT Financial Group, LLC client is obligated to use a registered representative for any accounting services and conversely, no accounting client is obligated to use the advisory services provided by us. The registered representative accounting services do not include the authority to sign checks or otherwise disburse funds on any of our advisory client's behalf. BFT Financial Group, LLC does not receive any compensation from the registered representative for any accounting services.

### **Interest in Client Transactions and Code of Ethics**

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary and has a fiduciary duty to all clients. BFT Financial has established a Code of Ethics to comply with the requirements of Section 204(A)-1 of the *Investment Advisers Act of 1940* that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with

federal securities laws. The Code of Ethics covers all individuals that are classified as “supervised persons”. All employees, officers, directors and investment adviser representatives are classified as supervised persons. BFT Financial requires its supervised persons to consistently act in your best interest in all advisory activities. BFT Financial imposes certain requirements on its affiliates and supervised persons to ensure that they meet the firm’s fiduciary responsibilities to you. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

This section is intended to provide a summary description of the Code of Ethics of BFT Financial. If you wish to review the Code of Ethics in its entirety, you should send us a written request and upon receipt of your request, we will promptly provide a copy of the Code of Ethics to you.

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

BFT Financial or associated persons of the firm may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of BFT Financial that all persons associated in any manner with our firm must place clients’ interests ahead of their own when implementing personal investments. BFT Financial and its associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with our firm unless the information is also available to the investing public upon reasonable inquiry.

We are now and will continue to be in compliance with applicable state and federal rules and regulations. To prevent conflicts of interest, we have developed written supervisory procedures that include personal investment and trading policies for our representatives, employees and their immediate family members (collectively, associated persons):

- Associated persons cannot prefer their own interests to that of the client.
- Associated persons cannot purchase or sell any security for their personal accounts prior to implementing transactions for client accounts.
- Associated persons cannot buy or sell securities for their personal accounts when those decisions are based on information obtained as a result of their employment, unless that information is also available to the investing public upon reasonable inquiry.
- Associated persons are prohibited from purchasing or selling securities of companies in which any client is deemed an “insider”.
- Associated persons are discouraged from conducting frequent personal trading.
- Associated persons are generally prohibited from serving as board members of publicly traded companies unless an exception has been granted to the Chief Compliance Officer of BFT Financial.

Any associated person not observing our policies is subject to sanctions up to and including termination.

### **Account Reviews**

Managed accounts are reviewed at least quarterly. While the calendar is the main triggering factor, reviews can also be conducted at your request. Account reviews will include investment strategy and objectives review and making a change if strategy and objectives have changed. Reviews are conducted by Sammy Tally, Stephen Freeman, Bill Schultz and Stephen Tally, with reviews performed in accordance with your investment goals and objectives.

Accounts established and maintained with other third-party money managers are reviewed at least quarterly, usually when statements and/or reports are received from the money manager.

## Account Statements and Reports

For our asset management services, you are provided with transaction confirmation notices and regular quarterly account statements directly from the qualified custodian. Additionally, BFT Financial may provide position or performance reports to you quarterly and upon request.

Whether reports by an outside money manager are provided to you will depend upon the outside money manager.

You are encouraged to always compare any reports or statements provided by us, a sub-adviser or third-party money manager against the account statements delivered from the qualified custodian. When you have questions about your account statement, you should contact our firm and the qualified custodian preparing the statement.

## Client Referrals

Our firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our Firm Brochure) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

However, BFT Financial participates in TD Ameritrade's institutional customer program and Adviser may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between BFT Financial's participation in the program and the investment advice it gives to its Clients, although we receive economic benefits that are typically not available to TD Ameritrade retail investors through our participation in the program. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving our 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 BFT Financial by third-party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by TD Ameritrade through the program may benefit BFT Financial but may not benefit your accounts. These products or services may assist BFT Financial in managing and

administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help BFT Financial manage and further develop its business enterprise. The benefits received by BFT Financial or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, we endeavor at all times to put clients' interests first. You should be aware, however, that the receipt of economic benefits by BFT Financial or our related persons in and of itself creates a potential conflict of interest and may indirectly influence BFT Financial's choice of TD Ameritrade for custody and brokerage services.

BFT Financial also receives from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisors participating in the program. Specifically, the Additional Services include access to on-line investment research services at no cost. TD Ameritrade provides the Additional Services to BFT Financial in its sole discretion and at its own expense, and we do not pay any fees to TD Ameritrade for the Additional Services. BFT Financial and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

BFT Financial's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to BFT Financial, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, our Client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with BFT Financial, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, BFT Financial may have an incentive to recommend to you that the assets under management by BFT Financial be held in custody with TD Ameritrade and to place transactions for your accounts with TD Ameritrade. BFT Financial's receipt of Additional Services does not diminish its duty to act in your best interests, including to seek best execution of trades for your accounts.

We may from time to time receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as client appreciation events, advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for which sales have been made or for which it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control for this conflict by always basing investment decisions on the individual needs of our clients.

#### Financial Information

BFT Financial does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, BFT Financial has not been the subject of a bankruptcy petition at any time.

## Item 10 - Customer Privacy Policy Notice

The information contained in this section will also be disclosed in BFT Financial's Privacy Policy Statement. This statement will be provided to all clients in accordance with the rules and regulations of the *Gramm-Leach-Bliley Act of 1999*.

As a registered investment advisor, BFT Financial Group and its investment adviser representatives will gather and develop personal information regarding our clients. This information will be gathered and developed by us for the following purposes:

1. To determine the client's financial goals and objectives
2. To determine the level of advisory services needed and desired by the client
3. To provide the client with specific recommendations regarding advisory services
4. To provide the client with specific recommendations regarding financial products
5. To provide ongoing support and recommendations regarding financial products held in the client's account

Client information that BFT Financial Group will collect may include, but not be limited to the following:

- Information received from clients on financial inventories through consultations with its representatives. This information may include personal and household information such as income, spending habits, investment objectives, financial goals, statements of account and other records concerning the clients' financial conditions and assets, together with information concerning employee benefits and retirement plan interests, wills, trusts, mortgages and tax returns.
- Information developed as part of financial plans, analyses or investment advisory services.
- Information concerning investment advisory account transactions, such as wrap account transactions.
- Information about clients' financial products and services transactions with BFT Financial Group

When a client account is closed, BFT Financial Group will continue to keep all client information confidential in accordance with the principles stated in its privacy policy.

A copy of the Privacy Policy Notice will be delivered to all clients in writing by at least one of the following methods:

- By hand delivering a copy to the client
- Mailing a copy to the client's address on record
- If business is conducted electronically, a notice may be posted on an electronic site as long as the client acknowledges receipt of the Privacy Policy Notice prior to the client obtaining any services or products from BFT Financial Group

A copy of the Privacy Policy Notice will be provided to the client no later than the time a client establishes a relationship with BFT Financial Group, unless this situation would cause a delay in the client obtaining services and the client agrees to accept the notice at a later date. When this situation applies, a copy of the Privacy Policy Statement will be delivered to the client within a reasonable time period following the transaction.

Any time a change is made to the Privacy Policy, the statement to clients will be revised. The revised statement will be given to all affected clients prior to any disclosure of information. In addition, BFT

Financial Group will provide a copy of its Privacy Policy Statement to all current and existing clients at least annually.

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