

FIRM BROCHURE

Part 2A of Form ADV

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Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Index Fund Advisors, Inc. If you have any questions about the contents of this Brochure, please contact us at (949) 502-0050 and/or www.ifa.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.

Index Fund Advisors, Inc. is registered as an investment adviser with the Securities and Exchange Commission (“SEC”); however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.

Additional information about Index Fund Advisors, Inc. is also available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2: MATERIAL CHANGES

Index Fund Advisors, Inc. (“IFA” or the “Firm”) is amending this Brochure to update the following item:

Item 9-Disciplinary Information has been amended to provide additional information regarding the settlement of the civil action brought against IFA in March 2013.

The previous version of this Brochure is dated March 14, 2014. IFA encourages each client to read the Brochure carefully and to call us with any questions you may have.

Pursuant to SEC Rules, IFA will ensure that clients receive a summary of any material changes to this Brochure within 120 days of the close of IFA’s fiscal year, along with a copy of this Brochure or an offer to provide the Brochure. Additionally, as IFA experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover. For more information about the firm, please contact Cindy@ifa.com.

Additional information about IFA and its investment adviser representatives is available on the SEC’s website at www.adviserinfo.sec.gov.

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Item 4: Advisory Business

Description of Services and Fees

Index Fund Advisors, Inc. (“IFA”) is an SEC registered investment adviser based in Irvine, California. IFA is organized as a corporation under the laws of the State of Delaware, and has been providing fee-only investment advisory services since 1999. Prior to July 1, 2013, the Firm operated under the name of “Index Funds Advisors, Inc.”, and was incorporated in, and governed by the laws of, the State of California. Mark T. Hebner, President, is IFA’s principal owner.

Investment Advisory Services

At IFA, we offer discretionary investment advisory services that focus specifically on providing our clients with portfolios of passively managed or index mutual funds. IFA offers customized investment management services to individuals, high net worth clients, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other types of business entities.

Our investment advice is tailored to match each of our clients’ capacity for risk. If you retain our firm for investment advisory services, we will help you determine your risk capacity in consideration of five dimensions of risk: time horizon and liquidity needs; net income; net savings; investment knowledge; and attitude toward risk. We will provide investment advisory services with respect to each account designated by our clients for management, as follows:

- make recommendations based on our clients’ risk capacity;
- develop an asset allocation of primarily passively managed mutual funds;
- place trades on behalf of our clients;
- accept liability for trading errors (if such arise) that are caused by our actions or inactions;
- provide quarterly performance reports;
- perform quarterly portfolio reviews to determine if rebalancing is necessary; and
- rebalance when deemed necessary.

Additional services may include investment related tax management and “Glide Path” portfolio management. Investment related tax management will provide advice on tax efficient investment strategies and tax loss harvesting opportunities. Glide Path portfolio management can be an optional automated risk reducing investment strategy.

Types of Investments

We primarily recommend index funds; however, we may also offer advice on equity securities, U.S. government securities, corporate debt securities, municipal debt securities, mutual funds, and exchange traded funds. We will also review, and when appropriate, make recommendations to the sub-accounts within variable annuities and variable life insurance products.

Additionally, we may provide advice on other types of investments that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

Advisory Agreements

Prior to engaging IFA to provide investment advisory services, the client will be required to enter into one or more written agreements with IFA setting forth the terms and conditions under which IFA shall render its services (collectively the "Agreement").

In accordance with Rule 204-3 under the Investment Advisers Act of 1940, as amended ("Advisers Act"), IFA will provide a brochure and one or more brochure supplements to each client or prospective client prior to or contemporaneously with the execution of an investment advisory agreement.

The Agreement between IFA and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. IFA's annual fee shall be prorated through the date of termination as defined in the Agreement and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

Neither IFA nor the client may assign the Agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of IFA shall not be considered an assignment.

Assets Under Management

As of December 31, 2013, the following represents the amount of client assets under management by IFA on a discretionary basis:

Type of Account	Assets Under Management ("AUM")
Discretionary	\$2,226,044,093
Non-Discretionary	0
Total:	\$2,226,044,093

ITEM 5: FEES AND COMPENSATION

Our fee for investment advisory services is based on a percentage of your assets we manage and is set forth in the following fee schedule:

<u>Assets Under Management</u>	<u>Annual Fee</u>	<u>Annual Fee is Billed Quarterly as Follows</u>
First \$500,000	0.90%	0.2250%
Next \$500,000	0.75%	0.1875%
Next \$1,000,000	0.60%	0.1500%
Next \$2,000,000	0.45%	0.1125%
Next \$2,000,000	0.30%	0.0750%
Next \$4,000,000	0.25%	0.0625%
Next \$10,000,000(+)	0.20%	0.0500%

The fee schedule results in a blended fee for assets over \$500,000. For example, the blended annual fee for \$1,000,000 is 0.825% (the First \$500,000 at 0.90% and the Next \$500,000 at 0.75%).

Our annual investment advisory fees are billed quarterly and payable three months in advance and are based upon the value of assets held in the account on the last trading day of the month immediately prior to the three-month period. You will not be billed until you have signed our Client Agreement, completed our Risk Capacity Survey, and completed the account opening/transfer process. For example, if you complete this process in January, you will be billed beginning February 1st. Our advisory fee is negotiable at the sole discretion of IFA. As stated in our Client Agreement, we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. Further, the qualified custodian will deliver an account statement to you at least quarterly showing all disbursements from your account. Although IFA believes its advisory fees are competitive, clients should be aware that lower fees for comparable services may be available from other sources. In addition, IFA has the discretion to and may lower its advisory fees, thereby providing a discount if and when an investment adviser representative leaves IFA. This may serve as an incentive for the client to remain with IFA, as such discounts could result in a substantial savings in advisory fees.

Client's account assets are held at one of three custodians. They are Charles Schwab, Fidelity and TD Ameritrade. In addition to the fees charged by us, there are transaction charges involved when purchasing and selling securities in client accounts, which are charged by the custodian. A written confirmation of each transaction including all transaction charges will be sent by the custodian to the client immediately following execution of each transaction. Please refer to Item 12, Brokerage Practices section below for detailed information on these brokerage services.

Either you or we may terminate our Client Agreement by written notice stating the effective date of termination. If no effective date of termination is stated, termination shall occur on the last trading day of the month during which written notice is received by the other party. If you terminate our Client Agreement, your fee will be based upon the value of assets in the account and the number of days which assets were held in the account prior to termination. You will then

be reimbursed a pro-rata portion of any unearned fee. If we terminate our Client Agreement, your fee for the final three month billing period will be pro-rated to account for the duration during which assets were held in the account.

We encourage you to reconcile our invoices with the statement(s) you receive from the qualified custodian. If you find any inconsistent information between our invoice and the statement(s) you receive from the qualified custodian please call our main office number located on the cover page of this brochure.

Additional Fees and Expenses

The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds (described in each fund's prospectus) to their shareholders. You will incur transaction and/or brokerage fees from the custodian when we purchase or sell index funds or other securities in your account. You may also pay additional custodial fees. Please refer to your account agreement with your custodian. We do not share in any fees charged by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by all parties, including, but not necessarily limited to, mutual funds, exchange traded funds, our firm and your custodian.

We may accept accounts for clients who have opted for the margin feature available on their account. These accounts require you to sign a separate margin agreement with the custodian before margin is extended to your account. The use of margin will result in interest charges in addition to all other fees and expenses associated with the security involved. Fees for advice and execution on these securities are based on the net asset value of the account, which includes the value of the securities minus the margin balance.

Arrangement with Third Party Advisors (TPAs)

We have arrangements with Third Party Advisors which include Network Members and Solicitors. Network Members are third party, registered investment advisors independent of our firm who pay a fee to license portions of our website (www.ifa.com). Solicitors are a third party, independent from our firm, who receive a fee to recommend our services to clients.

Our firm does not endorse or recommend Network Members or Solicitors individually or as a group nor do we endorse or recommend any of their investment strategies. We strongly encourage investors to perform due diligence on any investment manager they consider hiring, regardless of whether that manager is our firm, a Network Member, or Solicitor.

For solicitor compensation arrangements, please see the Item 14: Client Referrals and Other Compensation section below.

Important Considerations

In accordance with Rule 204-3 under the Investment Advisers Act of 1940, as amended (“Advisers Act”), we will provide a current copy of Form ADV Part 2A and relevant brochure supplements to each client or prospective client prior to or as the same time as the execution of a written agreement with us. Any client, who has not received a copy of our Form ADV Part 2A prior to or at the time of executing an agreement with us, shall have five (5) business days after executing the agreement to terminate our services without penalty. After that, the written agreement between us and the client will continue in effect until terminated by either party pursuant to the terms of the agreement and fees will be due or refunded.

Neither we nor our client may assign the written agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of us shall not be considered an assignment.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We do not charge performance-based fees (*i.e.*, fees calculated based on a share of capital gains on or capital appreciation of the client’s assets or any portion of the client’s assets). Consequently, we do not participate in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as assets under management). Our fees are calculated as described in the “Fees and Compensation” section above.

ITEM 7: TYPES OF CLIENTS

We offer discretionary investment advisory services to individuals and institutions, including, endowments, foundations, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

If a Client’s account is a pension or other employee benefit plan governed by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), IFA acknowledges that we are qualified to serve as a discretionary investment manager and will accept fiduciary status to certain plans under Section 3(38) of ERISA. In this capacity, the plan’s sponsor or those who would otherwise be responsible for selecting and monitoring the plan’s investment options are allowed to delegate these fiduciary duties to IFA. In providing our investment management services, the sole standard of care imposed upon us is to act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

IFA will provide certain required disclosures to the “responsible plan fiduciary” (as such term is defined in ERISA) in accordance with Section 408(b) (2), regarding the services we provide and the direct and indirect compensation we’ve receive by such clients. Generally, these disclosures are contained in this Form ADV Part 2A, the client agreement and in separate ERISA disclosure documents, and are designed to enable the ERISA plan’s fiduciary to: (1) determine the

reasonableness of all compensation received by IFA; (2) identify any potential conflicts of interests; and (3) satisfy reporting and disclosure requirements to plan participants.

In general, we require a minimum of \$100,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Our Methods of Analysis and Investment Strategies

- Extensive research has shown that investment strategies that try to beat the market are not successful over the long term.
- We invest globally in capital markets through the use of index funds.
- We have designed index fund portfolios to address our clients' widely varying levels of risk.
- We design our own index fund portfolios to include a tilt towards equity investments in companies that are smaller and more value oriented than many well-known indices.
- We may also recommend fixed income and real estate investment trust (REITs).

In comprising our index portfolios, we do not attempt to time the market or specific sectors. Instead, we advise our clients to buy, hold, rebalance, and Glide Path index portfolios that are globally diversified and incorporate an appropriate level of risk with a ratio of fixed income to equities as determined by our Risk Capacity Survey which is located on our website.

In September 2013, IFA changed the numbering system where the Index Portfolio number now matches the equity allocation of the portfolio. Secondly, there is an increased tilt toward small and value equity among the stock indexes in the portfolios. To accommodate the new numbering system, 10 points will be added to past and future Risk Capacity Survey scores.

We apply the tenets of Modern Portfolio Theory ("MPT"), which, in part, states that risk must be considered as well as return. We attempt to maximize a portfolio's expected return for a given amount of portfolio risk by carefully choosing the proportions of various index funds. We construct our clients' portfolios utilizing a large data series for asset class indexes. This data is back tested and aggregated through our Time Series Construction for asset class indexes dating back to 1928.

We also incorporate the findings of Eugene F. Fama of the University of Chicago and Kenneth R. French of Dartmouth University, who together identified three risk factors associated with stock market returns (market, size and value) and two risk factors associated with fixed income returns (term and default). Their Multi-Factor Model demonstrated that a portfolio's exposure to the market as a whole, as well as the degree to which that portfolio carries increased or decreased exposure to small company stocks and stocks with high book-to-market ratios (also known as value stocks) primarily determines the portfolio's equity returns over time.

Many empirical studies guide our selection of funds and the construction of IFA Index Portfolios. Our investment portfolios are designed in consideration of the conclusions of many studies, including the following:

- ✓ Harry Markowitz, "Portfolio Selection," Journal of Finance (1952)
- ✓ William Sharpe, "Capital Asset Prices - A Theory of Market Equilibrium Under Conditions of Risk," Journal of Finance (1964)
- ✓ Gary P. Brinson, L. Randolph Hood, and Gilbert L. Beebower, "Determinants of Portfolio Performance," The Financial Analysts Journal (1986)
- ✓ Eugene Fama and Kenneth French, "The Cross-Section of Expected Stock Returns," Journal of Finance (1992)
- ✓ Eugene Fama and Kenneth French, "Common Risk Factors in the Returns on Stocks and Bonds," Journal of Financial Economics (1993)
- ✓ Eugene Fama and Kenneth French, "Size and Book-to-Market Factors in Earnings and Returns," Journal of Finance (1994)
- ✓ John Graham and Campbell Harvey, "Market Timing Ability and Volatility Implied in Investment Newsletter' Asset Allocation Recommendations," National Bureau of Economic Research Paper #4890 (1995)
- ✓ Eugene Fama and Kenneth French, "Value versus Growth: The International Evidence," Journal of Finance (1998)
- ✓ Laurent Barras, Olivier Scaillet, Russ Wermers, "False Discoveries in Mutual Fund Performance: Measuring Luck in Estimating Alphas," Journal of Finance, Forthcoming.
- ✓ Amit Goyal and Sunil Wahal, "The Selection and Termination of Investment Managers By Plan Sponsors," Journal of Finance, Forthcoming
- ✓ Scott D. Stewart, CFA, John J. Neumann, Christopher R. Knittel, and Jeffrey Heisler, CFA, "Absence of Value: An Analysis of Investment Allocation Decisions by Institutional Plan Sponsors," Financial Analysts Journal (2009)

Risk of Loss

Investing involves risk of loss that you should be prepared to bear. Material risks associated with our passive strategy include the systematic risk of being invested in the market, known as "market risk." Additionally, investing in accordance with the Multi-Factor Model may cause investors to experience a higher level of volatility in the small and value oriented investments. Also due to the change within the equity allocations of the NEW Index Portfolios, the risk and expected return of the entire portfolio will slightly increase.

In addition, generally, the market value of stocks will fluctuate with market conditions, and small cap stock prices generally will move up and down more than large cap stock prices. Small-capitalization ("small cap") stocks may be subject to a higher degree of risk than more established (large capitalization) companies' securities. The illiquidity of the small-cap market may adversely affect the value of client investments. The market value of bonds will generally fluctuate inversely with interest rates and other market conditions prior to maturity and will equal par value (face value) at maturity. Interest rates for bonds may be fixed at the time of issuance or purchase, and payment of principal and interest may be guaranteed by the issuer and, in the case of U.S. Treasury obligations, backed by the full faith and credit of the U.S. Treasury. The market value of Treasury bonds will generally fluctuate more than Treasury bills, since Treasury bonds have longer maturities. In addition, there is no assurance that a mutual fund or an Exchange Traded Fund ("ETF") will achieve its investment objective. High yield bonds are considered to be predominantly speculative with respect to the payment of interest and

repayment of principal. Such securities may also be subject to greater volatility as a result of changes in prevailing interest rates than other debt securities. Investments in overseas markets (international securities) also pose special risks, including currency fluctuation and political risks, and such investment may be more volatile than that of a U.S. only investment. The risks are generally intensified for investments in emerging markets. We do not represent or guarantee that our services or methods of analysis can or will predict future results or insulate clients from losses due to market declines. We do not offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

Recommendation of Particular Types of Securities

As disclosed under the “Advisory Business” section in this Brochure, we offer advice on several types of investments; however, we primarily recommend index funds.

Mutual funds are professionally managed collective investment vehicles that pool money from many investors and invest in stocks, real estate investment trusts (“REITs”), fixed income, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. The returns on mutual funds can be reduced by the costs to manage the funds.

Tax Reporting

As a result of IRS regulations your custodian will default to the First-In First-Out (“FIFO”) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

ITEM 9: DISCIPLINARY INFORMATION

Registered investment advisers such as IFA are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of IFA or the integrity of its management. In March 2013, IFA became the subject of a civil action brought by an individual (Claimant) alleging that after the Claimant's voluntary resignation, IFA inappropriately offered advisory fee discounts for certain clients of IFA. The Claimant further alleges that those discounts made it more difficult to solicit those clients to

become clients of his new advisory firm and reduced his potential earnings. All allegations were denied by IFA in its response and the matter has been resolved and dismissed with prejudice. Neither our firm nor any of our Associated Persons has any reportable disciplinary information.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

IFA and its associated persons do not have any financial industry activities (except as stated below), financial industry affiliations, nor recommend other advisers.

Doing Business As

Investing for Catholics is a DBA (doing business as) of our firm that advises on socially responsible, passively managed portfolios.

Other Outside Activities

Our principal owner of IFA is also a columnist and an author on topics related to investing and the financial services industry.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Description of Our Code of Ethics

The Investment Advisers Act of 1940 imposes a fiduciary duty on all investment advisers to act in the best interest of its clients. Our clients therefore entrust us to use the highest standards of integrity when dealing with their assets and making investments that impact their financial future. Our fiduciary duty compels all employees to act with integrity in all of our dealings. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our employees. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our employees are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that all persons associated with our firm submit reports of their personal account holdings and transactions to the Chief Compliance Officer of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

Participation or Interest in Client Transactions

Because the Code would permit associated persons of ours to invest in the same securities as clients, there is a possibility that our associated persons could benefit from market activity by a client in a security held by that person. Employee trading is continually monitored under the Code, with an eye to reasonably prevent conflicts of interest between IFA and its clients.

We do not affect any principal or agency cross securities transactions for client accounts, nor do we affect cross-trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Should we ever decide to affect principal trades or cross-trades in client accounts, it will comply with the provisions of Rule 206(3) of the Advisers Act.

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest may exist in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this potential conflict of interest, it is our policy that neither our employees nor we shall have priority over your account in the purchase or sale of securities.

In the case of mutual funds, which are our primary investment recommendation, effecting transactions in mutual funds recommended to you cannot conflict with our interest in the same funds because open-end mutual funds are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, our personal transactions in mutual funds will not have an impact on the prices of the fund shares in which you invest.

ITEM 12: BROKERAGE PRACTICES

Clients will generally select to execute securities transactions through one of three custodians. They are, in no particular order, Charles Schwab Institutional ("Schwab"), Fidelity Investments ("Fidelity"), and TD Ameritrade Institutional ("TD Ameritrade"). We believe that these custodians provide execution services at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In exchange for the level of quality each of these companies provides, you may pay higher or lower commissions and/or trading costs than those that may be available elsewhere.

Research and Other Benefits

IFA participates in the institutional advisor program (the “Program”) offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA (“TD Ameritrade”), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from TD Ameritrade through our participation in the Program.

Some of our clients’ accounts are included in the Program in which we participate. Through this program we receive some benefits from TD Ameritrade that are typically not available to TD Ameritrade retail investors. There is no direct link between our participation in the Program and the investment advice we provide to you. 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 adviser 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 our firm by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our associated persons. Some of the products and services made available by TD Ameritrade through the Program may benefit our firm and/or associated persons but may not benefit you or your accounts. These products or services may assist our firm in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits we receive through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. Clients 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 choice of TD Ameritrade for custody and brokerage services.

Schwab provides our firm with access to its institutional trading and operations services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers at no charge to them so long as a total of at least \$10 million of the firm’s clients account assets are maintained at Schwab. Schwab services may include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require significantly higher minimum initial investments. Schwab also makes available other products and services that benefit our firm but may not benefit our clients’ accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution, provide research, pricing information and other market data, facilitate payment of our advisory fees from our clients’ accounts, and assist with back-office support, recordkeeping and

client reporting. Our access to the foregoing products and services is not contingent upon our committing to Schwab any specific amount of business (assets in custody or trading). The products and services we receive from the custodians will generally be used in servicing all of our clients' accounts. Our use of these products and services will not be limited to the accounts that paid commissions to the broker-dealer for such products and services.

In addition, our firm most commonly recommends the mutual funds developed by Dimensional Fund Advisors ("DFA"). While we do not receive compensation for this recommendation, nor do we receive commissions on the sale of the mutual funds, DFA provides us with access to a software program that enables us to generate risk and return data relative to their indexes and funds. This program assists us in providing data to clients and potential clients. DFA also provides an on-going education program through webinars on advanced topics, educational conferences that provide analytics and current research data, and a proprietary website of articles, research, and analytical tools.

Brokerage for Client Referrals

See additional information under Item 14, Client Referrals and Other Compensation.

Directed Brokerage

The Schwab, Fidelity, or TD Ameritrade custodial arrangement is a type of directed brokerage arrangement since these firms generally require that client transactions be placed with each firm for execution. Clients should understand that not all advisers require their clients to use one of the above mentioned custodians or otherwise direct brokerage. We have selected these firms to provide its clients with brokerage and custodial services because it believes one of these firms can provide best execution. To help ensure that clients are receiving best execution and to address the conflict of interest surrounding this arrangement, we perform periodic reviews of the quality of execution and services provided by these firms.

Block Trades

Transactions for each client will be effected independently. We do not combine multiple orders for shares of the same securities purchased for advisory accounts we manage. This practice is commonly referred to as "block trading".

Trade Errors

Errors created in an account must be corrected so as not to harm any client. The goal of error correction is to make the client "whole", regardless of the cost to us. We cannot correct a trade error made in a client's account by allocating the trade to a different account, unless that account was meant to receive the trade in the first place.

ITEM 13: REVIEW OF ACCOUNTS

Our Trading and Risk Management Department will monitor your accounts on a quarterly basis. Additional reviews may take place based on various circumstances, including, but not limited to:

- contributions and withdrawals; and
- changes in your risk/return objectives or your risk capacity.

We will provide you with quarterly performance reports showing total portfolio value, portfolio holdings, and internal rate of return. You will receive trade confirmations, monthly or quarterly statements, and year-end tax statements from your account custodian.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Please refer to the Item 12, Brokerage Practices section above for disclosures on research and other benefits we may receive resulting from our relationships with Schwab, Fidelity, TD Ameritrade, and DFA.

IFA may enter into agreements with individuals that refer clients to IFA. All such agreements will be in writing and comply with the requirements of Rule 206(4)-3 of the Advisers Act. If a client is introduced to IFA by a solicitor, IFA may pay that solicitor a fee in accordance with the requirements of Rule 206(4)-3 and any corresponding state securities law requirements. If you were referred to our firm by a Solicitor, you should have received a copy of this brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm may receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor may have a financial incentive to recommend our firm to you for advisory services. This creates a possible conflict of interest since Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We recommend that you request Solicitors to disclose to you whether multiple referral relationships exist and whether comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable.

TD Ameritrade AdvisorDirect Program

We may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, we may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with us. No employee or agency relationship exists between us and TD Ameritrade. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial

planning services to independent investment advisors. TD Ameritrade does not supervise us and has no responsibility for our management of client portfolios or our other advice or services. We pay TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to us ("Solicitation Fee"). We will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by us from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired us on the recommendation of such referred client. We will not charge clients referred through AdvisorDirect any fees or costs higher than our standard fee schedule offered to our clients or otherwise pass Solicitation Fees paid to TD Ameritrade to our clients. For information regarding additional or other fees paid directly or indirectly to TD, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Our participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, we may have an incentive to recommend to clients that the assets under management by us be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, we have agreed not to solicit clients referred to us through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when our fiduciary duties require doing so. Our participation in AdvisorDirect does not diminish our duty to seek best execution of trades for client accounts.

ITEM 15: CUSTODY

Pursuant to Rule 206(4)-2 of the Advisers Act, we are deemed to have custody of client funds because we have the authority and ability to debit our fees directly from our clients' accounts. To mitigate any potential conflicts of interests, all of our client account assets will be maintained with an independent qualified custodian.

Your independent custodian will directly debit your account(s) for the payment of our advisory fees as stated in your Client Agreement. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure.

ITEM 16: INVESTMENT DISCRETION

Investment advisory services are performed by IFA on a discretionary basis and before we can buy or sell securities on your behalf, you must first sign our discretionary Client Agreement and your independent custodian's agreements. We require that you grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your prior consent for each transaction. You may request investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may request that certain investments be incorporated when implementing your portfolio. Requests such as this will be considered on a case by case basis with respect to our fiduciary responsibility to you. Please refer to the "Advisory Business" section in this brochure for more information on our discretionary management services.

ITEM 17: VOTING CLIENT SECURITIES

IFA's policy and practice is to not vote individual company proxies on your behalf and therefore, IFA shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a client's account. If the account is an ERISA account and such authority has not been delegated to another named fiduciary in the plan's written documents, IFA will advise the plan to delegate to a third party. If you own shares of common stock, you are responsible for exercising your right to vote as a shareholder. IFA typically does not advise or act for clients with respect to any legal matters, including bankruptcies and class actions, for the securities held in clients' accounts.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

ITEM 18: FINANCIAL INFORMATION

IFA does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. IFA does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients, and has not been the subject of a bankruptcy proceeding.