



## **Appendix 1, Wrap-Fee Brochure**

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CRD# 117531

Dated November 11, 2015

For further information about Investment Advisors Corp., please contact:  
Lisa M. Smith - President, and CEO

This Wrap-Fee Program Brochure provides information about the qualifications and business practices of Investment Advisors Corp. If clients have any questions about the contents of this Brochure, please contact us at (515) 727-6720 or [IAC@investmentadvisorscorp.com](mailto:IAC@investmentadvisorscorp.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 Investment Advisors Corp. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

SEC registration does not imply a certain level of skill or training.

# **Material Changes**

**October 2015, Michael T. Sherzan, Chairman of the Board, appointed Ms. Lisa M. Smith, President and CEO of the firm. Ms. Smith has been appointed to the Board of Directors and firm ownership remains the same.**

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**The previous update to this Wrap-Fee Program Brochure was on  
March 26, 2015.**

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# Advisor One

Investment Advisors Corp. (“IAC,” “Firm,” or “we”) provides this wrap-fee advisory program, which is designed to help clients meet their investment objectives and goals. Advisor One is a client directed program, meaning that the trading done for a client’s account is non-discretionary. While IAC is the sponsor of these advisory programs, Wells Fargo Advisors (“WFA”), through First Clearing, LLC, its clearing firm, provides certain non-advisory services to Advisor One accounts. This portion of this disclosure document is being provided pursuant to Section 204 of the Investment Advisers Act of 1940 and deals solely with our Advisor One program.

Clients of Advisor One will retain the right to:

- (1) Withdraw securities or cash;
- (2) Vote on shareholder proposals of beneficially owned security issues, or delegate the authority to vote on such proposals to another person;
- (3) Be provided, in a timely manner, with a written confirmation or other notification of each securities transaction, and all other documents required by law to be provided to security holders; and
- (4) Proceed directly as a security holder against the issuer of any security in the client’s account and not be obligated to join any person involved in the operation of the applicable program, or any other client of the applicable program, as a condition precedent to initiating such proceeding. IAC will provide the client with periodic monitoring and reporting of his/her portfolio’s performance.

## Services, Fees and Compensation

The Advisor One is a non-discretionary investment advisory program offering the client personalized asset allocation and investment recommendations provided on a broad range of investments, based on the client investment objectives, time horizon, financial circumstances and risk tolerance. The Advisor One program features include personalized investment advice from the client’s Investment Advisor Representative (“IAR”), 20 trades for the account per calendar year free from transaction fees, and quarterly performance reporting. After the first 20 free trades, any additional trade incurs a \$25 transaction charge to the client for the remainder of the calendar year. If the client directs a trade or accepts an investment recommendation, the IAR is responsible for arranging for the transaction. Each IAR of the Firm may utilize different investment strategies when managing client accounts.

Most types of securities are eligible for purchase in the Advisor One program. Assets may include, but are not limited to, common and preferred stocks, exchange-traded funds, closed end funds, advisory class unit investment trusts, corporate and government bonds, certificates of deposit, options, structured products, certain mutual funds whose shares can be purchased at net asset value, and certain advisory class alternative investments, such as hedge funds and managed futures funds. Collectively, these assets are referred to as “Program Assets.”

Certain assets, such as commodity futures contracts, options on such contracts, annuities, limited partnership interests, and mutual funds that cannot be purchased at net asset value are not eligible as Program Assets, and are referred to collectively as “Excluded Assets.” The client may purchase or sell some Excluded Assets in his/her account, but these transactions may incur commissions or charges and the securities will not be included in the quarterly billing.

The IAR will gather important information about the client’s financial conditions, time horizon, goals, and objectives for Advisor One accounts on an Investment Policy Worksheet and will update this information whenever it is provided by the client, which should be reviewed at least annually. The client agrees to timely inform the IAR of any changes in his/her financial situation, investment objectives, or instructions as necessary. Over time, as changes occur in the financial markets or the client’s investment objectives and circumstances change, the IAR may recommend changes in the client’s portfolio. In making a recommendation, the IAR will

take the updated information received in the Investment Policy Worksheet into consideration. Client decisions relating to investments may have tax consequences that should be discussed with his/her tax advisor.

### **Rebalance Trading System**

Clients may request periodic rebalancing of the mutual funds in their account. The IAR can rebalance the account either at predetermined intervals or when directed by the client. The Rebalance Trading System reviews the actual allocation of mutual funds in the account versus the target allocation established. Generally, subject to certain minimum constraints, if any of the funds in the client's account vary by more than 40% (30% for retirement accounts) from the client's target allocation, the IAR will rebalance the account by initiating sell and buy transactions. These percentages may change without notice. Transactions initiated to rebalance these assets may cause the client to incur tax consequences.

### **Market Timing in Mutual Funds**

An Advisor One account may not be used for market timing strategies or any extreme trading activity that IAC or the clearing firm deem detrimental. Further, the activity must not be contrary to the policies or interest of mutual fund companies with whom IAC or the clearing firm maintains relationships. Market timing is defined as excessive short-term purchase and sale transactions or exchanges with the intention of capturing short-term profits in violation of the terms of the fund's prospectus. IAC or clearing firm, or by direction of the fund company, reserves the right to reject any transactions or to assess a redemption fee for any partial or full liquidation execution in which the account trading appears to be inconsistent with the fund's prospectus. Furthermore, IAC will cooperate, when asked by a fund company, to aid in its attempt to identify and impede the efforts of IARs and investors engaging in market timing or extreme trading activity. If the fund company notifies IAC to reject or cancel a trade for any reason, IAC reserves the right to cancel such trade without prior notice to the client. IAC will not be responsible for any losses resulting from market timing activities. In addition, the frequency of mutual fund transactions and exchanges is subject to any limits established by the mutual fund and IAC.

### **New-Issue CDs**

When available and appropriate, IARs may use advisory class new-issue CDs. Advisory class new-issue CDs are generally issued at a discount. While new-issue CDs are an eligible Program Asset, the yield of new-issue CDs may take into account a sales concession in order to compensate the brokerage firms that sell the CDs. For certain advisory accounts, the underwriter retains this sales concession. Although IAC, or its affiliate BDFS, may receive or share in the sales concession, these charges reduce the overall yield on the CD, and in some cases, this may result in a negative yield. Clients should be aware they could obtain the same CDs without being subject to the advisory fee if they purchased it in a non-advisory brokerage account.

### **Hedge Funds and Managed Futures**

Hedge funds and managed futures may be available in an Advisor One account, but are not suitable for all investors. Hedge funds are complex investment vehicles that often use leverage and other speculative investment practices, such as short sales, options, derivatives, futures and illiquid investments that may increase the risk of investment loss. Managed futures are speculative investments that are subject to a significant amount of risk. This Wrap-Fee Brochure is not a solicitation, recommendation, or invitation to invest in alternative investments and is intended solely to disclose the availability of alternative investments within the Advisor One account.

### **Costs and Benefits**

The client should consider the value of the Advisor One program. The combination of custodial, advisory and brokerage services may not be available separately or may require multiple accounts, documentation and fees. The client should also consider the amount of anticipated trading activity when selecting the program and assessing the overall cost.

Many Advisor One clients assume a normal amount of trading activity and, therefore, under particular circumstances, prolonged periods of inactivity or asset allocations with significant fixed income, or cash

components, may result in higher fees to the client than if commissions were paid separately for each transaction in a standard brokerage account.

### **Fees and Compensation**

The negotiated annual fee, which may range from .45% to 2.75% of the amount of assets under management, is based on the complexity of the investment strategy and the account size. This fee covers advisory, custodial, transaction charges for the first 20 trades annually and reporting services. Billed quarterly in advance, the standard Advisor One fee schedule is based on Program Assets.

- ❖ For transactions in Excluded Assets, clients will pay usual and customary commissions, transaction fees and other charges. Excluded Assets are not included in the calculation of the wrap-fee. Commissions and fees on Excluded Assets and other charges will be assessed against the account on or about the transaction date by clearing firm.
- ❖ Investment Advisors Corp. recommends the following IAR fee schedule:

<u>Total Account Value</u>	<u>Maximum Annualized Fee, billed quarterly</u>
First \$100,000	2.75%
\$100,001 - \$500,000	2.50%
\$500,001 - \$1,000,000	2.25%
Over \$1,000,000	2.00%

Clients residing in Iowa will be subject to a 6-7% state sales tax, and additional local taxes when applicable.

The client authorizes IAC to deduct a quarterly fee calculated at the rate indicated in the fee schedule. For the purposes of calculating program fees, the “value of the account” means the sum of the long and short market value of all securities and mutual funds. In valuing the account, we will use the closing prices, or if not available, the lowest published “bid-price”, and if there is not one, the last reported transaction if occurring within the last 45 days. For mutual funds, we use the fund's most current net asset value, as computed by the fund company. IAC will use information provided by quotation services believed to be reliable.

The initial fee is calculated as of the date that the account is incepted into the program and covers through the remainder of the calendar quarter. Subsequent fees will be determined for calendar quarter periods and shall be calculated on the value of the account on the last business day of the prior calendar quarter.

No fee adjustment will be made during any fee period for appreciation or depreciation in the value of the assets in the client account during that period. The account will be charged or refunded a pro rata quarterly fee on any net additions or net withdrawals in the account, during a quarter, if the fee or credit generated is at least \$40. Fees will be assessed in the month following the net addition or net withdrawal. Fees are based on the value of the assets in the account and IAC shall not be compensated based on a share of capital gains or capital appreciation of the funds or any portion of client funds. When there are changes to the fee schedule, the schedule charges previously in effect shall continue until the next billing cycle.

### **Risk in the Use of Margin**

To the extent margin is used in the client account, the client should be aware that the margin debit balance will not reduce the market value of eligible assets, and will therefore increase the asset-based fee the client is charged. The increased asset-based fee may provide an incentive for the IAR to recommend the use of margin strategies. The use of margin is not suitable for all investors since it increases leverage in the client account and therefore risk. Please see the First Clearing, LLC Margin Disclosure Statement, and the Client Account Agreement for more details on the risks of margin use.

### **Other Account Fees**

The fees do not include certain dealer markups or markdowns, odd lot differentials, transfer taxes, exchange fees, execution fees (foreign and/or domestic) when applicable and any other fees required by law.

The quarterly fee includes fees paid for brokerage services to effect securities transactions through BDFS, as agent, for the client on the first 20 trades per year. IAC receives no additional brokerage execution compensation. BDFS, IAC's affiliate, may benefit on trades after the first 20 trades.

Advisor One accounts may have cash invested in an unaffiliated money market fund as a temporary investment vehicle. These money market funds may be managed by an affiliate of the clearing firm. The clearing firm or affiliates may have arrangements with the money market funds to provide advisory, administrative, distribution and/or other services subject to applicable restriction. Where permitted by law, the clearing firm or affiliates may receive a fee for these specialized services from the fund or its service providers in addition to the fees paid by clients under the described program. BDFS may share in these fees from money market funds held at First Clearing Corp., which may present a conflict of interest in recommending these platforms. For clients that are subject to ERISA or the prohibited transaction provisions of the Internal Revenue Code, applicable law may limit the extent to which such fees may be retained, and may require a fee offset. In a low interest rate environment, the yield that the client may earn on cash and cash alternatives, including cash sweep funds, CDs and money market funds may not offset advisory fees. In some instances, the effective yield of the investment may in fact be negative.

### **Account Termination**

Either party may terminate the Client Account Agreement, at any time upon notice. If the client terminates his/her Agreement, a pro rata refund will be made. The client has the right, within five (5) days of execution, to terminate the IAC Agreement without penalty. In the event of cancellation of an IAC Agreement, fees previously paid pursuant to the fee schedule will be refunded on a pro rata basis, as of the date notice of such cancellation is received by the non-canceling party.

If the client chooses to terminate his/her Client Account Agreement under the Advisor One program, IAC can liquidate the account only if the client instructs the IAR to do so. If instructed, IAC will liquidate the client account in an orderly and efficient manner. IAC does not charge for such liquidations; however, the clients should be aware that certain mutual funds impose redemption fees as stated in the fund prospectus. The client should also keep in mind that the decision to liquidate security issues or mutual funds may result in tax consequences that should be discussed with his/her tax adviser. Trades may be subject to clearing firm's transaction costs.

IAC will not be responsible for market fluctuations in the client account from the time of notice until complete liquidation. All efforts will be made to process the termination in an efficient and timely manner. Factors that may affect the orderly and efficient liquidation of an account might be size and types of issues, liquidity of the market, and market maker's abilities. Should the necessary securities markets be unavailable and trading suspended, efforts to trade will be done as soon as possible following their reopening. Due to the administrative processing time needed to terminate an advisory account, termination orders cannot be considered market orders.

If a program account terminates, but the client transfers the account to a brokerage account with BDFS, the money market fund used in a "sweep" arrangement may be changed and/or the client shares may be exchanged for shares of another series of the same fund. The client will bear a proportionate share of the money market fund's fees and expenses. The client is subject to the customary brokerage charges for any securities positions sold in the account after the termination of program services.

Ten basis points (.10%) of the advisory fee paid by the client is paid to the clearing firm for administrative services, creating and distributing performance reports, and client-related services.

### **Reports and Restrictions**

Clients of the Advisor One program receive periodic performance reports of activity in their accounts. The clearing firm will transmit to the clients a statement of account activity at least quarterly and trade confirmations reflecting all securities transactions.

Advisor One clients will receive quarterly portfolio performance reports of their accounts that are designed to comply with general industry performance standards. The portfolio performance reports will compare the performance of the client's Advisor One portfolio to an industry standard blended benchmark based on his/her investment objective. Each performance report will include a reminder to the client to contact IAC or the client's IAR if there are any changes in his/her financial situation or other relevant information.

## **Account Requirements / Types of Clients**

Advisor One may be offered to individuals, retirement accounts, IRAs, ROTH IRAs, SEP IRAs, trusts, banks or thrift institutions, pension and profit sharing plans, estates, charitable organizations and corporations. Advisor One accounts have a new account opening minimum of \$25,000.

## **Portfolio Manager Selection and Evaluation**

IARs who act as portfolio managers are required to meet Firm or industry experience levels and possess sufficient portfolio management experience. The IAC Strategic Asset Allocation guidelines are designed to provide a disciplined advisory approach to meet the client's objectives and needs. IARs that do not meet IAC guidelines may be removed from the program.

### **Services Tailored to Individual Client Needs**

All of the IAR's investment recommendations are based on an analysis of a client's individual financial needs and objectives as reported on his/her Investment Policy Worksheet. Investment recommendations are drawn from research and analysis, which the IAR believes to be reliable and appropriate to the client's financial circumstances. Advisor One accounts are tailored to the investor and are designed to meet his/her individual investment objectives, financial needs and tolerance of risk.

### **Client Restrictions and Instructions**

Each client has the ability to impose investment restrictions on the management of his/her Advisor One account. IAC and the IAR will comply with any reasonable instructions and/or restrictions for the client's account. Reasonable instructions generally include the designation of particular securities or types of securities that should not be purchased for the account or that should be sold if held in the account. If client restrictions are unreasonable, or if IAC or the IAR believe that the restrictions are inappropriate, IAC will notify the client that unless the restrictions are modified, IAC may remove the client's account from the program. The client will not be able to provide instructions that prohibit or restrict the investment advisor of open-end or closed-end mutual fund or exchange-traded funds ("ETF"), with respect to the purchase or sale of specific securities or types of securities within the fund. IAC's policy is generally to liquidate the client's preexisting securities portfolio immediately and bring the account into conformity with the client stated target allocations. If the client wishes to hold certain positions for tax or investment purposes, the client should consider holding these positions in a separate brokerage account.

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

IAC does not charge performance-based fees in any of its investment advisory programs. IAC does not have any side-by-side management situations.

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

IARs rely on IAC Strategic Asset Allocation guidelines and individual security research to build client portfolios. IAR research is obtained from the clearing firm and may utilize both fundamental and quantitative methods as well as other independent research. The IAR may develop a specific investment strategy using the mix of these analysis methods. Strategic Asset Allocation guidelines are established to provide an overall discipline, but tactical deviations from the IAC Strategic Allocations are allowed.



**Risk of Loss**

All investments shall be at the client's risk exclusively. We do not guarantee any return on the investments and are not responsible for losses.

**Conflicts of Interest**

The IAR may have a conflict of interest recommending the Advisor One program that, over the life of the program, may offer more compensation to the IAR versus using a full-service brokerage account or by the client implementing the advice elsewhere.

Factors that IAC considered in choosing BDFS and clearing firm for the services provided to the Advisor One program include their respective financial strength, reputation, execution, pricing, research, and service. BDFS' willingness not to charge brokerage fees for the first 20 trades in the Advisor One account per calendar year was a significant factor in selecting it for brokerage services. The commissions and/or transaction fees charged by the clearing firm or by BDFS after the first 20 free trades may be higher than those charged by another firm. Clearing firm and BDFS enable IAC to obtain many mutual funds without transaction charges and other securities at nominal transaction charges.

**Client Information Provided to Portfolio Manager**

The client must complete an Investment Policy Worksheet with the assistance of his/her IAR who serves as portfolio manager. The Investment Policy Worksheet outlines client's investment objectives, financial circumstances, risk tolerance, and any restrictions the client may wish to impose on his/her investment activities. IAR and the client should consider updating, at least annually, the Investment Policy Worksheet and indicate if there have been any changes in his/her financial situation, investment objectives, or instructions. The client agrees to inform us in writing of any material change in his/her financial circumstances that might affect the manner in which the client's assets should be invested. The client's IAR will be reasonably available to the client for consultation on these matters, and will act on any changes in his/her profile deemed to be material, or appropriate as soon as practical after the IAR become aware of the change.

**Voting Client Securities**

With very limited exceptions, IAC does not vote proxies on behalf of the clients. Proxy materials received on behalf of a client account are sent directly to the client, or designated representative, selected by the client, responsible for voting the proxy.

**Client Contact with Portfolio Manager**

In the client directed programs, the client's IAR is acting in the capacity of portfolio manager. The client has no restrictions in contacting his/her IAR who will be generally available during normal working hours.

**Additional Information****Disciplinary Information**

Neither Investment Advisors Corp. nor any management person has had any civil or criminal actions brought against them.

Neither Investment Advisors Corp. nor any management person has had any administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

Neither Investment Advisors Corp. nor any management person has had any proceedings before a self-regulatory organization.

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

The principal business of IAC executive officers includes directing the operations of a full-service introducing securities brokerage firm, Broker Dealer Financial Services Corp. (“BDFS”), member FINRA, SIPC, MSRB, NFA, an insurance agency division, and an affiliate, Bankers Financial Services, LLC. All affiliated businesses are located at the same address. With just a few exceptions, most of the IARs are also licensed (dual registered) with BDFS.

BDFSC Holdings Corp. owns one hundred percent of Investment Advisors Corp., the affiliated broker-dealer, BDFS, and Bankers Financial Services, LLC.

For some of its investment programs, IAC uses BDFS and First Clearing, LLC, its clearing agent, to provide custody, brokerage and execution services. First Clearing, LLC is also the clearing agent for Wells Fargo Advisors (“WFA”) and the advisory programs offered through WFA.

Neither IAC nor its affiliated companies have a pending registration for futures commission merchant, commodity pool operator, commodity pool trading advisor, or an associated person of the foregoing entities.

IAC’s management persons are also the executive officers of BDFS, which is a registered introducing broker (“IB”) with the National Futures Association (“NFA”). All management persons are considered registered with the NFA as associated persons.

IAC’s management persons are also the executive officers of BDFS, which is registered with the Municipal Securities Rules Making Board. All management persons are considered registered with the MSRB.

IAC shares certain personnel in accounting, managerial, compliance, and operational services with its affiliates, BFS and BDFS. IAC also has contractual relationships with other registered investment advisers pursuant to which IAC receives compensation for these services.

BDFS benefits from Advisor One accounts by receiving fees arising from margin interest, fees assessed for trades after the 20 free trades per calendar year, and fees relative to the transfer of any Advisor One accounts. First Clearing, LLC provides execution and custodial services for Advisor One accounts.

Bankers Financial Services, LLC (BFS) provides services to banks and other financial institutions to assist them in issuing market-linked certificates of deposit. Such certificates of deposit may be purchased for the client’s account(s), which would benefit BFS in connection with the services it provided to the issuer and the compensation that BFS receives from the issuers of the certificates of deposit. IARs of IAC who provide significant support to BFS may have a direct financial interest in having clients invest in market-linked certificates of deposit.

### **Code of Ethics, Participation, or Interest in Client Transactions & Personal Trading**

The Code of Ethics (“Code”) is a comprehensive guideline, based on the fiduciary principles, to make the IARs and related persons aware of conduct and behavior expected of them. The Code addresses prohibited activities and addresses reporting requirements, confidentiality requirements, and standards of care.

Annually, IARs certify they read, understand, and will comply with IAC’s Code of Ethics. A copy of the Code will be provided to any client or prospective client upon request.

Accordingly, IARs and related persons must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of the clients. To avoid any potential conflicts of interest involving personal securities transactions, IAC, IARs and related persons must at all time:

- 1) Place the clients' interests ahead of themselves and the firm. As fiduciaries, they must serve in their clients' best interests and may not benefit at the expense of a client.
- 2) The IARs and related persons are required to notify IAC with respect to personal securities transactions and are prohibited from trading upon material non-public information.
- 3) The IARs and related persons should not contemporaneously purchase or sell the same securities as a client without making an equitable allocation of the securities to the client first, on the basis of considerations such as available capital and current positions in the client's account, and then to the account of the IAR or related persons. Personal trades may require preauthorization from IAC.
- 4) IARs and related persons are prohibited from participating or having an interest in client transactions with the exception of personal or family related accounts disclosed in advance to IAC.
- 5) IARs and related persons are to avoid potential conflicts of interest by not accepting investment opportunities, gifts or gratuities with greater than *de minimis* value from individuals seeking to conduct business with the firm or on behalf of a client.
- 6) IARs and related persons must abide by standards of disclosure regarding personal securities trading and reporting as required in the Advisers Act and under the firm's policy on Private Securities Transactions, Policy on Confidential Information and Insider Trading Policy.
- 7) IARs and related persons are charged with the duty to protect all client information and confidentiality by properly securing their workstations, computers, mobile devices, external storage units, and records and only authorize access to related persons or vendors who have a legal business need for client information to complete a transaction.
- 8) IARs and related persons are prohibited from misappropriating client funds, securities or non-public personal information.
- 9) IARs and related persons must promptly report any violations of the Code to the Compliance Department.

## **Review of Accounts**

The firm conducts ongoing account reviews for its programs where it provides continuous advisory services. Financial Plans and Consulting Services Agreements are periodically reviewed as received. IAC has designated certain individuals as Compliance Specialists as well as the Chief Compliance Officer who conduct ongoing reviews. The IAC Advisory Ops also assists with reviews of accounts and IAR strategies.

Through the compliance software system, the firm's Compliance Specialists review daily trades and multiple exception reports. Exception reports include monitoring account volatility versus stated risk objective, size of transaction versus total account value, the amount of activity in the account, along with any margin and options alerts or other risk factors. The firm's Due Diligence Officer conducts periodic reviews of third-party managers and alternative investments.

Investment advisory clients are encouraged to discuss their needs, goals, and objectives with their IAR and to keep their IAR informed of any changes that may occur. IARs shall contact ongoing investment advisory clients at least annually to review their previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the custodian for their account. Those clients to whom IAC provides investment advisory services will also receive a report that may include relevant account and market-related information such as an inventory of account holdings with account performance on a quarterly basis. Those clients to whom IAC provides financial planning or consulting services typically do not receive regular reports on their accounts after the financial planning or consulting services have been concluded.

## Custom Choice

IAC provides this wrap-fee advisory program, which is designed to help clients meet their investment objectives and goals. Custom Choice is a client directed program, meaning non-discretionary. While IAC is the sponsor of these advisory programs, Wells Fargo Advisors (“WFA”), through First Clearing, LLC its clearing firm, provides certain non-advisory services to Custom Choice accounts. This portion of this disclosure document is being provided pursuant to Section 204 of the Investment Advisers Act of 1940 and deals solely with our advisory Custom Choice program.

Clients of Custom Choice will retain the right to:

- (1) Withdraw securities or cash;
- (2) Vote on shareholder proposals of beneficially owned security issues, or delegate the authority to vote on such proposals to another person;
- (3) Be provided, in a timely manner, with a written confirmation or other notification of each securities transaction, and all other documents required by law to be provided to security holders; and
- (4) Proceed directly as a security holder against the issuer of any security in a client’s account and not be obligated to join any person involved in the operation of the applicable program, or any other client of the applicable program, as a condition precedent to initiating such proceeding. IAC will provide the client with periodic monitoring and reporting of his/her portfolio’s performance.

## Services, Fees and Compensation

Custom Choice is a non-discretionary investment advisory program designed to help the client allocate his/her assets among open-end mutual funds in accordance with his/her individual investment goals, time horizons, objectives, and expectations. Based on the investment objectives and risk tolerance reported in the Investment Policy Worksheet, the IAR will recommend an appropriate mix of mutual funds and money market funds. The minimum account size is \$25,000.

The client has the option of accepting any of the recommendations or selecting an alternative combination of funds. The IAR will implement the client investment decisions but will not have investment discretion over the account, except for the limited discretion to rebalance to the client’s stated target asset allocation, if the client authorizes the IAR to do so. Over time, as changes occur in the financial markets and/or the client investment objectives and circumstances, the IAR may recommend mutual fund changes in the Custom Choice portfolio. In making these recommendations, the IAR will take the updated information in the Investment Policy Worksheet into account. The client is advised that his/her decisions relating to investments in mutual funds may have tax consequences that should be discussed with his/her tax adviser.

### Rebalance Trading System

Clients may request periodic rebalancing of the mutual funds in their account. The IAR can rebalance the account either at predetermined intervals or when directed by the client. The Rebalance Trading System reviews the actual allocation of mutual funds in the account versus the target allocation established for the client account. Generally, subject to certain minimum constraints, if any of the funds in the client account vary by more than 40% (30% for retirement accounts) from the client target allocation, the IAR will rebalance the account by initiating sell and buy transactions. These percentages may change without notice. The client should be aware that any transactions initiated to rebalance these assets may cause the client to incur tax consequences.

In order to maintain the client portfolio in conformance with the client’s target asset allocation, the client may authorize the IAR to rebalance the account using an automated rebalance trading system. The client may select a quarterly, semi-annual, or annual rebalance option.

## Market Timing in Mutual Funds

A Custom Choice account may not be used for market timing strategies or activities for mutual funds or any extreme trading activity that IAC or the clearing firm deem detrimental to the interest of fund shareholders. Further, the activity must not be contrary to the policies or interest of mutual fund companies with whom IAC or the clearing firm maintains relationships. Market timing is defined as excessive short-term purchase and sale transactions or exchanges with the intention of capturing short-term profits in violation of the terms of the fund's prospectus. IAC or clearing firm, or by direction of the fund company, reserves the right to reject any transactions or to assess a redemption fee for any partial or full liquidation execution in which the account trading appears to be inconsistent with the fund's prospectus. Furthermore, IAC will cooperate, when asked by a fund company, to aid in its attempt to identify and impede the efforts of IARs and investors engaging in market timing or extreme trading activity. If the fund company notifies IAC to reject or cancel a trade for any reason, IAC reserves the right to cancel such trade without prior notice to the client. IAC will not be held accountable for any losses resulting from market timing activities. In addition, the frequency of mutual fund transactions and exchanges is subject to any limits established by the mutual fund and IAC.

## Fees and Compensation

The client should be aware that program fees charged may be higher or lower than those otherwise available if the client were to select a separate brokerage service and negotiate commissions in the absence of the extra advisory service provided. The IAC fee schedule may be subject to negotiation depending upon a range of factors including, but not limited to, account size, investment strategy and overall range of services provided. Custom Choice accounts typically assume a normal amount of trading activity and therefore, under particular circumstances, prolonged periods of inactivity may result in higher fees than if commissions were paid separately for each transaction.

A portion of the fees or commissions charged for the program described here may be paid to our IAR for providing services. This compensation may be more or less, than an IAR would receive if the client paid separately for investment advice, brokerage, and other services, and may vary, depending on the program or services offered. Therefore, the IAR may have an incentive to recommend Custom Choice over other programs or services.

Notwithstanding the fee calculation, the minimum fee charged to the account will be \$75 per quarter. The client should be aware that the imposition of the minimum fee may cause the program fee rate (expressed as a percentage) to be greater than the fee stated in the fee schedule table for the program. Under certain circumstances, the minimum fee may be waived.

Custom Choice accounts are charged an all-inclusive fee on eligible mutual funds that covers advisory, execution, custodial and reporting services. Billed quarterly in advance, the standard Custom Choice fee schedule is based on program eligible mutual funds.

❖ Investment Advisors Corp. recommends the following IAR fee schedule:

<u>Total Account Value</u>	<u>Maximum Annualized Fee</u> , billed quarterly
First \$250,000	1.75%
Next \$750,000	1.50%
Over \$1,000,000	1.15%

Clients residing in Iowa will be subject to a 6% state sales tax and additional local taxes when applicable.

The client authorizes IAC to deduct a quarterly fee calculated at the rate indicated in the fee schedule. For the purposes of calculating program fees, the "total account value" means the fund's most current net asset value as computed by the fund company. IAC will use pricing information provided by services believed to be reliable.

The initial fee is calculated as of the date the account is incepted into the program and covers through the remainder of the calendar quarter. Subsequent fees will be determined for calendar quarter periods and shall be calculated on the value of the account on the last business day of the prior calendar quarter.

No fee adjustment will be made during any fee period for appreciation or depreciation in the value of the assets in a client's account during that period. The client's account will be charged or refunded a pro rata quarterly fee on any net additions or net withdrawals in the account during a month. Fees will be assessed in the month following the net addition or net withdrawal. Fees are based on the value of the assets in the client account, and IAC shall not be compensated based on capital gains upon or capital appreciation of the funds or any portion of the client funds. When there are changes to the fee schedule, the schedule charges previously in effect shall continue until the next billing cycle.

### **Other Account Fees**

The client's IAR may suggest that the client use other investments available at the custodian but that are not available through the account ("Non-Program Assets"). Non-Program Assets are not charged a Program fee and are not considered a part of the Program or Program services. IAC generally recommends that the client hold these Non-Program Assets in a separate brokerage account. If a non-Program Asset is purchased, or transferred into the account and later becomes a Program eligible fund, Program fees will apply to that fund and it may become subject to the Rebalance Trading System.

The client will incur any usual and customary brokerage charges and fees imposed on transactions in Non-Program Assets which may include: (i) any dealer markups and odd lot differentials and transfer taxes; (ii) normal charges imposed by broker-dealers and custodians and fees for other products and services; (iii) offering discounts, commissions and related fees in connection with underwritten public offerings of securities; (iv) margin interest and operational fees and charges; (v) IRA fees; and (vi) any redemption fees, exchange fees and/or similar fees imposed in connection with mutual fund transactions whereby custodian and the client's IAR may receive additional compensation on these Non-Program Assets.

### **Costs of Investing in Mutual Funds**

The client should be aware that investing in mutual funds through Custom Choice might cost the client more or less than purchasing such funds outside the Custom Choice program. The client may invest in many of the funds directly with the applicable fund company without incurring the program fee. Certain funds may charge a redemption fee if the client redeems a fund within a specified time period. These periods may be up to 180 days after purchase and are disclosed in the fund's prospectus. The client may also invest in a single fund family and obtain "breakpoints" that may lower the cost of the funds. However, when the client purchases fund shares directly or through a broker-dealer, the client may not receive the asset allocation and portfolio monitoring services or access to the institutional class funds available in the Custom Choice program. In addition, some mutual funds purchased outside of the Custom Choice program may impose a sales load on direct investments.

Custodian and its affiliates may earn compensation in connection with the cash and cash alternative funds, including, but not limited to, an administrative fee that is based on the assets invested in money markets used for cash sweep purposes. The details of this fee can be found in the First Clearing, LLC General Account Agreement signed at the time the client established the account.

The client understands that the program fee would not be charged on non-sweep cash and cash alternatives if they were held outside the account. Custodian, and its affiliate service provider or a third-party service provider, may collect compensation from any of the mutual funds in which the client invests for recordkeeping, sub-accounting, shareholder communications, administrative and other similar services provided to a fund for the benefit of the client, or other asset-based fees for the execution of purchases of fund shares, or the performance of clearance, settlement, custodial or other functions related to the fund, and may pay any such fees it receives to IAC or an affiliate. The amount of fees received by custodian (or such a person) will vary, depending on the percentage paid pursuant to a fund's Rule 12b-1 plan or as otherwise agreed by custodian (or such person) and the fund. These fees will not exceed a maximum of .55% per year of the value of the client's

Program Assets invested in a fund, or may include a fixed charge not to exceed \$16 per shareholder account with the fund.

The client understands and agrees to the payment of such compensation. In the case of accounts subject to ERISA, any fees described in the preceding paragraph paid to custodian, or such affiliate, will be credited against the program fees otherwise payable by the client under the program.

Subject to restrictions imposed by applicable laws, the client authorizes custodian to grant a general lien and security interest in the client's securities that have not been settled by custodian or its clearing agent.

Certain funds make multiple no-load, institutional, advisory, or load-waived share classes available for purchase through investment advisory programs. These share classes may be available only through our investment advisory programs and have different and lower shareholder servicing, sub-accounting, investment management and 12b-1 fees and charges from other shares classes offered by those funds. The 12b-1 fees paid by the mutual funds are paid directly to the custodian, and are not shared with IAC or the IAR. As a result, some clients may have purchased these lower-cost institutional share classes, while others may have purchased a non-institutional share classes. IAC reviews their policies, procedures, and systems, to determine whether to continue to support these multiple no-load and load-waived share classes, and reserves the right not to offer certain share classes within their program.

To the extent that cash used for investments in the program comes from redemption proceeds or deposits of the client's existing mutual funds or other securities investments, the client should consider the cost of any sales charges or commissions paid which are in addition to the program fee on the same assets.

### **Account Termination**

Either party may terminate the Client Account Agreement, at any time upon notice. Clients have the right, within five (5) days of execution, to terminate the IAC Agreement without penalty. In the event of cancellation of an IAC Agreement, fees previously paid pursuant to the fee schedule will be refunded on a pro rata basis as of the date notice of such cancellation is received by the non-canceling party.

If client chooses to terminate his/her Agreement with any of our investment advisory programs, we can liquidate his/her account if instructed to do so. If instructed, IAC will liquidate the client account in an orderly and efficient manner. We do not charge for such liquidation; however, the client should be aware that certain mutual funds impose redemption fees as stated in the fund prospectus. The client should also keep in mind that the decision to liquidate security issues or mutual funds may result in tax consequences that should be discussed with his/her tax adviser. Certain transaction costs of custodian may exist and may take several business days under normal market conditions to process the client's request.

IAC will not be responsible for market fluctuations in the client's account from the time of notice until complete liquidation. All efforts will be made to process the termination in an efficient and timely manner. Factors that may affect the orderly and efficient liquidation of an account might be size and types of issues, liquidity of the markets, and market makers' abilities. Should the necessary securities' markets be unavailable and trading suspended, efforts to trade will be done as soon as possible following their reopening. Due to the administrative processing time needed to terminate an advisory account, termination orders cannot be considered market orders. It may take several business days under normal market conditions to process the client's request.

If a program account is terminated, but the client maintains a brokerage account with us, the money market fund used in a "sweep" arrangement may be changed and/or the client shares may be exchanged for shares of another series of the same fund. The client will bear a proportionate share of the money market fund's fees and expenses. The client is subject to the customary brokerage charges for any securities positions sold in his/her account after the termination of program services.

## Account Requirements / Types of Clients

The Custom Choice program has an account minimum of \$25,000. Under certain circumstances, the account minimum may be waived. IAC or custodian may terminate the client accounts with written notice if they fall below minimum account value guidelines established by the Firm.

Custom Choice may be offered to individuals, retirement accounts, IRAs, ROTH IRAs, SEP IRAs, trusts, banks or thrift institutions, pension and profit sharing plans, estates, charitable organizations and corporations.

## Portfolio Manager Selection and Evaluation

IARs who act as portfolio managers are required to meet Firm or industry experience levels and possess sufficient portfolio management experience. The Strategic Asset Allocation guidelines are designed to provide a disciplined advisory approach to meet the client's objectives and needs. IARs that do not meet IAC guidelines may be removed from the programs.

IAC relies on non-advisory services provided by custodian in the Custom Choice program. Custodian classifies the mutual funds used on their platform as Recommended or Allowable Funds. Analysts in the WFA Manager Strategy Group use both quantitative and qualitative criteria when evaluating funds for inclusion on the Roster of Recommended Funds ("Roster"). IARs using Custom Choice select funds from a larger list of Recommended or Allowable Funds. WFA analysts do not conduct quantitative and qualitative analysis on the mutual funds listed on the Allowable list. Certain mutual funds may not be available to all clients because of account types, fee schedules, geographic availability, or other factors. WFA Manager Strategy Group analysts review candidates for the Recommended List based on a number of criteria. WFA will typically arrange meetings with portfolio managers or representatives of a fund candidate to discuss the underlying investment philosophy of the fund manager and how that philosophy is manifested in security buy and sell decisions. WFA also seeks to understand the capabilities of the portfolio manager and assess how the investment philosophy will perform in different market environments. Additional factors influencing the inclusion of a mutual fund on their Roster may include the fund's past record, management style, quality of the investment process, number, and continuity of investment professionals, and client servicing capabilities, a completed questionnaire, database information on the firm, statistical analysis of the firm's track record and interviews with members of the mutual fund management team. This process is a continuing one and funds may be added or removed from the Roster based on many factors, either internal or external, to the fund's management.

WFA uses information, financial data, and investment research from a variety of sources to evaluate mutual funds. IAC believes the review WFA conducts on the Recommended Funds is reliable and accurate. IAC does not necessarily or independently review or verify all Recommended or Allowable Funds on all occasions.

IAC recognizes the following major asset classes; cash and cash equivalents, alternative assets, equities and fixed income to develop asset allocation guidelines.

The Strategic Asset Allocation guidelines are based on our recommended long-term Strategic guidelines, and may change from time to time in light of new research and analysis. The Strategic Asset Allocation targets are selected such that the Conservative Income model could be expected to have the lowest investment risk based on historical average risk levels for these asset classes, but it also offers the lowest potential return.

As an investor moves to strategies with higher allocations in equity funds, historical performance suggests that the expected investment risk and potential return increase. IAC defines Strategic Asset Allocation guidelines for each risk objective. The allocations serve as a guideline against which these portfolios will be managed. IAC modifies these allocations to some degree when they believe it is in the interests of our investors to do so. Individual mutual funds are selected to fill the allocations based on both quantitative and qualitative methods. Quantitative methods include examination of historical performance as well as the biases that have



characterized the manager's investment style. Qualitative considerations may include the tenure of investment professionals, the perceived quality of the investment process and other factors that may bear on the investment decision.

From time to time, one or more of the funds held in a program account may experience relatively large investments or redemptions due to research and/or model recommendations WFA makes. These transactions may adversely affect these mutual funds since they may have to sell portfolio securities as a result of redemptions or invest the cash that results from additional purchases representing the interests of our clients. Custodian may, but is not required to, cancel transactions to minimize the impact of such transactions if consistent with the client's investment objectives and those of other clients participating in the program.

The client should understand that:

- (a) A mutual fund's or asset allocation's past performance is no guarantee of future results;
- (b) There are market and interest rate risks, which may adversely affect a mutual fund's return and could cause a loss in a client's account;
- (c) The client's risk parameters or comparative index selections provided to us are guidelines only; there is no guarantee that they will be met.

The client should also be aware that shares of any particular fund may fluctuate in value, and when redeemed, may be worth less than their original cost. There is no guarantee that the client asset allocation or recommendations will protect against such loss of investment.

IAC may amend the mutual funds the IAR selected for the client account without the client's consent. The client is aware that fund replacements may cause tax consequences.

WFA's reasons for removing a mutual fund may include its failure to adhere to the management style or the client's objectives, a material change in the professional staff of the fund, unexplained poor performance, and/or the fund is no longer included on WFA's Roster. IAC will determine whether any or all of these factors are material when deciding to make a replacement.

IAC and IARs may give advice and take action for ourselves or other clients that differ from advice given to a client or clients in other advisory programs. Additionally, IAC, from time to time, may not be free to divulge or act upon certain information in our possession. IAC, at its discretion, may undertake share class conversions of mutual funds if an advisory or institution share class becomes available, as long as the fund company allows the conversion to be processed on a tax-free exchange basis. IAC reserves the right to convert mutual fund shares back to non-advisory or institutional share class shares if the client leaves the program.

### **Services Tailored to Individual Client Needs**

All of the IAR investment recommendations for program accounts are based on an analysis of the client's individual financial needs, as reported in the client Investment Policy Worksheet. The recommendations are drawn from IAC allocation guidelines and research the IAR believes to be appropriate to the client's financial circumstances. Each Custom Choice account is tailored to a specific type of investor and designed to meet the individual investment objectives, financial needs, and tolerance of risk.

## **Client Information Provided to Portfolio Manager**

The client must complete an Investment Policy Worksheet with the assistance of his/her IAR who serves as portfolio manager. The Investment Policy Worksheet outlines the client's investment objectives, time horizons, financial circumstances, risk tolerance and any restrictions a client may wish to impose on his/her investment activities. The IAR and client should consider reviewing, at least annually, the Investment Policy Worksheet and indicate if there have been any changes in the financial situation, investment objectives or instructions. The client agrees to inform us in writing of any material change in his/her financial circumstances that might affect

the manner in which his/her assets should be invested. The client's IAR will be reasonably available to the client for consultation on these matters, and will act on any changes in a client's profile deemed to be material or appropriate as soon as practical after the IAR become aware of the change.

### **Client Restrictions and Instructions**

IAC will comply with any reasonable instructions and/or restrictions the client gives the IAR when making recommendations for the client account. Reasonable instructions generally include the designation of particular mutual fund or types of mutual funds that should not be purchased for the account. If the client restrictions are unreasonable, or if IAC or the IAR believes that the restrictions are inappropriate, the IAR will notify the client that unless the instructions are modified, IAC may remove the client's account from the program. The client will not be able to provide instructions that prohibit or restrict the investment advisor of a mutual fund with respect to the purchase or sale of specific securities or types of securities within the fund.

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

IAC does not charge performance-based fees in any of its investment advisory programs. IAC does not have any side-by-side management situations.

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

IARs rely on IAC Strategic Asset Allocation guidelines and individual security research to build client portfolios. IAR research is obtained from the clearing firm and may utilize both fundamental and quantitative methods as well as other independent research. The IAR may develop a specific investment strategy using the mix of these analysis methods. Strategic Asset Allocation guidelines are established to provide an overall discipline, but tactical deviations from the IAC Strategic Allocations are allowed.

### **Risk of Loss**

All investments shall be at the client's risk exclusively. We do not guarantee any return on the investments and are not responsible for losses.

### **Voting Client Securities**

With very limited exceptions, IAC does not vote proxies on behalf of the clients. Proxy materials received on behalf of a client's account are sent directly to the client, or designated representative selected by the client, responsible for voting the proxy.

## **Client Contact with Portfolio Manager**

In the client directed programs, the client's IAR is acting in the capacity of portfolio manager. The client has no restrictions in contacting his/her IAR who will be generally available during normal working hours.

## **Additional Information**

### **Disciplinary Information**

Neither Investment Advisors Corp. nor any management person has had any civil or criminal actions brought against them.

Neither Investment Advisors Corp. nor any management person has had any administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

Neither Investment Advisors Corp. nor any management person has had any proceedings before a self-regulatory organization.

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

The principal business of IAC executive officers includes directing the operations of a full-service introducing securities brokerage firm, Broker Dealer Financial Services Corp. (“BDFS”), member FINRA, SIPC, MSRB, NFA, an insurance agency division, and an affiliate, Bankers Financial Services, LLC. All affiliated businesses are located at the same address. With just a few exceptions, most of the IARs are also licensed (dual registered) with BDFS.

BDFSC Holdings Corp. owns one hundred percent of Investment Advisors Corp., the affiliated broker-dealer, BDFS, and Bankers Financial Services, LLC.

For some of its investment programs, IAC uses BDFS and First Clearing, LLC, its clearing agent, to provide custody, brokerage and execution services. First Clearing, LLC is also the clearing agent for Wells Fargo Advisors (“WFA”) and the advisory programs offered through WFA.

Neither IAC nor its affiliated companies have a pending registration for futures commission merchant, commodity pool operator, commodity pool trading advisor, nor an associated person of the foregoing entities.

IAC’s management persons are also the executive officers of BDFS, which is a registered introducing broker (“IB”) with the National Futures Association (“NFA”). All management persons are considered registered with the NFA as associated persons.

IAC’s management persons are also the executive officers of BDFS, which is registered with the Municipal Securities Rules Making Board. All management persons are considered registered with the MSRB.

IAC shares certain personnel in accounting, managerial, compliance, and operational services with its affiliates, BFS and BDFS. IAC also has contractual relationships with other registered investment advisers pursuant to which IAC receives compensation for these services.

BDFS benefits from Advisor One accounts by receiving fees arising from margin interest, fees assessed for trades after the 20 free trades per calendar year, and fees relative to the transfer of any Advisor One accounts. First Clearing, LLC provides execution and custodial services for Advisor One accounts.

Bankers Financial Services, LLC (BFS) provides services to banks and other financial institutions to assist them in issuing market-linked certificates of deposit. Such certificates of deposit may be purchased for the client’s account(s), which would benefit BFS in connection with the services it provided to the issuer and the compensation that BFS receives from the issuers of the certificates of deposit. IARs of IAC who provide significant support to BFS may have a direct financial interest in having clients invest in market-linked certificates of deposit.

## **Code of Ethics, Participation, or Interest in Client Transactions & Personal Trading**

The Code of Ethics (“Code”) is a comprehensive guideline based on fiduciary principles, to make the IARs and related persons aware of conduct and behavior expected of them. The Code addresses prohibited activities and addresses reporting requirements, confidentiality requirements, and standards of care.

Annually, IARs certify they read, understand, and will comply with IAC’s Code of Ethics. A copy of the Code will be provided to any client or prospective client upon request.

Accordingly, IARs and related persons must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of the clients. To avoid any potential conflicts of interest involving personal securities transactions, IAC, IARs and related persons must at all time:

- 1) Place the clients’ interests ahead of themselves and the firm. As fiduciaries, they must serve in their clients’ best interests and may not benefit at the expense of a client.

- 2) The IARs and related persons are required to notify IAC with respect to personal securities transactions and are prohibited from trading upon material non-public information.
- 3) The IARs and related persons should not contemporaneously purchase or sell the same securities as a client without making an equitable allocation of the securities to the client first, on the basis of considerations such as available capital and current positions in the client's account, and then to the account of the IAR or related persons. Personal trades may require preauthorization from IAC.
- 4) IARs and related persons are prohibited from participating or having an interest in client transactions with the exception of personal or family related accounts disclosed in advance to IAC.
- 5) IARs and related persons are to avoid potential conflicts of interest by not accepting investment opportunities, gifts or gratuities with greater than *de minimis* value from individuals seeking to conduct business with the firm or on behalf of a client.
- 6) IARs and related persons must abide by standards of disclosure regarding personal securities trading and reporting as required in the Advisers Act and under the firm's policy on Private Securities Transactions, Policy on Confidential Information and Insider Trading Policy.
- 7) IARs and related persons are charged with the duty to protect all client information and confidentiality by properly securing their workstations, computers, mobile devices, external storage units, and records and only authorize access to related persons or vendors who have a legal business need for client information to complete a transaction.
- 8) IARs and related persons are prohibited from misappropriating client funds, securities or non-public personal information.
- 9) IARs and related persons must promptly report any violations of the Code to the Compliance Department.

## **Review of Accounts**

The firm conducts ongoing account reviews for its programs where it provides continuous advisory services. Financial Plans and Consulting Services Agreements are periodically reviewed as received. IAC has designated certain individuals as Compliance Specialists as well as the Chief Compliance Officer who conduct ongoing reviews. The IAC Vice President also assists with reviews of accounts and IAR strategies.

Through the compliance software system, the firm's Compliance Specialists review daily trades and multiple exception reports. Exception reports include monitoring account volatility versus stated risk objective, size of transaction versus total account value, the amount of activity in the account, along with any margin and options alerts or other risk factors. The firm's Due Diligence Officer conducts periodic reviews of third-party managers and alternative investments.

Investment advisory clients are encouraged to discuss their needs, goals, and objectives with their IAR and to keep their IAR informed of any changes that may occur. IARs shall contact ongoing investment advisory clients at least annually to review their previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the custodian for their account. Those clients to whom IAC provides investment advisory services will also receive a report that may include relevant account and market-related information such as an inventory of account holdings with account performance on a quarterly basis. Those clients to whom IAC provides financial planning or consulting services typically do not receive regular reports on their accounts after the financial planning or consulting services have been concluded.

## Private Investment Management (“PIM”)

Investment Advisors Corp. (“IAC,” “Firm,” or “we”) provides Private Investment Management (“PIM”), a wrap-fee advisory program, which is designed to help clients meet their investment objectives and goals. PIM is a discretionary program, meaning that the investment selection and trading is completed with discretion by the portfolio manager and with specific client approval. While IAC is the sponsor of these advisory programs, Wells Fargo Advisors (“WFA”), through First Clearing, LLC, its clearing firm, provides certain non-advisory services to PIM accounts. This portion of this disclosure document is being provided pursuant to Section 204 of the Investment Advisers Act of 1940 and deals solely with our PIM program.

Clients of PIM will retain the right to:

- (1) Withdraw securities or cash;
- (2) Vote on shareholder proposals of beneficially owned security issues, or delegate the authority to vote on such proposals to another person;
- (3) Be provided, in a timely manner, with a written confirmation or other notification of each securities transaction, and all other documents required by law to be provided to security holders; and
- (4) Proceed directly as a security holder against the issuer of any security in the client’s account and not be obligated to join any person involved in the operation of the applicable program, or any other client of the applicable program, as a condition precedent to initiating such proceeding.

## Services, Fees and Compensation

With PIM, certain IARs (called “portfolio managers”) provide investment advisory services to clients on a discretionary basis. As a minimum criterion for providing advisory services, IAC requires our portfolio managers to possess satisfactory past business experience, plus any required industry examinations and registrations. Based on a client’s investment objectives and individual needs, IAR will have discretion to manage the client’s assets to an appropriate investment strategy. Strategic Asset Allocation guidelines are provided to IARs for each account objective.

PIM is based on fundamental and quantitative research as well as other independent research. Individual PIM portfolio managers may develop specific investment strategies using a mix of these analytic methods. They also establish quality and concentration requirements to provide overall discipline. Such strategies ordinarily include long and short-term securities purchases and, depending on the client’s objectives and the portfolio manager’s investment philosophy, supplemental covered option writing. In special circumstances, the strategies may also include margin transactions, other option strategies and trading or short sale transactions.

Portfolio managers may use third-party research to assist in developing security selection models for PIM. When seeking to anticipate trends and identify undervalued securities with sound fundamentals, portfolio managers may also use a security selection and portfolio modeling process that incorporates fundamental, technical, and statistical analyses of historical data. Due to any number of factors, including timing of deposits, investment selection process or investment needs, certain clients may receive different execution prices and investment results.

Most types of securities are eligible for purchase in the PIM program. Assets may include, but are not limited to, common and preferred stocks, exchange-traded funds, closed-end funds, advisory class unit investment trusts, corporate and government bonds, certificates of deposit, options, structured products, certain mutual funds whose shares can be purchased at net asset value, and certain advisory class alternative investments, such as hedge funds and managed futures funds. Collectively, these assets are referred to as “Program Assets.”

Certain assets, such as commodity futures contracts, options on such contracts, annuities, limited partnership interests, and mutual funds that cannot be purchased at net asset value are not eligible as Program Assets, and

are referred to collectively as “Excluded Assets”. The client may purchase or sell some Excluded Assets in his/her account, but these transactions may incur commissions or charges and the securities will not be included in the quarterly billing.

The IAR will gather important information about the client’s financial conditions, time horizon, goals, and objectives for PIM accounts on an Investment Policy Worksheet and will update this information whenever it is provided by the client, which should be reviewed at least annually. The client agrees to inform the IAR timely of any changes in his/her financial situation, investment objectives, or instructions as necessary. Over time, as changes occur in the financial markets or the client’s investment objectives and circumstances change, the IAR may recommend changes in a client’s portfolio. In making a recommendation, the IAR will take the updated information received in the Investment Policy Worksheet into consideration. The client’s decisions relating to investments may have tax consequences that should be discussed with his/her tax advisor.

### **Rebalance Trading System**

The clients may request periodic rebalancing of the mutual funds in their account. The IAR can rebalance the account either at predetermined intervals or when directed by the client. The Rebalance Trading System reviews the actual allocation of mutual funds in the account versus the target allocation established. Generally, subject to certain minimum constraints, if any of the funds in the client’s account vary by more than 40% (30% for retirement accounts) from the client’s target allocation, the IAR will rebalance the account by initiating sell and buy transactions. These percentages may change without notice. Transactions initiated to rebalance these assets may cause the client to incur tax consequences.

### **New-Issue CDs**

When available and appropriate, IARs may use advisory class new-issue CDs. Advisory class new-issue CDs are generally issued at a discount. While new-issue CDs are an eligible Program Asset, the yield of new-issue CDs may take into account a sales concession in order to compensate the brokerage firms that sell the CDs. For certain advisory accounts, the underwriter retains this sales concession. Although IAC, or its affiliate BDFS, may receive or share in the sales concession, these charges reduce the overall yield on the CD, and in some cases, this may result in a negative yield. Clients should be aware they could obtain the same CDs without being subject to the advisory fee if they purchased it in a non-advisory brokerage account.

### **Hedge Funds and Managed Futures**

Hedge funds and managed futures may be available in a PIM account but are not suitable for all investors. Hedge funds are complex investment vehicles that often use leverage and other speculative investment practices, such as short sales, options, derivatives, futures and illiquid investments that may increase the risk of investment loss. Managed futures are speculative investments that are subject to a significant amount of risk. This is not a solicitation, recommendation, or invitation to invest in alternative investments and is intended solely to disclose the availability of alternative investments within the PIM account.

### **Costs and Benefits**

The client should consider the value of the PIM program. The combination of custodial, advisory and brokerage services may not be available separately or may require multiple accounts, documentation, and fees. The client should also consider the amount of anticipated trading activity when selecting the program and assessing the overall cost.

Many PIM clients assume a normal amount of trading activity and, therefore, under particular circumstances, prolonged periods of inactivity or asset allocations with significant fixed income or cash components may result in higher fees to the client than if commissions were paid separately for each transaction in a standard brokerage account.

## Fees and Compensation

The negotiated fee, which may range from .45% to 2.75%, is based on the complexity of the investment strategy and the account size. This fee covers advisory, custodial, and reporting services. Billed quarterly in advance, the standard PIM fee schedule is based on Program Assets.

- ❖ For transactions in Excluded Assets, clients will pay usual and customary commissions, transaction fees and other charges. Excluded Assets are not included in the calculation of the wrap-fee. Commissions and fees on Excluded Assets and other charges will be assessed against the account on or about the transaction date by clearing firm.
- ❖ Investment Advisors Corp. recommends the following IAR fee schedule:

<u>Total Account Value</u>	<u>Maximum Annualized Fee, billed quarterly</u>
First \$250,000	3.00%
Next \$750,000	2.50%
Over \$1,000,000	2.00%

The client authorizes IAC to deduct a quarterly fee calculated at the rate indicated in the fee schedule. For the purposes of calculating program fees, the “value of the account” shall mean the sum of the long and short market value of all securities and mutual funds. In valuing the account, we will use the closing prices; or if not available, the lowest published “bid-price”, and if there is not one, the last reported transaction if occurring within the last 45 days. For mutual funds, we use the fund's most current net asset value, as computed by the fund company. IAC will use information provided by quotation services believed to be reliable.

The initial fee is calculated as of the date that the account is incepted into the program and covers through remainder of the calendar quarter. Subsequent fees will be determined for calendar quarter periods and shall be calculated on the value of the account on the last business day of the prior calendar quarter.

No fee adjustment will be made during any fee period for appreciation or depreciation in the value of the assets in the client account during that period. The account will be charged or refunded a pro rata quarterly fee on any net additions or net withdrawals in the account, during a month, if the fee or credit generated is at least \$40. Fees will be assessed in the month following the net addition or net withdrawal. Fees are based on the value of the assets in the account and IAC shall not be compensated based on a share of capital gains or capital appreciation of the funds or any portion of the client funds. When there are changes to the fee schedule, the schedule charges previously in effect shall continue until the next billing cycle.

## Risk in the Use of Margin

To the extent margin is used in the client account the client should be aware that the margin debit balance will not reduce the market value of eligible assets and will therefore increase the asset-based fee the client is charged. The increased asset-based fee may provide an incentive for the IAR to recommend the use of margin strategies. The use of margin is not suitable for all investors since it increases leverage in the client account and therefore risk. Please see the First Clearing, LLC Margin Disclosure Statement, and Client Account Agreement for more details on the risks of margin use.

## Other Account Fees

The fee does not include certain dealer markups or markdowns, odd lot differentials, transfer taxes, exchange fees, execution fees (foreign and/or domestic) when applicable, and any other fees required by law.

The quarterly fee includes fees paid for brokerage services to effect securities transactions. IAC receives no additional brokerage execution compensation.

PIM program accounts may have cash invested in an unaffiliated money market fund as temporary investment vehicle. These money market funds may be managed by an affiliate of the clearing firm. The clearing firm or affiliates may have arrangements with the money market funds to provide advisory, administrative, distribution

and/or other services subject to applicable restriction. Where permitted by law, the clearing firm or affiliates may receive a fee for these specialized services from the fund or its service providers in addition to the fees paid by the clients under the described program. BDFS may share in these fees from money market funds. For clients that are subject to ERISA or the prohibited transaction provisions of the Internal Revenue Code, applicable law may limit the extent to which such fees may be retained and may require a fee offset. In a low interest rate environment, the yield that the client may earn on cash and cash alternatives, including cash sweep funds, CDs and money market funds may not offset advisory fees. In some instances, the effective yield of the investment may be negative.

### **Account Termination**

Either party may terminate the Client Account Agreement, at any time upon notice. The clients have the right, within five (5) days of execution, to terminate the IAC Agreement without penalty. In the event of cancellation of an IAC Agreement, fees previously paid pursuant to the fee schedule will be refunded on a pro rata basis as of the date notice of such cancellation is received by the non-canceling party.

If the client chooses to terminate his/her Agreement under the PIM program, IAC can liquidate the account only if the client instructs the IAR to do so. If instructed, IAC will liquidate the client account in an orderly and efficient manner. IAC does not charge for such liquidation; however, the client should be aware that certain mutual funds impose redemption fees as stated in his/her fund prospectus. The client should also keep in mind that the decision to liquidate security issues or mutual funds may result in tax consequences that should be discussed with his/her tax advisor. Certain transaction costs of custodian may exist and it may take several business days under normal market conditions to process the client's request.

If a program account terminates, but the client transfers the account to a brokerage account with BDFS, the money market fund used in a "sweep" arrangement may be changed and/or client shares may be exchanged for shares of another series of the same fund. The client will bear a proportionate share of the money market fund's fees and expenses. The client is subject to the customary brokerage charges for any securities positions sold in his/her account after termination of program services.

Administrative charges are paid from the client's advisory fee to compensate the clearing firm for administrative services, including creating and distributing performance reports and client-related services.

### **Reports and Restrictions**

The clients of the PIM program receive periodic performance reports of activity in their accounts. The custodian will transmit to the clients a statement of account activity at least quarterly and trade confirmations reflecting all securities transactions.

PIM clients will receive quarterly portfolio performance reports of their accounts that are designed to comply with general industry performance standards. The portfolio performance reports will compare the performance of the client's PIM portfolio to a weighted blended benchmark based on his/her investment objective. Performance reports will include a reminder to the client to contact IAC or the client's IAR if there are any changes in the client's financial situation or other relevant information.

## **Account Requirements / Types of Clients**

PIM may be offered to individuals, retirement accounts, IRAs, ROTH IRAs, SEP IRAs, trusts, banks or thrift institutions, pension and profit sharing plans, estates, charitable organizations, and corporations. PIM accounts have a new account opening minimum of \$25,000.



## **Portfolio Manager Selection and Evaluation**

IARs are required to meet Firm or industry experience levels and possess sufficient portfolio management experience. The Strategic Asset Allocation guidelines are designed to provide a disciplined advisory approach to meet the client's objectives and needs. IARs that do not meet IAC guidelines may be removed from the programs.

### **Services Tailored to Individual Client Needs**

All of the IAR's investment recommendations are based on an analysis of the client's individual financial needs and objectives as reported on his/her Investment Policy Worksheet. Investment recommendations are drawn from research and analysis, which the IAR believes to be reliable and appropriate to the client's financial circumstances. PIM accounts are tailored to the investor and are designed to meet his/her individual investment objectives, financial needs, and tolerance of risk.

### **Client Restrictions and Instructions**

Each client has the ability to impose investment restrictions on the management of his/her PIM account. IAC and the IAR will comply with any reasonable instructions and/or restrictions for the client's account.

Reasonable instructions generally include the designation of particular securities or types of securities that should not be purchased for the account or that should be sold if held in the account. If the client restrictions are unreasonable, or if IAC or the IAR believe that the restrictions are inappropriate, IAC will notify the client that unless the restrictions are modified, IAC may remove the client's account from the program. The client will not be able to provide instructions that prohibit or restrict the investment advisor of open-end or closed-end mutual funds or exchange-traded funds ("ETF"), with respect to the purchase or sale of specific securities or types of securities within the fund. IAC's policy is generally to liquidate the client's preexisting securities portfolio immediately and bring the account into conformity with the client stated target allocations. If the client wishes to hold certain positions for tax or investment purposes, the client should consider holding these positions in a separate brokerage account.

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

IARs rely on IAC Strategic Asset Allocation guidelines and individual security research to build client portfolios. IAR research is obtained from the clearing firm and may utilize both fundamental and quantitative methods as well as other independent research. The IAR may develop a specific investment strategy using the mix of these analysis methods. Strategic Asset Allocation guidelines are established to provide an overall discipline but tactical deviations from the IAC Strategic Allocations are allowed.

### **Risk of Loss**

All investments shall be at the client's risk exclusively. We do not guarantee any return on the investments and are not responsible for losses.

### **Conflicts of Interest**

The IAR may have a conflict of interest recommending the PIM program that, over the life of the program, may offer more compensation to the IAR, versus using a full-service brokerage account, or by the client implementing the advice elsewhere.

Factors that IAC considered in choosing BDFS and clearing firm for the services provided to the PIM program include their respective financial strength, reputation, execution, pricing, research, and service. Clearing firm and BDFS enable IAC to obtain many mutual funds without transaction charges and other securities at nominal transaction charges.

## **Client Information Provided to Portfolio Manager**

The client must complete an Investment Policy Worksheet with the assistance of his/her IAR who serves as portfolio manager. The Investment Policy Worksheet outlines the client's investment objectives, financial circumstances, risk tolerance and any restrictions the client may wish to impose on his/her investment activities. The IAR and client should consider updating, at least annually, the Investment Policy Worksheet and indicate if there have been any changes in the financial situation, investment objectives or instructions. The client agrees to inform us in writing of any material change in his/her financial circumstances that might affect the manner in which a client's assets should be invested. The client's IAR will be reasonably available to the client for consultation on these matters, and will act on any changes in his/her profile deemed to be material, or appropriate as soon as practical after the IAR become aware of the change.

### **Voting Client Securities**

With very limited exceptions, IAC does not vote proxies on behalf of the clients. Proxy materials received on behalf of a client account are sent directly to the client, or designated representative, selected by the client, responsible for voting the proxy.

## **Client Contact with Portfolio Manager**

In the client directed programs, the client's IAR is acting in the capacity of portfolio manager. The client has no restrictions in contacting his/her IAR who will be generally available during normal working hours.

## **Additional Information**

### **Disciplinary Information**

Neither Investment Advisors Corp. nor any management person has had any civil or criminal actions brought against them.

Neither Investment Advisors Corp. nor any management person has had any administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

Neither Investment Advisors Corp. nor any management person has had any proceedings before a self-regulatory organization.

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

The principal business of IAC executive officers includes directing the operations of a full-service introducing securities brokerage firm, Broker Dealer Financial Services Corp. ("BDFS"), member FINRA, SIPC, MSRB, NFA, an insurance agency division, and an affiliate, Bankers Financial Services, LLC. All affiliated businesses are located at the same address. With just a few exceptions, most of the IARs are also licensed (dual registered) with BDFS.

BDFSC Holdings Corp. owns one hundred percent of Investment Advisors Corp., the affiliated broker-dealer, BDFS, and Bankers Financial Services, LLC.

For some of its investment programs, IAC uses BDFS and First Clearing, LLC, its clearing agent, to provide custody, brokerage and execution services. First Clearing, LLC is also the clearing agent for Wells Fargo Advisors ("WFA") and the advisory programs offered through WFA.

Neither IAC nor its affiliated companies have a pending registration for futures commission merchant, commodity pool operator, commodity pool trading advisor, nor an associated person of the foregoing entities.

IAC's management persons are also the executive officers of BDFS, which is a registered introducing broker ("IB") with the National Futures Association ("NFA"). All management persons are considered registered with the NFA as associated persons.

IAC's management persons are also the executive officers of BDFS, which is registered with the Municipal Securities Rules Making Board. All management persons are considered registered with the MSRB.

IAC shares certain personnel in accounting, managerial, compliance, and operational services with its affiliates, BFS and BDFS. IAC also has contractual relationships with other registered investment advisers pursuant to which IAC receives compensation for these services.

BDFS benefits from Advisor One accounts by receiving fees arising from margin interest, fees assessed for trades after the 20 free trades per calendar year, and fees relative to the transfer of any Advisor One accounts. First Clearing, LLC provides execution and custodial services for Advisor One accounts.

Bankers Financial Services, LLC (BFS) provides services to banks and other financial institutions to assist them in issuing market-linked certificates of deposit. Such certificates of deposit may be purchased for the client's account(s), which would benefit BFS in connection with the services it provided to the issuer and the compensation that BFS receives from the issuers of the certificates of deposit. IARs of IAC who provide significant support to BFS may have a direct financial interest in having clients invest in market-linked certificates of deposit.

### **Code of Ethics, Participation, or Interest in Client Transactions & Personal Trading**

The Code of Ethics ("Code") is a comprehensive guideline based on fiduciary principles, to make the IARs and related persons aware of conduct and behavior expected of them. The Code addresses prohibited activities and addresses reporting requirements, confidentiality requirements, and standards of care.

Annually, IARs certify they read, understand, and will comply with IAC's Code of Ethics. A copy of the Code will be provided to any client or prospective client upon request.

Accordingly, IARs and related persons must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of the clients. To avoid any potential conflicts of interest involving personal securities transactions, IAC, IARs and related persons must at all time:

- 1) Place the clients' interests ahead of themselves and the firm. As fiduciaries, they must serve in their clients' best interests and may not benefit at the expense of a client.
- 2) The IARs and related persons are required to notify IAC with respect to personal securities transactions and are prohibited from trading upon material non-public information.
- 3) The IARs and related persons should not contemporaneously purchase or sell the same securities as a client without making an equitable allocation of the securities to the client first, on the basis of considerations such as available capital and current positions in the client's account, and then to the account of the IAR or related persons. Personal trades may require preauthorization from IAC.
- 4) IARs and related persons are prohibited from participating or having an interest in client transactions with the exception of personal or family related accounts disclosed in advance to IAC.
- 5) IARs and related persons are to avoid potential conflicts of interest by not accepting investment opportunities, gifts or gratuities with greater than *de minimis* value from individuals seeking to conduct business with the firm or on behalf of a client.
- 6) IARs and related persons must abide by standards of disclosure regarding personal securities trading and reporting as required in the Advisers Act and under the firm's policy on Private Securities Transactions, Policy on Confidential Information and Insider Trading Policy.
- 7) IARs and related persons are charged with the duty to protect all client information and confidentiality by properly securing their workstations, computers, mobile devices, external storage units, and records and

only authorize access to related persons or vendors who have a legal business need for client information to complete a transaction.

- 8) IARs and related persons are prohibited from misappropriating client funds, securities or non-public personal information.
- 9) IARs and related persons must promptly report any violations of the Code to the Compliance Department.

## **Review of Accounts**

The firm conducts ongoing account reviews for its programs where it provides continuous advisory services. Financial Plans and Consulting Services Agreements are periodically reviewed as received. IAC has designated certain individuals as Compliance Specialists as well as the Chief Compliance Officer who conduct ongoing reviews. The IAC Vice President also assists with reviews of accounts and IAR strategies.

Through the compliance software system, the firm's Compliance Specialists review daily trades and multiple exception reports. Exception reports include monitoring account volatility versus stated risk objective, size of transaction versus total account value, the amount of activity in the account, along with any margin and options alerts or other risk factors. The firm's Due Diligence Officer conducts periodic reviews of third-party managers and alternative investments.

Investment advisory clients are encouraged to discuss their needs, goals, and objectives with their IAR and to keep their IAR informed of any changes that may occur. IARs shall contact ongoing investment advisory clients at least annually to review their previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the custodian for their account. Those clients to whom IAC provides investment advisory services will also receive a report that may include relevant account and market-related information such as an inventory of account holdings with account performance on a quarterly basis. Those clients to whom IAC provides financial planning or consulting services typically do not receive regular reports on their accounts after the financial planning or consulting services have been concluded.