

Investment
Advisors
Corp.



Unfolding Your Financial Future

ADV PART 2A – Firm Brochure

140 So. 68th Street, Suite 2200
West Des Moines, IA 50266

(515) 727-6720

www.investmentadvisorscorp.com

CRD# 117531

Dated May 17, 2012

For further information, please contact:
Timothy J. Lyle, President

This ADV Part 2A brochure provides information about the qualifications and business practices of Investment Advisors Corp. If you have any questions about the contents of this brochure, please contact us at (515) 727-6720 or 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. also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

Effective November 1, 2011 the firm's physical address has changed from:
8800 N.W. 62nd Avenue in Johnston, IA 50131, to:

140 So. 68th Street, West Des Moines, IA 50266.

Mail may also be received at: **P.O. Box 71339, Clive, IA 50325-0339.**

All contact persons and phone numbers remain the same as the previous address.

There are no other material changes at this time.

Effective May 17, 2012, we have updated the cover of the Brochure to include the Suite number for complete street mailing address information.

There are no material changes since the last ADV update.
The previous update to this brochure was on January 3, 2012.

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ADV Part 2B – Brochure Supplement – IAR Résumé Brochure

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Item 4: Advisory Business

- A. Investment Advisors Corp. ("IAC"), headquartered in West Des Moines, IA, is a non-public, SEC-registered investment adviser. Founded in 1996, BDFSC Holdings Corp. owns one hundred percent of Investment Advisors Corp. Mr. Sherzan (Chairman of the Board) owns a majority of BDFSC Holdings Corp. and the other directors and shareholders own less than 25% each. BDFSC Holdings Corp. also owns Broker Dealer Financial Services Corp., and Bankers Financial Services LLC. Broker Dealer Financial Services Corp is a member of FINRA, SIPC, MSRB, NFA and has an insurance agency division.
- B. IAC through its Investment Adviser Representatives (IARs) offers advisory services that are tailored to the clients' individual situation. The IAR will direct clients to an investment program specifically for the client, after a review of the client's financial situation, risk tolerance, time horizon, and goals. The investment program directed by the IAR may or may not include an asset allocation strategy using stocks, bonds, mutual funds, exchange traded funds, unit investment trusts, insurance, cash, and other securities. The investment program may also use other advisers, called sub-advisers, or Third Party Managers to meet the client's investment goals.

Many factors affect which advisory programs that clients may be directed to by the IAR. Such factors as the client's investment objectives, and the IARs expertise, business practices, and the IARs preferred custodian will help determine which advisory programs are best suited for the client. The amount of time spent by the IAR and whether or not a financial plan was prepared will affect the advisory program selected, and may vary for each client.

When an advisory program is decided on the client must complete selected advisory agreements with the assistance of their IAR. The selected advisory agreement generally outlines your investment objectives, financial circumstances, risk tolerance and any restrictions you may wish to impose on your investment activities. You agree to inform us in writing of any material change in your financial circumstances that might affect the manner in which your assets should be invested. Your IAR will be reasonably available to you for consultation on these matters, and will act on any changes in your financial circumstances deemed to be material or appropriate as soon as practical after IAR becomes aware of the change.

Financial Planning or Consulting Services

Clients may enter into a Financial Planning Service Agreement, or Consulting Services Agreement with IAC where the IAR provides advice to the client in the form of a written financial plan that is based on the client's current and anticipated financial condition and which addresses the client's financial goals. Generally, a financial plan covers at least three financial goals of the client. Clients may receive financial advice on a more limited scope with a Consulting Services Agreement. Financial advisory topics include advice on areas of concern such as estate planning, retirement planning, college education planning, business planning, real estate, insurance, and tax planning or other financial goals. It may also include specific consultation and administrative services regarding investment and financial concerns of the client and/or the client's business using a Consulting Services Agreement.

A financial plan or consulting services is generally a review of the client's financial condition at the time of service. IAC nor the IAR have any ongoing responsibility to select or make future recommendations after delivery of the written plan. Each IAR utilizes different planning and investment strategies along with IAC approved software tools when making recommendation and recommending investment allocations for client accounts. Plan supervision is guided by the stated objectives of the client and the written plan. In some instances, advice rendered using financial planning or consulting services may include the recommendation of specific investment and/or insurance products. The client is not obligated to make a purchase of an investment or product through the IAR. IARs working in this capacity do not offer tax or legal advice. The client should seek their own legal or tax advisers for specific advice.

Financial plans or consulting services may make future and hypothetical projections using information provided by the client. Information provided to IAR is believed to be accurate. There are no guarantees on the performance of the plan or consulting service provided.

Third Party Managers - Direct

IAC has agreements with outside Third Party Managers that IARs may recommend to clients. The Third Party Manager directs the client's investments and the IAR assists the client in completing a suitability review and a review of the Manager's strategies and performance to meet the client's goal. IARs do not provide continuous and regular management of these assets. The IAR may assist with initial investment strategy or allocation and may periodically suggest changes due to market factors or changes in the client's financial goals.

IAC and the IAR recommending a Managed Account Program to Clients, receives compensation because of a Client's participation in a program, and for as long as the Client remains in the program. Any such solicitor's fee paid, is solely from the third party's gross fee, and does not result in any additional charge to the client. Third Party Manager and/or their custodian maintain the client assets and provide a portfolio statement at least quarterly. The amount of this compensation may be more than what the IAR would receive if the Client participated in other sponsored programs or paid separately for investment advice and other services. Therefore, the IAR may have a financial incentive to recommend this program over other programs or services.

Clients are advised to read the Third Party Manager's Disclosure Brochure for complete information on their individual program and fees. Third Party Managers may require some notice before cancellation, however, any unearned portion of a prepaid fee shall be refunded to the client on a pro rata basis. IAC has agreements with the following list of Third Party Managers.

AT Financial Advisors
Beacon Capital Management, Inc.
Brinker Capital
Curian Capital, LLC.
Genworth Financial
Hanlon Investment Management Inc.

Horizon Investment Services, LLC
Portformulas
SEI Investment Management Programs
Saratoga Research and Investment Management
Steele Capital Management

Third Party Managers- Networked through Custodian Firms

IAC has agreements with custodians, which allows access to Third Party Managers that IARs may recommend to clients. The Third Party Manager directs the client's investments and the IAR assists the client in completing a suitability review and a review of the Manager's strategies and performance to meet the client's goal. IARs do not provide continuous and regular management of these assets. The IAR may assist with initial investment strategy or allocation and may periodically suggest changes due to market factors or changes in the client's financial goals.

IAC and the IAR recommending a managed account program to clients, receives compensation because of a client's participation in a program, and for as long as the client remains in the program. Any such solicitor's fee paid, is solely from the sponsor's gross fee, and does not result in any additional charge to the client. The custodian maintains the client assets and provides a portfolio statement at least quarterly. The total fees may be more than what the client would pay if the client paid separately for investment advice and other services.

Clients are advised to read the sponsor's Disclosure Brochure for complete information on their program and fees. Third Party Managers may require some notice before cancellation, however, any unearned portion of a prepaid fee shall be refunded to the client on a pro rata basis. IAC has agreements with the following list of Third Party Managers.

Fidelity Managed Account Resources® (MAR)

Schwab's Managed Account Access

Schwab's Managed Account Marketplace®

Schwab's Managed Account Select

Private Advisor Network – Wells Fargo Advisors

TD Ameritrade Managed Assets Program (MAP)

Wells Fargo Advisors

Allocation Advisors

Fund Source

Diversified Managed Allocations

Masters

Pathways

Wells Fargo Compass

IAC's Wealth Advisor Program

IAC through its IARs provides regular and continuous management of client portfolios with trading authority (discretion) based on the client's investment goals. Each IAR utilizes different investment strategies when managing client accounts. Account supervision is guided by the stated objectives of the client and the program chosen. The IAR may recommend that clients establish a brokerage account(s) with the outside custodian to maintain custody of clients' assets and to effect trades for their accounts. All custodians are FINRA-registered broker-dealers and members of SIPC. Although IAC may recommend that clients establish accounts at one of these custodians, it is the client's decision as to which custodian and investment programs to use. IAC has entered into agreements with non-affiliated custodian firms:

Fidelity Institutional Wealth Services,

Schwab Advisor Services, and

T. D. Ameritrade, Inc.

to provide advisory and/or other services with respect to the program described. The clients remain clients of IAC, however, the custodian firm maintains custody of clients' assets to affect trades for the client accounts. IAC is not related or affiliated with any of the custodians. IAC and the custodian each reserves the right to reject and not provide services to any client or with respect to any client account for any reason.

Account supervision is guided by the stated objectives of the client, and the program chosen. The client may be responsible for transaction charges in addition to the IARs advisory fee, unless otherwise stated in the client's advisory account agreement. The advisory fee is negotiated based on the complexity of the investment strategy and the account size of the securities portfolio.

Wrap-Fee Program – non-discretionary

IAC through its IARs provides ongoing responsibility to select or make investment recommendation based on the needs of the client as to specific securities or other investments the account may purchase or sell, and if the client accepts a recommendation, the IAR is responsible for arranging for the purchase or the sale. Each IAR utilizes different investment strategies when managing client accounts. Account supervision is guided by the stated objectives of the client and the program chosen. IAC offers wrap-fee programs that a client may choose.

Wells Fargo Advisors (WFA) does not provide advisory services to IAC with respect to Private Investment Management, *Advisor One*, and CustomChoice. While IAC is the sponsor of these advisory programs, WFA provides certain non-advisory services, which enable IAC to offer these programs.

Private Investment Management (“PIM”)

With PIM, certain specially trained IARs (called Portfolio Managers) provide investment advisory and brokerage services to your account 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 your investment objectives and individual needs, your IAR will have discretion to manage your assets to an appropriate investment strategy.

PIM is based on both fundamental and quantitative research and 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 your 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.

Advisor One

The *Advisor One* is a wrap-fee sponsored program of IAC. The non-discretionary account requires a minimum investment of \$50,000, and the program offers the client personalized investment advice provided on a broad range of investment recommendations based on the client's investment objectives, financial circumstances and risk tolerance. The *Advisor One* features include 20 free trades for the client account per calendar year with quarterly performance reporting. After the first 20 free trades, any additional trade incurs a \$25 transactional charge to the client, for the remaining calendar year. The fee, which may range from .45% to 3.00%, is negotiated based on the complexity of the investment strategy and the account size of the securities portfolio. This fee covers advisory, custodial, and reporting services. Billed quarterly in advance, the standard *Advisor One* fee schedule is based on program eligible assets. The IARs have an ongoing responsibility to select or make recommendation based on the needs of the client as to specific securities or other investments the account may purchase or sell, and if the client accepts a recommendation, the IAR is responsible for arranging for the purchase or the sale. The client must specifically authorize the investments made in the account instead of allowing the IAR to make investments for the account at his or her discretion.

Most types of securities are eligible for purchase in the *Advisor One* account. Assets may include, but not limited to, common and preferred stocks, exchange-traded funds, closed end funds, fee-based 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 wrap class alternative investments, such as hedge funds and managed futures funds. Collectively, these are referred to as "Program Assets." Effective May 2011, the *Advisor One* required minimum account value is being reduced to \$25,000. This change is for new accounts only. For accounts opened prior to May 2011, the required minimum account value remains \$50,000. *See Appendix A at the end of this brochure for more information.*

CustomChoice

CustomChoice is a non-discretionary investment advisory program designed to help the client allocate assets among open-end mutual funds in accordance with your individual investment goals, objectives, and expectations. Based on the investment objectives and risk tolerance reported in the client account profile form, the IAR will recommend an appropriate mix of various open-end mutual funds and money market funds.

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 the client stated target asset allocation, if you authorize the IAR to do so. Over time, as changes occur in the financial markets and/or your investment objectives and circumstances, the IAR may recommend changes in your portfolio. In making these recommendations, the IAR will take the updated information in the client profile form into account. The client is advised that your decisions relating to investments in mutual funds may have tax consequences that should be discussed with your tax advisor. In order to maintain your portfolio in conformance with your 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.

- C. IAC through its IARs provides to the client services that are tailored to each individual client's requirements. When opening an account, the IAR will work with the client to identify investment objectives and a strategy or product that is appropriate to the client's overall assets and investment goals, and given their specific circumstances. Many programs allow the client to impose restrictions on investing in certain securities or types of securities. The client must promptly notify the IAR if there are any changes in their financial situation or investment objectives, or if they wish to change or impose any investment restrictions to their account services.
- D. The client should consider the value of these advisory services when making such comparisons. 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 among the programs and assessing the overall cost. Advisory programs typically 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 weightings, may result in higher fees than if commissions were paid separately for each transaction. IAC and the IAR receive a portion of the fee from the wrap-fee program provider for our services.
- E. As of December 31, 2010 IAC provides continuous and regular supervisory or management services to client assets with \$94,751,054 on a non-discretionary basis, and \$58,173,149 in discretionary accounts. Assets in Third Party Manager Programs were \$69,749,809.

Item 5: Fees and Compensation

Investment Advisors Corp. receives fees and compensation multiple ways depending on the advisory services chosen by the client.

Financial Planning or Consulting Services

Compensation for Financial Planning or Financial Consulting Services fees is negotiable with the IAR providing services on behalf of IAC on either an hourly basis, or a fixed fee, with a minimum of \$300. The fixed fee is not based on a percentage of the client's assets. The client is billed monthly for the hourly fees used, or at the conclusion of the plan preparation. This negotiated fee will vary upwards from \$300 depending on the complexity of the client's financial condition, special project, or the plan and advice. Plans must be delivered within six months of contract execution.

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

Fee-based Compensation

- A. Generally, IAC is compensated with fees based on a percentage of the value of eligible assets in the account on the last business day of the preceding quarter-end. Management fees are negotiated with the IAR providing services on behalf of IAC and are assessed quarterly, in advance unless otherwise specified. The fee is deducted directly from the client account unless specified in the selected investment advisory agreement. Fees are based on the value of the assets in the client account, and IAC or the IAR shall not be compensated based on a share of capital gains upon or capital appreciation of the funds or any portion of your funds.

Program minimums vary upward from \$25,000 with limited exceptions that may affect the fee. The client may pay a fee ranging from .45% to 3.00% based on assets under management, as determined by the selected investment advisory agreement. This fee may include a third party manager's fees, also billed quarterly, in advance, depending on program. In addition, accounts may be subject to additional custodial transactions fees. Collectively, the fee is not to exceed 3% of assets under management unless disclosed in the selected investment advisory agreement, excluding distinct fees and expenses charged by mutual funds or structured products, described in the product's brochure. Upon notice, whenever there are changes to the fee schedule, the schedule of charges previously in effect shall continue until the next billing cycle.

Advisor One

The *Advisor One* is a wrap-fee sponsored program of IAC that offers the client personalized investment advice provided on a broad range of investment recommendations based on client investment objectives, financial circumstances, and risk tolerance. Features include 20 free trades for the client account per calendar year with quarterly performance reporting. After the first 20 free trades, any additional trades incur a \$25 a transactional charge to the client, for the remaining calendar period. The fee, which may range from .45% to 3.00%, is negotiated based on the complexity of the investment strategy and the account size of the securities portfolio. This fee covers advisory, custodial, and reporting services. Billed quarterly in advance, the standard *Advisor One* fee schedule is based on program eligible assets: The minimum account size is \$50,000 per account, with limited exceptions.

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

Total Account Value	Annualized Fee, billed quarterly (Maximum)
First \$100,000	3.0%
\$100,001 - \$500,000	2.5%
\$500,001 - \$1,000,000	2.25%
Over \$1,000,000	2.0%

Clients residing in Iowa will be subject to a 6% state sales tax, and additional local taxes when applicable. See *Appendix A at the end of this brochure for more information.*

CustomChoice

CustomChoice accounts have a \$25,000 minimum account size and are charged an all-inclusive fee on eligible mutual funds that covers advisory, execution, custodial, and reporting services .Billed quarterly in advance, the standard CustomChoice fee schedule is based on program eligible mutual funds.

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

Total Account Value	Annualized Fee, billed quarterly (Maximum)
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. See *Appendix A at the end of this brochure for more information.*

Wealth Advisor Program

The *Wealth Advisor* Program is generally provided by the IAR on a discretionary basis. The client is responsible for transaction charges in addition to the IARs advisory fee, unless otherwise stated in the client's Wealth Advisor Agreement. The advisory fee, which may range from .45% to 3.00%, is negotiated based on the complexity of the investment strategy and the account size of the securities portfolio. Multiple custodians are available for the *Wealth Advisor* Program. The minimum account size is \$50,000 per household, with limited exceptions. See Termination clause above.

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

Total Account Value	Annual Fee, billed quarterly (Maximum)
First \$100,000	3.0%
\$100,001 - \$500,000	2.5%
\$500,001 - \$1,000,000	2.25%
Over \$1,000,000	2.0%

- B. Advisory fees are deducted from the client's account unless otherwise agreed upon in the select investment advisory agreement and may be subject to additional custodial fees.
- C. Fees are based on a percentage of the value of eligible assets in the account on the last business day of the preceding quarter-end and are billed in the following month. Clients may pay additional fees incurred with the advisory services such as custodian fees, mutual fund fees, brokerage and transaction costs Please see specific plan documents for full description of fees, which may or may not include brokerage fees, custody fees, and fund expenses..
- D. IAC may also be paid a solicitor's or referral fee for referring business to Third Party Managers. IAC retains a portion of the fee and a portion is paid to the IAR. The solicitor's or referral fee generally is paid out of the gross fees charged by the Third Party Manager. Please see specific plan documents for full description of fees, which may or may not include brokerage fees, custody fees, and fund expenses.
- E. Total fees are based on a percentage of the value of eligible assets in the account from inception date to the last business day of the billing quarter-end are assessed to the client. The total fees and costs are determined by the client selected program, and are detailed in the select investment advisory agreement. Please read the selected Programs brochures for fees. Any unearned portion of a prepaid fee shall be refunded to the client on a pro rata basis.

Termination Fees

The selected investment advisory agreement may be terminated by either party, with a full refund of fees if such termination occurs within five (5) business days after the Agreement has been signed. Thereafter, the Agreement may be terminated by either party with 30 days written notice to the other party, sent via U.S. mail. Any unearned portion of a prepaid fee shall be refunded to the client on a pro rata basis. Fees may be charged or refunded if the net addition or net withdrawal would generate a fee or refund depending on the advisory program selected.

Upon termination of the relationship, IAC will accept the client's instructions regarding disposition of the account, which may include transferring the client's account to a brokerage account, to a new custodian designated by client or liquidating client's account. The client should be aware that certain mutual funds impose redemption fees in certain circumstances as stated in each company's fund prospectus. Clients must keep in mind that the decision to liquidate may result in tax consequences that should be discussed with the client's tax adviser. Due to the administrative processing time needed to terminate client's investment advisory service, it may take several business days under normal market conditions to process client's request for liquidation or transfer. During this time, client's account is subject to market risk. IAC and its IARs are not responsible for market fluctuations of the client's account from time of written notice until complete liquidation. All efforts will be made to process the termination in an efficient and timely manner.

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

- F. IAC, its supervised persons, and IARs generally do not accept compensation or commission for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds. An exception is a few accounts under Mano 16, which may receive 12b-1 fees from certain mutual fund companies as described in the investment advisory agreement. Risk due this potential conflict of interest is mitigated by limiting new accounts accepted into this program and is generally reserved for high net worth clients.

The IAR may be in conflict by recommending the client sell a security and select an investment program that over the life of the program offers more compensation than the IAR may have earned by using a full-service brokerage account or by the client implementing the advice elsewhere.

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.

Item 6: Performance-Based Fees, Side-by-Side Management

This area is not applicable to our firm.

Item 7: Types of Clients

The program services offered by IAC through its IARs 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. The following programs may have limited exceptions for the stated minimums.

- ❖ *Advisor One* program requires a minimum account size of \$50,000. Effective May 2011, the *Advisor One* required minimum account value is being reduced to \$25,000. This change is for new accounts only. For accounts opened prior to May 2011, the required minimum account value remains \$50,000.
- ❖ CustomChoice requires a minimum account size of \$25,000.
- ❖ The Wealth Advisor program requires \$50,000 per household.
- ❖ Third Party Managers, Networked Advisors, and advisory programs through Wells Fargo Advisors require \$25,000 upwards, depending on the program.

The relationship between the IAR and the client usually pre-exists the establishment of an advisory account, therefore IAC does not usually “assign” an IAR to a client. If a client wishes to have a new or different IAR service their account, IAC will assist the client in establishing or transitioning to such a relationship. IAC requires its IARs to have successfully passed the applicable required industry examination and state registration.

Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss

- A. IAC through its IARs and Third Party Managers offer many methods of analysis. The methods of analysis and investment strategies depend on the advisory program the client chooses, the IAR’s experience and personal investment philosophy, market conditions, and other factors. The IAR or Third Party manager may use allocation and timing strategies including Charting, Fundamental Analysis, Technical Analysis, and Cyclical Analysis.
- B. IAC does not endorse or recommend any particular method or investment strategy. The client must best describe the financial goals and objectives to their IAR to determine which strategy or strategies to implement. Investing involves many risks including loss of principal. The client and IAR should discuss the prevalent risks associated with the selected advisory program with the client’s risk tolerance, and whether the client is suitable for taking the specific risk inherent with investing. The following are risks associated with investing in programs offered through IAC:

C. RISKS ASSOCIATED WITH INVESTING

Asset Allocation Risk — The risk that an investment adviser’s decisions regarding a portfolio’s allocation to asset classes or underlying funds will not anticipate market trends successfully.

Asset-Backed Securities Risk — Payment of principal and interest on asset-backed securities is dependent largely on the cash flows generated by the assets backing the securities, and asset-backed securities may not have the benefit of any security interest in the related assets.

Below Investment Grade Securities Risk - Fixed income securities rated below investment grade (junk bonds) involve greater risks of default or downgrade and are more volatile than investment grade securities.

Commodity-linked Securities Risk — Investments in commodity-linked securities may be more volatile and less liquid than direct investments in the underlying commodities themselves. Commodity-related equity returns can also be affected by the issuer's financial structure or the performance of unrelated businesses.

Closed-End Fund Risk — Closed-end investment companies issue a fixed number of shares that trade on a stock exchange or over-the-counter at a premium or a discount to their net asset value. As a result, a closed-end fund's share price fluctuates based on what another Client is willing to pay rather than on the market value of the securities in the fund.

Convertible and Preferred Securities—Convertible and preferred securities have many of the same characteristics as stocks, including many of the same risks. In addition, convertible bonds may be more sensitive to changes in interest rates than stocks. Convertible bonds may also have credit ratings below investment grade, meaning that they carry a higher risk of failure by the issuer to pay principal and/or interest when due.

Corporate Fixed Income Securities Risk — Corporate fixed income securities respond to economic developments, especially changes in interest rates, as well as perceptions of the creditworthiness and business prospects of individual issuers.

Credit Risk — The risk that an issuer of a security, or the counterparty to a contract, will default, or otherwise become unable to honor its financial obligation.

Currency Risk — As a result of investments in securities denominated in, and/or receiving revenues in, foreign currencies the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency hedged. In either event, the dollar value of an investment would be adversely affected. To the extent that a portfolio takes active or passive positions in currencies, it will be subject to the risk that currency exchange rates may fluctuate in response to, among other things, changes in interest rates, intervention (or failure to intervene) by U.S. or foreign governments, central banks or supranational entities, or by the imposition of currency controls or other political developments in the United States or abroad.

Derivatives Risk — A portfolio's use of futures, forwards, options and swaps is subject to market risk, leverage risk, correlation risk and liquidity risk. Leverage risk, liquidity risk and market risk are described below. Correlation risk is the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. A portfolio's use of forwards and swap agreements is also subject to credit risk and valuation risk. Valuation risk is the risk that the derivative may be difficult to value and/or valued incorrectly. Credit risk is described above. Each of these risks could cause a portfolio to lose more than the principal amount invested in a derivative instrument.

Directional or Tactical Strategies Risk — Directional or tactical strategies usually use long and short positions which entail prediction on the direction into which the overall market is going to move. Directional or tactical strategies may utilize leverage and hedging. Risk of loss may be significant if the portfolio's judgment is incorrect as to the direction, timing or extent of expected market moves.

Distressed Securities Risk — Distressed securities frequently do not produce income while they are outstanding and may require a portfolio to bear certain extraordinary expenses in order to protect and recover its investment. Distressed securities are at high risk for default.

Duration Risk — Longer-term securities in which a portfolio may invest are more volatile. A portfolio with a longer average portfolio duration, is more sensitive to changes in interest rates than a portfolio with a shorter average portfolio duration.

Equity Market Risk — The risk that stock prices will fall over short or extended period of time.

Event-Driven Strategies Risk — Event-driven strategies involve making evaluations and predictions about both the likelihood that a particular event in the life of a company will occur and the impact such an event will have on the value of the company's securities. The transaction in which such a company is involved may either be unsuccessful, take considerable time or may result in a distribution of cash or a new security, the value of which may be less than the purchase price of the company's security. If an anticipated transaction does not occur, the portfolio may be required to sell its securities at a loss.\

Exchange-Traded Funds (ETFs) Risk — The risks of owning shares of an ETF generally reflect the risks of owning the underlying securities the ETF is designed to track, although lack of liquidity in an ETF could result in its value being more volatile than the underlying portfolio securities.

Exchange-Traded Notes (ETNs) — The value of an ETN is subject to the credit risk of the issuer. There may not be an active trading market available for some ETNs. Additionally, trading of ETNs may be halted or delisted by the listing exchange.

Extension Risk — The risk that rising interest rates may extend the duration of a fixed income security, typically reducing the security's value.

Fixed Income Market Risk - The prices of fixed income securities respond to economic developments, particularly interest rate changes, as well as to perceptions about the creditworthiness of individual issuers, including governments and their agencies.

Foreign Investment/Emerging Markets Risk — The risk that non-U.S. securities may be subject to additional risks due to, among other things, political, social and economic developments abroad, currency movements and different legal, regulatory and tax environments. These additional risks may be heightened with respect to emerging market countries since political turmoil and rapid changes in economic conditions are more likely to occur in these countries.

Foreign Sovereign Debt Securities Risk — The risks that:

- (i) The governmental entity that controls the repayment of sovereign debt may not be willing or able to repay the principal and/or interest when it becomes due, due to factors such as debt service burden, political constraints, cash flow problems and other national economic factors;
- (ii) Governments may default on their debt securities, which may require holders of such securities to participate in debt rescheduling or additional lending to defaulting governments; and
- (iii) There is no bankruptcy proceeding by which defaulted sovereign debt may be collected in whole or in part.

Hedged Strategies Risk — A portfolio may employ investment strategies that involve greater risks than the strategies used by typical portfolios, including short sales or derivatives transactions. There is no assurance that hedged strategies will protect against losses or perform better than non-hedged strategies.

Income Risk — The possibility that a portfolio's yield will decline due to falling interest rates.

Inflation Protected Securities Risk—The value of inflation protected securities, including TIPS, generally will fluctuate in response to changes in "real" interest rates, generally decreasing when real interest rates rise and increasing when real interest rates fall. Real interest rates represent nominal (or stated) interest rates reduced by the expected impact of inflation. In addition, interest payments on inflation-indexed securities will generally vary up or down along with the rate of inflation.

Interest Rate Risk — The risk that the value of fixed income securities, including U.S. Government securities, will fall due to rising interest rates.

Investment Company Risk — When a portfolio invests in an investment company, in addition to directly bearing the expenses associated with its own operations, it will bear a pro rata portion of the investment company's expenses. In addition, while the risks of owning shares of an investment company generally reflect the risks of owning the underlying investments of the investment company, the portfolio may be subject to additional or different risks than if the portfolio had invested directly in the underlying investments.

Investment Style Risk - The risk that the portfolio's strategy may underperform other segments of the markets or the markets as a whole.

Leverage Risk - The use of leverage can amplify the effects of market volatility on the value of a portfolio's investments and may also cause the portfolio to liquidate portfolio positions when it would not be advantageous to do so in order to satisfy its obligations.

Liquidity Risk — The risk that certain securities may be difficult or impossible to sell at the time and the price that the investment adviser would like. The investment adviser may have to lower the price, sell other securities instead or forego an investment opportunity, any of which could have a negative effect on portfolio management or performance.

Margin Risk -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 you are charged. The increased asset-based fee may provide an incentive for your IAR to recommend the use of margin strategies. The use of margin is not suitable for all investors, since it increases leverage in your Account and therefore risk.

Market Risk — The risk that the market value of a security may move up and down, sometimes rapidly and unpredictably. Market risk may affect a single issuer, an industry, a sector or the market as a whole.

Money Market Funds - With respect to an investment in money market funds, an investment in the money market fund is not a bank deposit nor is it insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the money market fund seeks to

maintain a constant price per share of \$1.00, you may lose money by investing in the money market fund.

Mortgage-Backed Securities Risk — Mortgage-backed securities are affected by, among other things, interest rate changes and the possibility of prepayment of the underlying mortgage loans. Mortgage-backed securities are also subject to the risk that underlying borrowers will be unable to meet their obligations.

Municipal Securities Risk — State and local governments rely on taxes and, to some extent, revenues from private projects financed by municipal securities, to pay interest and principal on municipal debt. Poor statewide or local economic results or changing political sentiments may reduce tax revenues and increase the expenses of municipal issuers, making it more difficult for them to meet their obligations. Actual or perceived erosion of the creditworthiness of municipal issuers may reduce the value of a portfolio's holdings. As a result, the portfolio will be more susceptible to factors which adversely affect issuers of municipal obligations than a portfolio which does not have as great a concentration in municipal obligations. Also, there may be economic or political changes that impact the ability of issuers of municipal securities to repay principal and to make interest payments on securities owned by the portfolio. Any changes in the financial condition of municipal issuers also may adversely affect the value of the portfolio's securities.

Non-Diversified Risk — To the extent that a portfolio is non-diversified, which means that it may invest in the securities of relatively few issuers, it may be more susceptible to a single adverse economic or political occurrence affecting one or more of these issuers, and may experience increased volatility due to its investments in those securities.

Opportunity Risk — The risk of missing out on an investment opportunity because the assets necessary to take advantage of it are tied up in other investments.

Portfolio Turnover Risk — To the extent that a portfolio buys and sells securities frequently, such activity may result in higher transaction costs and additional capital gains tax liabilities. To the extent that a portfolio invests in an underlying fund the portfolio will have no control over the turnover of the underlying fund. In addition, the withdrawal of a portfolio from an underlying fund could involve expenses, such as redemption fees, to the portfolio under the terms of the portfolio's investment.

Prepayment Risk — The risk that with declining interest rates, fixed income securities with stated interests may have the principal paid earlier than expected, requiring a portfolio to invest the proceeds at generally lower interest rates.

Private Placements Risk — Investment in privately placed securities may be less liquid than in publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid by the portfolio or less than what may be considered the fair value of such securities. Furthermore, companies whose securities are not publicly traded may not be subject to the disclosure and other Client protection requirements, which might be applicable if their securities were publicly traded.

Real Estate Industry Risk — Securities of companies principally engaged in the real estate industry may be subject to the risks associated with the direct ownership of real estate, including fluctuations in the value of underlying properties and defaults by borrowers or tenants. If a portfolio's investments are

concentrated in issuers conducting business in the real estate industry, the portfolio may be subject to legislative or regulatory changes, adverse market conditions and/or increased competition affecting that industry.

REITs—REITs are trusts that invest primarily in commercial real estate or real estate-related loans. Investments in REITs are subject to the risks associated with the direct ownership of real estate. Risks commonly associated with the direct ownership of real estate include fluctuations in the value of underlying properties, defaults by borrowers or tenants, changes in interest rates and risks related to general or local economic conditions. Some REITs may have limited diversification and may be subject to risks inherent in financing a limited number of properties.

Rule 144A Securities Risk — Rule 144A securities may be less liquid than publicly traded securities, and a portfolio may take longer to liquidate these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the price realized from these sales could be less than those originally paid by the portfolio. Further, companies whose securities are not publicly traded may not be subject to the disclosure and other Client protection requirements that would be applicable if their securities were publicly traded.

Short Sales Risk — Short sales expose the portfolio to the risk that it will be required to buy the security sold short (also known as "covering" the short position) at a time when the security has appreciated in value, thus resulting in a loss to the portfolio. Reinvesting proceeds received from short selling may create leverage which can amplify the effects of market volatility on the price of the portfolio's investments.

Small and Medium Capitalization Risk — The smaller and medium capitalization companies may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, small and medium companies may have limited product lines, markets and financial resources, and may depend upon a relatively small management group. Therefore, small cap and medium cap stocks may be more volatile than those of larger companies. Small cap stocks may be traded over the counter or listed on an exchange.

Social Investment Criteria Risk — If a portfolio is subject to certain social investment criteria it may avoid purchasing certain securities for social reasons when it is otherwise economically advantageous to purchase those securities, or may sell certain securities for social reasons when it is otherwise economically advantageous to hold those securities. In general, the application of portfolio's social investment criteria may affect the portfolio's exposure to certain industries, sectors and geographic areas, which may affect the financial performance of the portfolio, positively or negatively, depending on whether these industries or sectors are in or out of favor.

Taxation Risk — A portfolio that is managed to minimize tax consequences to Clients will likely still earn taxable income and gains from time to time.

Tax Exempt Risk — In order to pay tax-exempt interest, tax-exempt securities must meet certain legal requirements. Failure to meet such requirements may cause the interest received and distributed by the portfolio to shareholders to be taxable. Changes or proposed changes in federal tax laws may cause the prices of tax-exempt securities to fall. The federal income tax treatment on payments with respect to

certain derivative contracts is unclear. Consequently, a portfolio may receive payments that are treated as ordinary income for federal income tax purposes.

Tracking Error Risk — The risk that the performance of a portfolio designed to track an index may vary substantially from the performance of the benchmark index it tracks as a result of cash flows, portfolio expenses, imperfect correlation between the portfolio's and benchmark's investments and other factors.

Underlying Funds Risk — With respect to portfolios that invest in underlying funds, the risk that the value of a portfolio is based primarily on the performance of the underlying fund. Specifically with respect to alternative investment funds, the process of redeeming from an underlying fund may be both lengthy and costly due to the use of “lock-up” periods, gates, redemption fees and suspension of redemptions by the underlying funds. All of these factors will restrict or limit the portfolio's withdrawals under certain circumstances.

U.S. Government Securities Risk — Although U.S. Government securities are considered to be among the safest investments, they are not guaranteed against price movements due to changing interest rates. Obligations issued by some U.S. Government agencies are backed by the U.S. Treasury, while others are backed solely by the ability of the agency to borrow from the U.S. Treasury or by the agency's own resources.

Item 9: Disciplinary Information

- A. Neither Investment Advisors Corp. or a management person has had any civil or criminal actions brought against them.
- B. Neither Investment Advisors Corp. or a 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.
- C. Neither Investment Advisors Corp. or a management person has had any proceedings before a self-regulatory organization.

Item 10: Other Financial Industry Activities and Affiliations

- A. The principal business of the IAC executive officers includes directing the operations of a full service introducing 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 IAR are also licensed (dual registered) with BDFS.

BDFSC Holdings Corp. owns one hundred percent of Investment Advisors Corp., the affiliated broker-dealer, Broker Dealer Financial Services Corp., and Bankers Financial Services LLC. Mr. Sherzan, Chairman of the Board owns a majority of BDFSC Holdings Corp. and the other directors own less than 25% each.

IAC uses Broker Dealer Financial Services Corp. (BDFS), and First Clearing LLC., its clearing agent to provide custody, brokerage and execution services. First Clearing LLC., also is the clearing agent for Wells Fargo Advisors (WFA) and the Advisory Programs offered through WFA.

- B. Neither IAC or 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.
- C. IACs management persons are also the executive officers of BDFS, which is registered introducing broker (IB) with the NFA since October 1995. All management persons are considered registered with the NFA as associated persons.

IACs management persons are also the executive officers of BDFS, which is registered with the Municipal Securities Rules Making Board with the MSRB since October 1995. All management persons are considered registered with the MSRB.

IAC shares certain personnel in accounting, managerial, compliance, and operational services with BFS and with BDFS, its affiliates. 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.

BFS provides services to banks and other financial institutions to assist them in issuing index-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 index-linked certificates of deposit.

Item 11: Code of Ethics, Participation, or Interest in Client Transactions, and Personal Trading

Code of Ethics

The Code of Ethics (the "Code") is a comprehensive guideline to make the IAR and the related persons aware of conduct and behavior expected of them, and based on the principle that IAC owes a fiduciary duty to its clients. 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 our 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 times:

- 1) Place clients' interest 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 IAR and related persons are required to notify IAC with respect to personal securities transactions and are prohibited from trading upon material nonpublic information.
- 3) The IAR 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 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 taking advantage of the client or the firm by not accepting investment opportunities, gifts, or gratuities 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 that information to complete a client 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.

Item 12: Brokerage Practices

IAC does not maintain custody of your assets on which we advise, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account. Your assets must be maintained in an account at a "qualified custodian". IAC is not affiliated with any custodian. The selected custodian will hold your assets in a brokerage account and buy and sell securities when instructed. We do not open the account for you, although we may assist you in doing so.

How We Select Custodians

The IAR may recommend a custodian who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)

- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below

Your Brokerage and Custody Costs

the custodians used generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your account.

The custodian's commission rates applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a minimum total of their assets in accounts at the custodian. This commitment benefits you because the overall commission rates you pay are lower than they may be otherwise. In addition to these fees, the custodian charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your account.

These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have the custodian execute most trades for your account. We have determined that having custodian execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see *"How We Select Brokers/Custodians"*).

Products and Services Available to IAC From Custodian

The custodians provide IAC and our clients with access to its institutional brokerage— trading, custody, reporting, and related services—many of which are not typically available to custodian's retail customers. Custodian also makes available various support services. Some of those services help IAC manage or administer our clients' accounts, while others help IAC and IARs manage and grow our business. Custodian's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a minimum total of client assets with custodian. Following is a more detailed description of custodian's support services:

Services That Benefit You.

Custodian's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through custodian include some to which IAC might not otherwise have access or that would require a

significantly higher minimum initial investment by our clients. Custodian's services described in this paragraph generally benefit you and your account.

Services That May Not Directly Benefit You.

Custodian also makes available to IAC other products and services that benefit the firm but may not directly benefit you or your account. These products and services assist IAC in managing and administering our clients' accounts. They include investment research of their own and that of third parties. IAC may use this research to service all or a substantial number of our clients' accounts, including accounts. In addition to investment research, the custodian also makes available software and other technology that:

- Provide access to client account data
(such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

Services That Generally Benefit Only IAC.

Custodians also offers other services intended to help IAC and IARs manage and further develop their business. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers.

Custodian may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to IAC. Custodian may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Custodian may also provide IAC with other benefits, such as occasional business entertainment of our personnel.

Our Interest in Custodian's Services

The availability of these services from Custodian benefits IAC because we do not have to produce or purchase them. We don't have to pay for Custodian's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at each custodian. Beyond that, these services are not contingent upon us committing any specific amount of business to Custodian in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend that the client maintain your account with the custodian, based on our interest in receiving custodian's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest.

We believe, however, that our selection of custodians is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of custodian's services (see "*How We Select Brokers/Custodians*") and not Custodian's services that benefit only IAC. We do not believe in recommending that our clients collectively maintain at least \$10 million of assets at each custodian in order to avoid paying a custodian quarterly service fees presents a material conflict of interest.

Brokerage For Client Referrals

IAC does not receive client referrals from any custodian. IAC may receive referrals from custodians to introduce IARs to IAC. This could present a conflict of interest if a particular custodian referred many IARs to the firm which could influence the firm's decisions to recommend a particular custodian.

Directed Brokerage

IAC does not generally direct brokerage business away from the custodian chosen for the selected investment advisory program, enable IAC to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transactional fees charged by separate brokers may be higher or lower than those charged by the program's custodian.

Depending on the program, the client may be allowed to direct brokerage to use a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and IAC will not seek better execution services or prices from another broker-dealer or be able to aggregate client transactions for execution through other broker-dealers with orders for other accounts managed by IAC. As a result, the client may pay higher commissions or transaction costs, or greater spreads, or receive less favorable net prices on transactions for the account than would otherwise be the case. Subject to its duty of best execution, IAC may decline a client's request to direct brokerage if, in IAC's sole discretion, such directed brokerage arrangements would result in additional operational difficulty or costs.

Item 13: Review of Accounts

- A. The firm conducts annual account reviews for its programs where it provides continuous advisory services. Financial Plans and Consulting Services Agreements are periodically reviewed as received. IAC has recognized certain individuals as Compliance Specialists as well as the Chief Compliance Officer who conduct the annual reviews.
- B. Through 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 annual review of Third Party Managers.

Investment Advisory clients are encouraged to discuss their needs, goals, and objectives with IAR and to keep 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.

- C. 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.

Item 14: Client Referrals and Other Compensation

BANK REFERRALS

Occasionally bank domiciled IARs may run a campaign for bank employees to encourage them to promote their investment center. The campaigns may reward the employee with a small payment of cash. Each new investment center client is given a copy of the referral notice prior to or at the time of entering into any advisory contract.

Occasionally bank-domiciled IARs, located in Iowa or Illinois may run a campaign for bank employees to encourage them to promote their Investment Center. The campaigns may reward the employee with a small payment of cash in compliance with Regulation R. Each client is given a copy of the referral notice prior to or at the time of entering into any advisory contract.

Item 15: Custody

IAC does not maintain custody of your assets on which we advise. Although we may be deemed to have custody of your assets if you give us authority to withdraw fees from your account, your assets must be maintained in an account at a “qualified custodian”. The custodian will hold your assets in a brokerage account, and buy and sell securities when instructed. The custodian will send quarterly or more frequent account statements directly to the client. The client should carefully review the custodian statement.

For the Wealth Advisor Program, IAC sends quarterly performance reports, which will show the client’s positions. The clients should compare this statement received from IAC with the statement received from the custodian.

Item 16: Investment Discretion

Investment Advisory Services (Non-Discretionary or Discretionary)

Clients may open an account by signing an Investment Advisory Agreement with IAC on either a non-discretionary or a discretionary basis. Non-Discretionary means the client controls all the investment decisions and activity for their investment account. Discretionary means the client has authorized the IAR to initiate trades or transactions on behalf of the client. The client agreement will also specify any of the client's or IAR's trading or investment limitations. A client who gives discretion to an IAR must have complete trust in the IAR, as the arrangement can be risky. However, any decisions an IAR makes must be in the client’s best interest and in line with the client’s goals. Clients wishing to allow the IAR to have discretion over the account assets would sign an agreement using the *Wealth Advisor* Program. Assets for the *Wealth Advisor* Program may be held at Fidelity Institutional Wealth Services, Schwab Advisor Services, T.D. Ameritrade, Inc., and First Clearing, LLC. Each client account may be offered different advice or services depending on the specific needs of the client and the expertise of the IAR. The annual fee is negotiated based on assets under management and is deducted by IAC on a quarterly basis from

the client's account. If there are not sufficient cash funds available to pay the quarterly fee, an invoice will be sent requesting a check, due in 30 days.

Item 17: Voting Client Securities

Advisor One clients are responsible to vote the proxies for the securities in their accounts.

The custodian will provide transmission of proxy and other security holder communications. With few exceptions, IAC does not vote proxies on behalf of clients. Proxy materials received on behalf of a client are to be sent directly to the client or a designated representative of the client, who is responsible for voting the proxy. When IAC or its IARs do vote proxies, the CFA Institute guidelines are followed. For more details on the proxy voting policies of IAC, please contact the IAR on your account.

Item 18: Financial Information

Because IAC does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, we are not required to attach the firm's balance sheet. IAC is not aware of any condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Neither Investment Advisors Corp. nor a management person has been the subject of a bankruptcy petition at any time.