



## **BFS Institutional Services**

### **Form ADV Part 2A – Firm Brochure**

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Dated August 24, 2018

This Brochure provides information about the qualifications and business practices of BFSG, LLC doing business as Benefit Financial Services Group, "BFSG". If you have any questions about the contents of this Brochure, please contact us at 714-282-1566. 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.

BFSG, LLC is registered as an Investment Adviser with the Securities and Exchange Commission. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about BFSG is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) which can be found using the firm's identification number 143617.

## Item 2: Material Changes

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This Item discusses only the material changes that have occurred since BFSG's last annual update, dated March 27, 2018.

In July 2017, investment vehicles affiliated with Stone Point Capital LLC ("Stone Point") and Kohlberg Kravis Roberts & Co. L.P. ("KKR") each made an investment in Focus Financial Partners, LLC ("Focus"). This transaction resulted in certain funds managed by Stone Point collectively becoming a principal owner of Focus and the KKR investment vehicles collectively becoming a minority owner of Focus. Because BFSG is an indirect, wholly-owned subsidiary of Focus, the Stone Point and KKR investment vehicles are indirect owners of BFSG. Items 4 and 10 have been revised to reflect this new ownership structure.

In July 2018, Focus Financial Partners Inc. ("Focus Pubco") commenced an initial public offering ("IPO") of shares of common stock. Focus Pubco is the sole managing member of Focus Financial Partners, LLC ("Focus LLC") and, immediately following the IPO, owned an approximately two-thirds economic interest in Focus LLC. Because BFSG, LLC is an indirect, wholly-owned subsidiary of Focus LLC, BFSG, LLC is now an indirect, majority-owned subsidiary of Focus Pubco, a public company. Item 4 has been revised to reflect this new ownership structure.

As explained in more detail in Item 4 below, BFSG has a new advisory service for non-institutional clients, an automated investment program ("Wealth Accumulator"). The Wealth Accumulator portfolios are a globally diversified mix of exchange-traded funds built on the same philosophy as the firm's custom asset allocation models available to our institutional clients.

BFSG has two divisions: BFS Institutional Services and BFS Wealth Management. Pacwest operates as a unit of BFS Wealth Management, doing business as Pacwest and Pacwest, a part of the BFS Wealth Management division.

John Campbell is the Managing Principal of BFS Institutional Services.

Patrick Powers is the Managing Principal of BFS Wealth Management.

Grace Lau is the Managing Principal of Pacwest.

Michael Allbee is the Chief Compliance Officer of BFSG.

BFSG conducts its business at 2040 Main Street, Suite #720, Irvine, CA 92614. Pacwest, a part of the BFS Wealth Management division, conducts its business at 1643 E. Bethany Home Road, Phoenix, AZ 85016.

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# Item 4: Advisory Business

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## Description of Advisory Firm

BFSG, LLC, doing business as Benefits Financial Services Group, is a limited liability company formed in the State of Delaware. BFSG, LLC has been in business as an investment adviser, registered with the Securities and Exchange Commission since 2007.

BFSG, LLC is part of the Focus Financial Partners partnership. As such, BFSG, LLC is a wholly-owned subsidiary of Focus Operating, LLC (“Focus Operating”), which is a wholly-owned subsidiary of Focus Financial Partners, LLC (“Focus LLC”). Focus Financial Partners Inc. (“Focus Pubco”), a public company traded on the NASDAQ Global Select Market, is the sole managing member of Focus LLC and, immediately following the IPO, owned an approximately two-thirds economic interest in Focus LLC. Thus, Focus Pubco is a direct owner of Focus LLC and an indirect owner of the Focus Partner Firms. Focus Pubco has no single 25%-or-greater shareholder. However, investment vehicles affiliated with Stone Point Capital LLC collectively have a greater-than-25% voting interest in Focus Pubco. Such investment vehicles also have a greater-than-25% voting interest in Focus LLC through their voting interest in Focus Pubco: As the sole managing member of Focus LLC, Focus Pubco has 100% voting control over Focus LLC, and thus such investment vehicles’ greater-than-25% voting interest in Focus Pubco also gives them a greater-than-25% voting interest in Focus LLC.

Focus LLC owns registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the “Focus Partners”), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

BFSG has two divisions that offer separate advisory services, BFS Institutional Services and BFS Wealth Management. This Form ADV Part 2A describes our BFS Institutional Services division. The Form ADV Part 2A for BFS Wealth Management division is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) which can be found using the firm’s identification number 143617, or may be requested by contacting us at 714-282-1566.

BFSG, LLC is managed by John Campbell, Patrick Powers, Grace Lau, Rachel Fequiere, Christopher Rowey, and Darren Stewart (“BFSG, LLC Principals”), pursuant to a management agreement between Retirement Plan Consulting Group, LLC. (“RPCG, LLC”) and BFSG, LLC. The BFSG, LLC Principals serve as officers of BFSG, LLC and are responsible for the management, supervision and oversight of BFSG, LLC. John Campbell, Rachel Fequiere, Christopher Rowey,

and Darren Stewart are responsible for the management, supervision and oversight of BFS Institutional Services.

As of December 31, 2017, our assets under management are \$1,065,220,929 and our assets under consultation are \$10,497,112,307. Assets under consultation are assets for which we provide ongoing recommendations based upon the needs of the retirement plan sponsor client, as to which specific securities or other investments to make available to its plan participants, as well as other services set forth in the Consulting Agreement.

## **Types of Advisory Services**

Using the standards set forth in governing law, such as the Employee Retirement Income Security Act (ERISA), California Constitution, Government Code, and the Uniform Prudent Management of Institutional Funds Act (UPMIFA), BFS Institutional Services advises plan sponsors, committees, and fiduciaries in understanding and addressing responsibilities to their plan, participants and beneficiaries.

We emphasize the development and implementation of proactive prudent processes which help fiduciaries provide participants an effective retirement tool, while lowering or limiting their liability. Our team-based approach ensures each of our clients has access to the knowledge and expertise of our experienced retirement and investment professionals. Maintaining optimal client service is our top priority. We realize that the retirement plan and institutional marketplace is constantly changing, and therefore keeping clients informed is of critical importance.

## **Pension Consulting**

### **Investment & Compliance Consulting**

On-going investment and compliance consulting services to retirement plan sponsors include, but are not limited to, formalizing committee processes, quarterly investment reviews, annual review of plan costs/revenues and fiduciary education. Unless our discretionary service is used, the retirement plan sponsor retains and exercises the final decision-making authority for implementing or rejecting our recommendations with respect to investment selection and de-selection. We acknowledge that we are a fiduciary within the meaning of Section 3(21) of ERISA (but only with respect to the provision of services described in the Consulting Agreement).

### **Vendor Search & Selection/Benchmarking**

Search and selection process of retirement plan sponsors & services.

- Customize Request for Proposal (RFP) based upon client's needs and objectives
- Develop list of vendor candidates to send RFP
- Prepare provider analysis with proprietary scoring methodology

### **Fiduciary Structure & Cost Assessment**

Review service provider arrangements, fiduciary procedural prudence and benchmark plan costs and revenues.

- Outline all plan-related costs and revenues back to service providers
- Provide comparison on Plan costs and revenues for benchmarking purposes
- Review plan design and features
- Provide options for potential revenue recapture options, if applicable

### **Discretionary Fiduciary Services**

Accept discretionary fiduciary liability within the meaning of Section 3(38) of ERISA for the investment selection and monitoring process of investment options in a retirement plan, with the exception of company stock.

### **Participant Education/Communication**

Create and deliver educational workshops and enrollment meetings for plan participants under the terms of the Consulting Agreement.

- Create and deliver educational workshops for plan participants
- Prepare customized participant communications
- Conduct enrollment meetings

### **Fiduciary Advisor Monitoring**

Provide monitoring on an annual basis of Plan Sponsor's fiduciary advisor program which offers investment advice services to participants.

All pension consulting services shall be in compliance with the applicable law(s) regulating pension consulting services. This applies to client accounts that are pension or other employee benefit plans ("Plan") governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). If the client accounts are part of a Plan, and we accept appointments to provide our services to such accounts, we acknowledge that we are a fiduciary within the meaning of Section 3(21) of ERISA (but only with respect to the provision of services described in the Consulting Agreement).

## **Managed Account Service**

Under our Managed Account Service, we are responsible for managing retirement plan participant accounts until the individual elects to discontinue the Managed Account Service. Eligible participants are enrolled in the Managed Account Service in accordance with rules established by the retirement plan sponsor. Based on personal criteria and financial information provided by the plan sponsor or by each participant, we select investment allocations on a discretionary basis using the investment options that are available within the retirement plan, as defined by the retirement plan sponsor. Company stock, brokerage account holdings, and certain specific other investments may be excluded from our recommendations. Excluded investments are taken into account when making allocation recommendations. Transaction instructions are then sent to the plan provider to implement our recommended retirement strategy in the participant's plan account. A participant can elect to discontinue participating in the Managed Account Service at any time.

## **Automated Investment Program**

We offer an automated investment program ("Wealth Accumulator") to individuals. Through Wealth Accumulator account(s) are invested in a range of investment strategies constructed and managed, each consisting of a portfolio of exchange-traded funds ("ETFs") and a cash allocation. Clients utilizing Wealth Accumulator may instruct us to exclude up to three ETFs from the portfolio.

Portfolios in Wealth Accumulator are held in a brokerage account opened by the client at Charles Schwab & Co., Inc. ("CS&Co."). We use the Institutional Intelligent Portfolios® platform ("Platform"), offered by Schwab Performance Technologies ("SPT"), a software provider to independent investment advisors and an affiliate of CS&Co., to operate Wealth Accumulator. We are independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co., or their affiliates (together, "Schwab.").

We, and not Schwab, are the investment advisor and primary point of contact with respect to the automated investment program. We are solely responsible, and Schwab is not responsible, for determining the appropriateness of Wealth Accumulator for our clients, choosing a suitable investment strategy and portfolio for each client's investment needs and goals, and managing that portfolio on an ongoing basis.

We have contracted with SPT to provide us with the Platform, which consists of technology and related trading and account management services for Wealth Accumulator. The Platform enables us to make Wealth Accumulator available to clients online and includes a system that automates certain key parts of our investment process (the "System"). The System includes an

online questionnaire that helps us determine each client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. We will recommend a portfolio via the System in response to client answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but we then make the final decision and select a portfolio based on all the information we have about the client. The System also includes an automated investment engine through which we manage client portfolios on an ongoing basis through automatic rebalancing and tax-loss harvesting (if applicable).

## **Client Tailored Services and Client Imposed Restrictions**

For clients in our Managed Accounts Service, specific participant services and their implementation are dependent upon the participant's current situation (years until retirement and risk tolerance levels) and is used to construct a participant-specific portfolio that matches restrictions, needs, and targets. For clients in our Pension Consulting, we offer general investment advice. For clients using our Discretionary Fiduciary Services, we usually allow clients to impose restrictions on investing in certain asset classes.

## **Wrap Fee Programs**

We do not participate in wrap fee programs.

## **Other Advisory Services**

Services described in this Form ADV Part 2A are services offered through our BFS Institutional division. For a complete description of all of our advisory services offered by BSFG, please review the Form ADV Part 2A for the BFS Wealth Management division as well.

# **Item 5: Fees and Compensation**

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How we are paid depends on the type of advisory service we are performing. Please review the fee and compensation information below. Our fees are generally not negotiable.

## **Pension Consulting**

We charge on a flat fee basis or hourly rate for pension consulting services. The total estimated fee, as well as the ultimate fee that we charge clients, is based on the scope and complexity of our engagement with each client. How clients pay their respective fees is determined on a case-by-case basis. Clients will be invoiced directly for the fees.

## **Investment & Compliance Consulting**



The annual fixed fee ranges from \$15,000 to \$200,000, paid quarterly in arrears; and asset-based fees range from 1 – 75 bps of average annual plan assets paid quarterly in arrears.

In addition, an hourly rate of \$100 may be charged for any consulting services provided in a settlor capacity, which would be billed quarterly in arrears.

#### **Vendor Search & Selection/Benchmarking**

Fees range from \$5,000 to \$50,000 per project. The one-time fee is paid upon completion.

#### **Fiduciary Structure & Cost Assessment**

Fees range from \$2,500 to \$5,000 per project and are paid upon completion.

#### **Discretionary Fiduciary Services**

Fees range from one to 50 basis points on plan assets per year and are paid quarterly in arrears.

#### **Participant Education/Communication**

Fees range from \$500 to \$2,000 per meeting day and are paid upon completion. Please note: These services may be outsourced to an independent third-party.

#### **Fiduciary Advisor Monitoring**

Fees range from \$500 to \$2,500 per year and are paid quarterly in arrears.

#### **Managed Account Service**

The Managed Account Service fee is part of an overall service contract with the plan sponsor, and is typically between two and 10 basis points on plan assets per year, billed quarterly in arrears. It is not charged on an individual basis or affected by the number of people who enroll in the Service.

#### **Automated Investment Program Fees**

Annual fees for our Automated Investment Program (“Wealth Accumulator”) are based upon a percentage of assets under management and generally range from **0.50%** to **0.85%**. The specific annual fee schedule and minimum fee is identified in the contract between us and the client. No increase in the annual fee percentage shall be effective without prior written notification to the client. The minimum investment required to open an account in Wealth Accumulator is \$5,000. The minimum account balance to enroll in the tax-loss harvesting feature is \$50,000. Our fees are not set or supervised by Schwab. Clients in the Wealth Accumulator do not pay brokerage commissions or any other fees to CS&Co. Schwab does receive other revenues in connection with the Program. Brokerage arrangements are further described below in Item 12 Brokerage Practices.

*Limited Negotiability of Advisory Fees:* We retain the discretion to negotiate fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reports, among other factors. We may group certain related client accounts for the purposes of determining the annualized fee. This consolidation practice is designed to allow clients the benefit of an increased asset total which could potentially reduce the advisory fee based on the breakpoints available as identified in the contract between us and you. Advisory fees will vary among clients.

Fees are paid quarterly in advance on a quarterly basis as specified in the contract between us and the client. Clients will be given an invoice at the end of each quarter for investment portfolio management services provided. Fees will be automatically deducted from client accounts each quarter with clients advance written consent. Fees are due within the first 10 business days of the calendar quarter, and are based on the account's asset value as of the last business day of the prior calendar quarter.

Fees are prorated for accounts opened during the quarter based on the number of days that the account was open during the quarter as specified in the contract between us and the client.

### **Other Types of Fees and Expenses**

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses that may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual fund and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee, and we shall not receive any portion of these commissions, fees, and costs.

We do not accept compensation for the sale of securities or other investment products including asset-based sales charges or service fees from the sale of mutual funds.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

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We do not offer performance-based fees.

## Item 7: Types of Clients

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We have the following types of clients: Pension and Profit Sharing Plans sponsored by corporations, state or municipal government entities. Our Managed Account Service described in this brochure is typically offered to individuals in a qualified retirement plan. We do not have a minimum account size or requirement for maintaining an account.

Clients eligible to enroll in the Automated Investment Program (“Wealth Accumulator”) include individuals, IRAs, and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974 (“ERISA”), are not eligible for the Program.

As previously disclosed in Item 5, for Wealth Accumulator, the minimum investment required to open an account is \$5,000. The minimum account balance to enroll in the tax-loss harvesting feature is \$50,000.

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

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### Methods of Analysis

**Mutual Fund and Exchange-Traded Fund\* Analysis** involves analyzing funds from both a qualitative and quantitative perspective based on historical and present data. Quantitative criteria may include analysis of absolute and risk-adjusted performance, style metrics, tracking error, and expenses. Qualitative criteria may include consideration of asset base, average credit quality, individual holding concentration, portfolio turnover, median market capitalization, fund philosophy, and fund management. A risk of fund analysis is that, as in all securities investments, past performance does not guarantee future results. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund.

\* Exchange-Traded Funds are only available through our Wealth Accumulator service.

### Investment Strategies We Use

We typically use long-term purchases, securities held for at least a year, intended for retirement income needs.

With respect to our Managed Account Service, each individual retirement plan participant has certain preferences, a time horizon, current investment balances, current savings rates,

expected benefits (i.e. Social Security), and tax rates. Our recommended investment strategy is to provide the investment allocation that enables an individual to reach the retirement income goal with the least amount of risk. Once the risk level is determined, we select the allocation of investments that is expected to match the risk level based upon the investment's style, expected return, and expected risk.

With respect to our Automated Investment Program ("Wealth Accumulator"), each client's investment objectives and risk tolerance is determined through an online questionnaire. Once determined, the client selects an appropriate investment strategy and portfolio, but we then make the final decision and select a portfolio based on all the information we have about the client. We typically use a long-term purchase strategy, securities held for at least a year, to meet our clients' objectives and risk tolerance.

## Material Risks Involved

**All investing strategies we offer involve risk and may result in a loss of the original investment which clients should be prepared to bear.** Many of these risks apply equally to stocks, bonds, commodities and any other investment or security. Material risks associated with our investment strategies are listed below.

**Market Risk:** Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of the operational success of the issuer's operations or its financial condition.

**Strategy Risk:** Investment strategies and/or investment techniques may not work as intended.

**Concentration Risk:** Certain investment strategies focus on particular asset-classes, industries, sectors or types of investment. From time to time these strategies may be subject to greater risks of adverse developments in such areas of focus than a strategy that is more broadly diversified across a wider variety of investments.

**Interest Rate Risk:** Bond (fixed income) prices generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite is also generally true: bond prices generally rise when interest rates fall. In general, fixed income securities with longer maturities are more sensitive to these price changes. Most other investments are also sensitive to the level and direction of interest rates.

**Legal or Legislative Risk:** Legislative changes or Court rulings may impact the value of investments, or the securities' claim on the issuer's assets and finances.

**Inflation:** Inflation may erode the buying-power of an investment portfolio, even if the dollar value of the investments remains the same.

## Risks Associated with Securities

Apart from the general risks outlined above which apply to all types of investments, specific securities may have other risks.

**Investment Companies Risk.** When a client invests in open end mutual funds or ETFs, the client indirectly bears its proportionate share of any fees and expenses payable directly by those funds. Therefore, the client will incur higher expenses, many of which may be duplicative. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price that is above or below its net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally.

The Adviser has no control over the risks taken by the underlying funds in which client's invest.

## Item 9: Disciplinary Information

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### Criminal or Civil Actions

We have not been involved in any criminal or civil action.

### Administrative Enforcement Proceedings

We have not been involved in administrative enforcement proceedings.

### Self-Regulatory Organization Enforcement Proceedings

We have not been involved in legal or disciplinary events that are material to a client's or prospective client's evaluation of BFSG or the integrity of its management.

## Item 10: Other Financial Industry Activities and Affiliations

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### Focus Financial Partners, LLC

As noted above in response to Item 4, BFSG, LLC is part of the Focus Financial Partners partnership. As such, BFSG, LLC is a wholly-owned subsidiary of Focus Operating, LLC ("Focus

Operating”), which is a wholly-owned subsidiary of Focus Financial Partners, LLC (“Focus LLC”). Focus Financial Partners Inc. (“Focus Pubco”), a public company traded on the NASDAQ Global Select Market, is the sole managing member of Focus LLC and, immediately following the IPO, owned an approximately two-thirds economic interest in Focus LLC. Thus, Focus Pubco is a direct owner of Focus LLC and an indirect owner of the Focus Partner Firms. Focus Pubco has no single 25%-or-greater shareholder. However, investment vehicles affiliated with Stone Point Capital LLC collectively have a greater-than-25% voting interest in Focus Pubco. Such investment vehicles also have a greater-than-25% voting interest in Focus LLC through their voting interest in Focus Pubco: As the sole managing member of Focus LLC, Focus Pubco has 100% voting control over Focus LLC, and thus such investment vehicles’ greater-than-25% voting interest in Focus Pubco also gives them a greater-than-25% voting interest in Focus LLC.

Focus LLC owns registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the “Focus Partners”), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

BFSG’s clients are not solicited to invest in any other Focus Partners’ advisory services, and generally Focus Partners do not recommend securities, services, or other investment products of other Focus partner firms, unless so disclosed on their respective Form ADVs and with the client’s informed consent, nor are any transactions executed through another Focus Partner’s affiliated broker-dealer. Further, the Focus Partners do not market their services or share client information amongst each other without prior client consent.

BFSG does not believe the Focus Partnership presents a conflict of interest with our clients. BFSG has no business relationship with other Focus Partners that is material to its advisory business or to its clients.

As noted above, certain investment vehicles managed by Stone Point collectively have a voting interest in Focus LLC, and certain investment vehicles managed by KKR collectively are minority owners of Focus. None of Stone Point, KKR, or any of their affiliates participates in the management or investment recommendations of our business.

Products or investment vehicles managed by Stone Point, KKR, and/or their affiliates are considered Owner-Affiliated Funds. To mitigate the conflicts of interest that arise out of investments in Owner-Affiliated Funds, BFSG will only recommend such investments if they are in the best interests of the relevant client. In addition, prior to making an investment on behalf of a client in an Owner-Affiliated Fund that is managed or sponsored directly by Stone Point

and/or one of its affiliates, BFSG will require the client to provide consent and will provide the client with additional disclosures concerning the conflicts of interest noted above.

Additional information about Focus can be found at [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com).

### **BFSG, LLC Management Company**

Pursuant to management agreements (the “Management Agreements”) between BFSG, LLC, Focus and Retirement Plan Consulting Group, LLC (the “Management Company”), the Management Company has agreed to provide persons to serve as officers of BFSG, LLC who, in such capacity, will be responsible for the management, supervision and oversight of BFSG, LLC. John Campbell, Patrick Powers, Rachel Fequiere, Christopher Rowey, Darren Stewart, and Grace Lau are the managing members of the Management Company. The Management Company does not provide investment advisory services. Management of other Focus Partners is not involved in the management of BFSG.

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

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We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures with respect to transactions effected by our members, officers and employees for their personal accounts. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

### **Code of Ethics Description**

Our firm has established a Code of Ethics which applies to all of our associated persons. As a fiduciary, it is our responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics, which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and

to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request. Requests for a copy of our Code of Ethics may be sent to the Chief Compliance Officer at 2040 Main Street, Suite 720, Irvine, CA 92614.

### **Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Neither our firm, its associates or any related person is authorized to recommend to a client, or effect a transaction for a client, involving any security in which our firm or a related person has a material financial interest, such as in the capacity as an underwriter, adviser to the issuer, etc.

### **Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Our firm and its “related persons” may buy or sell securities similar to, or different from, those we recommend to clients for their accounts. In an effort to reduce or eliminate certain conflicts of interest involving the firm or personal trading, our policy may require that we restrict or prohibit associates’ transactions in specific reportable securities transactions. Any exceptions or trading pre-clearance must be approved by the firm principal in advance of the transaction in an account, and we maintain the required personal securities transaction records per regulation.

## **Item 12: Brokerage Practices**

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### **Factors Used to Select Custodians and/or Broker-Dealers**

BFS Institutional Services does not recommend and/or use broker dealers with its institutional clients. With respect to our Wealth Accumulator service clients, the following applies:

Client accounts enrolled in the Automated Investment Program (“Wealth Accumulator”) are maintained at, and receive the brokerage services of, CS&Co., a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. BFSG, LLC is independently owned and operated and is not affiliated with CS&Co.



CS&Co., a qualified custodian, will hold assets in a Wealth Accumulator service client's brokerage account and buy and sell securities when we instruct them to. While our Wealth Accumulator clients are required to use CS&Co. as custodian/broker to enroll in the Automated Investment Program, the client will decide whether to do so and will open his/her account with the qualified custodian by entering into an account agreement directly with them. We do not open the account for our clients, although we may assist clients in doing so. If a client does not wish to place his/her assets with CS&Co. for the Automated Investment Program, then we cannot manage the client's accounts through Wealth Accumulator.

### **How We Select Brokers/Custodians**

We seek to recommend a custodian/broker who will hold client 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:

1. Combination of transaction execution services and asset custody services (generally without a separate fee for custody);
2. Capability to execute, clear, and settle trades (buy and sell securities for a client account);
3. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payments, etc.);
4. Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.);
5. Availability of investment research and tools that assist us in making investment decisions;
6. Ability to provide necessary performance reporting;
7. Quality of services;
8. Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices;
9. Reputation, financial strength, and stability;
10. Prior service to us and our other clients; and
11. Availability of other products and services that benefit us, as discussed below (see "Products and Services Available to Us")

### **Products and Services Available to Us**

We do not pay Schwab Performance Technologies ("SPT") fees for the Automated Investment Program so long as we maintain \$100 million in client assets in accounts at Schwab that are not enrolled in Wealth Accumulator. If we do not meet this condition, then we pay SPT an annual

licensing fee of 0.10% (10 basis points) on the value of our clients' assets in Wealth Accumulator.

The availability to us of CS&Co. products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Following is more a detailed description of the brokerage firms support services:

*Services That Benefit Our Clients.* CS&Co. 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 CS&Co. include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. CS&Co. services described in this paragraph generally benefit our clients.

*Services That May Not Directly Benefit Our Clients.* CS&Co. also make available to us other products and services that benefit us but may not directly benefit a Wealth Accumulator service client account. These products and services assist us in managing and administering our BFS Wealth Management clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at CS&Co. We do not seek to allocate the benefits to client's accounts proportionately. In addition to investment research, CS&Co. also make available software and other technology that:

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

*Services That Generally Benefit Only Us.* CS&Co. also offer other services intended to help us manage and further develop our business enterprise. These services include:

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

CS&Co. may provide some of these services themselves. In other cases, CS&Co. will arrange for third-party vendors to provide the services to us. CS&Co. may also discount or waive its fees for some of these services or pay all or a part of a third party's fees.

*Our Interest in CS&Co. Services.* In evaluating whether to recommend that clients custody their assets at CS&Co., we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by them, which may create a potential conflict of interest as a client may pay less for these services elsewhere.

The availability of these services from CS&Co. benefits us because we do not have to produce or purchase them. With respect to the Wealth Accumulator services we provide, we do not pay SPT fees for the Platform so long as we maintain \$100 million in client assets in accounts at CS&Co. that are not enrolled in the Program. This minimum excludes any assets attributable to our institutional client retirement plans. Beyond that, these services are not contingent upon us committing any specific amount of business to CS&Co. in trading commissions or assets in custody. The minimums may give us an incentive to recommend that you maintain your account with CS&Co., based on our interest in receiving their 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.

Our selection is primarily supported by the scope, quality, and price of CS&Co. services (see "How We Select Brokers/Custodians") and not Schwab's services that benefit only us. CS&Co. brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

### **Aggregated Trades**

CS&Co. may aggregate purchase and sale orders for ETFs across accounts enrolled in the Wealth Accumulator service, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Platform.

## **Item 13: Review of Accounts**

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### **Pension Consulting**

*Reviews:* BFS Institutional Services Investment Advisor Representatives review client accounts on at least a semi-annual basis. The nature of these reviews is to learn whether client accounts are in line with their investment objectives, and appropriately positioned based on market

conditions and investment policies, if applicable. We may review client accounts more frequently. Among the factors which may trigger an off-cycle review are major market or economic events, the client's circumstances, or requests by the client, etc.

*Reports:* On at least a semi-annual basis, clients receive a report consisting of a review of the investment options offered in their plan. The review is generally based on an evaluation methodology, which includes an analysis of performance, risk-adjusted performance, style consistency, and cost. Plan demographics and asset allocation may also be included in the report, if applicable.

## **Managed Account Service**

With respect to our Managed Account Service, we review accounts quarterly. The investment allocation of the account is compared to the targeted allocation. If the current investment allocation is outside a threshold, then the account is automatically rebalanced to the targeted allocation. Individuals may review their information and make changes as often as necessary by contacting the retirement plan provider.

## **Automated Investment Program**

*Reviews:* These accounts are automatically monitored daily for rebalancing. Portfolios are rebalanced when the weighting of any asset class included in the portfolio moves higher or lower than its strategic weighting based on a drift tolerance of +/- 2% for all asset classes except cash; +/- 1% for cash. Tax-loss harvesting trades are initiated when the amount of the loss captured equals at least 0.5% of the total portfolio value. More frequent rebalancing may be triggered by material changes in a client's individual circumstances, frequent deposits or withdrawals from the account(s), or the market, political or economic environments, and portfolio model modifications.

These accounts are reviewed by: Michael Allbee, Senior Portfolio Manager and Chad Noorani, Operations Manager. There is currently no limit on the number of accounts that can be reviewed by a portfolio manager.

*Reports:* Clients will receive monthly statements and confirmations of transactions from CS&Co. In addition, clients will be able to monitor accounts online through Schwab Performance Technologies on a real-time basis.

## Item 14: Client Referrals and Other Compensation

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We receive an economic benefit from CS&Co. in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts with them. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability to us of CS&Co. products and services are not based on us giving particular investment advice, such as buying particular securities for our clients.

## Item 15: Custody

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BFS Institutional Services does not accept custody of client funds.

With respect to our Wealth Accumulator service for non-institutional clients, assets must be maintained in an account at a "qualified custodian", generally a broker-dealer or bank. Under government regulations, we are deemed to have custody of these assets if the client authorizes us to instruct the qualified custodian(s) to deduct our advisory fees directly from the client account or if the client provides standing authority for us to move money to a third-party without requiring client signature each time. The qualified custodian(s) maintains actual custody of the client's assets.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. They will be sent to the email or postal mailing address the client provides to the qualified custodian. We urge you to carefully review such statements and compare such official custodial records to the reports that we may provide to you. Our statements or reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## Item 16: Investment Discretion

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BFS Institutional Services accepts discretionary authority to manage the accounts of individuals enrolled in the Managed Account Service. We will monitor the investment allocation of the individual's retirement account. Based on the information provided to us, we create a personalized asset allocation strategy and select investments that will meet the strategy from investments offered in the retirement plan. As the account moves out of balance, we will

review and reallocate back to the targeted allocation. We exercise discretion consistent with the individual's strategy and within any limitations provided by the plan sponsor. Investment discretion will be explained to participants in the advisory agreement which shall be provided to the participant.

BFS Institutional Services accepts discretionary authority to manage the accounts of individuals enrolled in the Wealth Accumulator service. We will monitor the investment allocation of the individual's account. Based on the information provided to us, we create a personalized asset allocation strategy and select investments that will meet the strategy from investments offered in the automated investment program. As the account moves out of balance, Wealth Accumulator will automatically reallocate back to the targeted allocation. We exercise discretion consistent with the individual's strategy and within any limitations provided by the client in writing. Investment discretion will be explained to Wealth Accumulator clients in the advisory agreement.

## Item 17: Voting Client Securities

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We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent, and maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Therefore, our firm and/or you shall instruct your qualified custodian to forward to you copies of all proxies and shareholder communications relating to your investment assets. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write, or email us to discuss questions they may have about particular proxy votes or other solicitations.

## Item 18: Financial Information

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We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy proceeding. We do not require or solicit prepayment of more than \$1,200 in fees per client six months in advance.