



# **INDEPENDENT FINANCIAL GROUP, LLC**

## **ADV PART 2A - APPENDIX 1**

### **WRAP FEE PROGRAM BROCHURE**

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**Dated March 25, 2020**

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#### **ITEM 1 – COVER PAGE**

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This Wrap Fee Program Brochure provides information about the qualifications and business practices of Independent Financial Group, LLC. Independent Financial Group, LLC is a Registered Investment Adviser. Registration of an investment adviser does not imply any level of skill or training. If you have any questions about the contents of this brochure, please contact us at 858-436-3180 or email us at [compliance@ifgsd.com](mailto:compliance@ifgsd.com). Additional information about Independent Financial Group, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**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.**

## ITEM 2 – MATERIAL CHANGES

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**Brochure Amendment** - This brochure dated March 25, 2020 is an amended disclosure brochure document reflecting updates since our last annual updating amendment on November 11, 2019.

### Summary of Material Changes

1. Item 4: Addition of the American Funds Class F-2 Direct Agreement

**Brochure Availability** - We will provide you with a new brochure at any time, without charge. Currently, our brochure may be requested by contacting Independent Financial Group, LLC at 858-436-3180 or [compliance@ifgsd.com](mailto:compliance@ifgsd.com) and is available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## ITEM 4 – SERVICES, FEES AND COMPENSATION

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**A. Adviser Background** - Independent Financial Group, LLC (IFG, Adviser, Firm) is a privately owned Registered Investment Adviser (RIA) registered with the Securities and Exchange Commission (SEC) since 2004, a broker/dealer and member of the Financial Industry Regulatory Authority (FINRA) since 2003 and a member of the Securities Investors Protection Corporation (SIPC). Independent Financial Group, Inc., a domestic entity is the principal owner of the Adviser.

**B. Wrap Program Services** – Adviser offers a variety of financial planning and advisory services through Investment Adviser Representatives (IARs) who are, in most cases, also Registered Representatives (RRs) affiliated with IFG. IARs are independent contractors and may be involved in other business activities including, but not limited to, insurance sales, estate planning and tax preparation. Additional information regarding a particular IAR's other business activities is disclosed in the respective IAR's Form ADV Part 2B.

The specific types of advisory services to be provided will be determined by the client and the IAR. Investment advisory services are described in Adviser's various Forms ADV Part 2A as well as this Wrap Fee Brochure. These services include, but are not limited to, asset allocation within a portfolio, day-to-day investment decisions, referrals to third party asset managers, financial planning and consulting services, retirement plan services and wrap fee services. In addition, IFG offers brokerage services; in some instances, advisory clients may also participate in brokerage services. Whether an IAR offers a client brokerage or advisory services or a combination of both depends on various factors including client's needs, stated investment goals and objectives, investment style and trading preferences. Each client should take time to consider the differences between a brokerage and advisory relationship to determine which type(s) of service(s) best serve(s) the client's needs. In the disclosure section of our website ([www.ifgsd.com](http://www.ifgsd.com)) titled "Understanding the Difference between Brokerage and Investment Advisory Services", IFG provides information to assist clients with determining the most appropriate relationship(s) for their situation. Please note that there is no guarantee that the advisory services offered will result in meeting a client's goals and objectives nor is there any guarantee of profit or protection from loss. No assumption can be made that any particular advisory service or strategy will provide better returns than other investment strategies. Descriptions of advisory programs are provided below.

The various wrap fee programs offered by Adviser are described in this Wrap Fee Program Brochure. These programs are offered through IARs, are available on a discretionary or non-discretionary basis, and are tailored to the needs of the client. In order to establish a program account, the client will be required to sign an investment advisory agreement with Adviser. Clients may impose restrictions on investing in certain securities or types of securities. A wrap fee program allows clients to pay a specified fee for portfolio management services and the execution of transactions. The fee is not based directly upon transactions in client's account. Transaction fees will be paid by our Firm via individual transaction charges or asset-based pricing arrangements with the broker/custodian. Since the client's fee is bundled with the costs for executing transactions in client's account(s), this generally results in a higher advisory fee to the client versus the advisory fee in non-wrap arrangements where the client pays for transaction services separately. IFG and IAR's do not charge clients a higher advisory fee based on their trading activity in client accounts, but clients should be aware that IFG and IARs may have an incentive to limit the trading activities in client account(s) because IFG and IARs pay for trading costs. By participating in a wrap fee program, clients may end up paying more or less than through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to clients by the executing broker.

**Technology** – IARs may utilize AccessPoint, IFG's primary asset management platform. The AccessPoint platform is provided by Envestnet. Envestnet is a subsidiary of Envestnet, Inc., a publicly held company (NYSE: ENV). Envestnet provides portfolio management services to retail clients as well as institutional clients.

Envestnet also provides Adviser with an extensive range of investment advisory services for use by IAR with their clients through its Managed Accounts Network (Private Wealth Management) programs, available through AccessPoint. These programs include Separately Managed Accounts, Unified Managed Accounts and Third-Party Fund Strategists.

In addition to the Envestnet advisory services offered in the programs, Envestnet also offers IARs advisory service tools and services. The services offered by Envestnet include, but are not limited to: (1) assessment assistance regarding the client's investment needs and objectives; (2) investment policy planning assistance; (3) development of an asset allocation strategy designed to meet the client's objectives; (4) recommendations on suitable style allocations; (5) identification of appropriate managers and investment vehicles suitable to the client's goals; (6) evaluation of asset managers and investment vehicles meeting style and allocation criteria; (7) engagement of selected asset managers and investment vehicles on behalf of the client; (8) review of client accounts to ensure adherence to policy guidelines and asset allocation; (9) recommendations for account rebalancing, if necessary; (10) online reporting of client account's performance and progress; and (11) fully integrated back office support systems to IAR, including interfacing with client's custodian, trade order placement, billing and performance reporting. IARs determine which services and programs to utilize with their clients and may utilize the services of other third-party services providers in conjunction with these programs.

**Custody** – Adviser utilizes third-party custodians to custody client assets. Pershing LLC, Charles Schwab & Co. and TD Ameritrade Institutional (closed to new wrap fee business), and other third-party custodians as may be approved by IFG from time to time, act as qualified custodians for program assets, as applicable. In addition, client will receive account statements from the respective program custodian. With IFG approval, IARs may also provide additional reporting services to their clients. Clients are encouraged to review and compare the account information in the performance reports and any additional IAR reports to the custodial statements.

The Adviser is deemed to have custody of client funds or securities because it has the ability to direct the custodian to deduct advisory fees from the client's account and because some client accounts have standing letter of authorization to transfer assets from the client account to a third-party.

**C. Advisory Fees** - Client pays an annual advisory fee based on a percentage of assets under management according to the fee schedules provided below. In certain instances, advisory fees within Adviser's programs are negotiable. The IAR recommending a wrap program to the

client receives compensation as a result of client's participation in the program. The amount of this compensation may be more than what the IAR would receive if the client participated in other programs offered by Adviser or paid separately for investment advice, brokerage and other services. Therefore, the IAR may have a financial incentive to recommend one program over other programs or services.

The advisory fee is payable quarterly, in advance or in arrears as selected on the advisory service agreement, and upon deposit of additional funds or securities. Fee billing is based upon the market value of the assets held in the account as of the last business day of the preceding quarter. If billing in advance, the initial fee is due upon the opening of an account and is based upon the opening value. The first payment will be assessed pro-rata in the event the account is established at any other time other than the first day of the calendar quarter. If billing in arrears, the first advisory fee will be charged after the end of the first quarter based on the value of the account on the last business day of the previous quarter. If account management is terminated at any time during the quarter, the remaining advisory fee becomes immediately due and payable. If funds and securities exceeding \$10,000 are deposited or withdrawn in the program account at any time during the quarter, the advisory fee is pro-rated based on the number of days remaining in the quarter relating to the deposited funds and securities.

Advisory fees will be calculated by AccessPoint or the custodian of assets as set forth in the investment advisory agreement and will be due the first day of each calendar quarter. Clients authorize the custodian to deduct all advisory fees from the program account. The fee schedule is in effect for and will continue until thirty (30) days after Adviser notifies the client in writing of any change in the amount of fees applicable to the client's account. The new fees will be effective unless the client notifies IAR in writing that the account management is to be terminated.

The advisory fee is an ongoing fee for advisory services and may cost the client more than if the client maintained a traditional brokerage account. However, in a brokerage account there is no duty to give investment advice or to provide ongoing advisory services. If a client intends to follow a buy-and-hold strategy or does not wish to pay for investment advice, client should consider maintaining a brokerage account rather than establishing an advisory relationship.

**D. Additional Fees and Charges** - In addition to the advisory fees, client often pay some or all of the following fees and charges:

- Client is also responsible for paying all custodial fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, wire transfer fees, fees for trades executed away and other fees and taxes on brokerage accounts and securities transactions. These fees are not included within the wrap-fee you are charged by our firm.
- Mutual Funds purchased in the advisory programs are no-load or load waived funds purchased at net asset value (NAV). Mutual fund investments are subject to early redemption fees, 12b-1 fees and mutual fund internal management fees as well as other mutual fund expenses that are disclosed in the prospectus. In cases where the mutual fund purchased through an advisory program pays 12b-1 fees, the Adviser and the IAR do not retain 12b-1 fees and IFG has instructed Pershing to refund such fees to the client by crediting the 12b-1 fees to the client's cash balance. As cash balances are required to pay advisory fees and may be a part of the account's asset allocation or otherwise necessary for other reasons, the net effect on total client returns should be negligible. Clients should understand mutual funds generally offer multiple share classes based upon certain eligibility and/or purchase requirements. The assessment of any non-reimbursed internal charges or expenses to the client's holdings will have the effect of reducing the clients return on investment. Institutional share classes and other share classes specifically designed for investment advisory programs usually have a lower expense ratio than other non-advisory share classes. The Adviser and IAR have taken steps to utilize the most advantageous share class for the client by providing training to the IAR, signing selling agreements and/or ensuring institutional share classes are included as part of the available product offering and utilizing a fund conversion program. Regardless, client should not assume that they will be invested in the share class with the lowest possible expense ratio and are encouraged to discuss share class selection and their investments' internal charges with their IAR.
- Many of the mutual funds available within the program may be purchased directly from the mutual fund sponsor. Therefore, client could avoid the additional layer of advisory fees by not using the services of Adviser and IAR and making their own investment decisions.
- It is possible for a client to pay a commission on a security or insurance product and then move the investment into a managed account. In these cases where the IAR received a commission, the investment will be ineligible for fee billing, with limited exceptions, for a one year period from the date of purchase.

The fees and expenses in connection with this wrap program may be higher than the cost of similar services offered through other financial firms. They may also be higher than the cost of purchasing such services separately, depending upon the level of anticipated trading activity, type and size of the account, and the amount of additional advisory or client services provided to the client.

## **E. Program Specific Fees and Information**

**1. Advisor Portfolios (IAR-Directed Programs)** - Clients pay an annualized program fee depending on the advisory program; brokerage charges and transaction expenses are included in the program fee unless otherwise specified. The program fee is negotiable and can be reduced depending on the unique circumstances of each client. The program fee is in effect for, and will continue until thirty (30) days after, IAR notifies the client in writing of any change in the amount of fees applicable to the client's account. The new fees will be effective unless the client notifies IAR in writing that the account management is to be terminated.

- a) **AP Advisor (Account Range PWU)**- The AP Advisor program offers client advisory services, asset allocation, brokerage services, consolidated reporting and periodic recommendations based on stated investment objectives under an all-inclusive program fee. Pershing serves as the custodian for program account assets. Client authorizes IAR to manage the account on a discretionary basis. Eligible assets include stocks, bonds, mutual funds, Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs), structured products, fixed income and other securities. Only no-load or load-waived mutual funds may be purchased within Program accounts. Margin, mutual fund systematic investments, mutual fund systematic withdrawals and options (specifically covered calls and puts)

may be permitted in Program accounts as indicated in the advisory services agreement. Options transactions and margin accounts require the client to complete and sign additional approval forms.

**Fee Schedule** - The maximum advisory fee for this program is 2.50% per annum. Costs associated with execution of transactions are charged to the IAR.

- b) **AP Premier (Account Range PWT)**- The AP Premier program offers participants advisory services, asset allocation, brokerage services, consolidated reporting and periodic recommendations based on stated investment objectives under an all-inclusive program fee. Pershing serves as the custodian for program account assets. Client authorizes IAR to manage the account on a discretionary basis. Eligible assets include stocks, bonds, mutual funds, Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs), structured products, fixed income and other securities. Only no-load or load-waived mutual funds may be purchased within Program accounts. Margin, mutual fund systematic investments, mutual fund systematic withdrawals and options (specifically covered calls and puts) may be permitted in Program accounts as indicated in the advisory services agreement. Options transactions and margin accounts require the client to complete and sign additional approval forms.

**Fee Schedule** - The maximum advisory fee for this program is 2.50% per annum. The advisory platform fee includes up to 150 trades (regardless of whether it is a buy or a sell) per calendar year.

- c) **CAM Adviser (Previously known as I-Design) (Account Range JGR)** - The CAM Adviser program offers participants advisory services, asset allocation, brokerage services, consolidated reporting and periodic recommendations based on stated investment objectives under an all-inclusive program fee. Pershing serves as the custodian for program account assets. Client authorizes IAR to manage the account on a discretionary or non-discretionary basis. Eligible assets include stocks, bonds, mutual funds, Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs), structured products, fixed income and other securities. Only no-load or load-waived mutual funds may be purchased within Program accounts. Margin, mutual fund systematic investments, mutual fund systematic withdrawals and options (specifically covered calls and puts) may be permitted in Program accounts as indicated in the advisory services agreement. Options transactions and margin accounts require the client to complete and sign additional approval forms.

**Fee Schedule** – The maximum advisory fee for this program is 2.50% per annum. Costs associated with execution of transactions are charged to the IAR.

- d) **CAM 150 (Previously known as I-Custom) (Account Range JGC)** - The CAM 150 program offers participants advisory services, asset allocation, consolidated reporting and periodic recommendations based on stated investment objectives under an all-inclusive program fee. Pershing serves as the custodian for program account assets. Client authorizes IAR to manage the account on a discretionary or non-discretionary basis. Eligible assets include stocks, bonds, mutual funds, Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs), structured products, fixed income and other securities. Only no-load or load-waived mutual funds may be purchased within Program accounts. Margin, mutual fund systematic investments, mutual fund systematic withdrawals and options (specifically covered calls and puts) may be permitted in Program accounts as indicated in the advisory services agreement. Options transactions and margin accounts require the client to complete and sign additional approval forms.

**Fee Schedule** - The maximum advisory fee for this program is 2.50% per annum. The advisory platform fee includes up to 150 trades (regardless of whether it is a buy or a sell) per calendar year.

- e) **Advisor Plus Wrap Program (Account Range ADW) (Closed to new business with limited exceptions)** - The Advisor Plus Wrap program offers participants advisory services, asset allocation, consolidated reporting and periodic recommendations based on stated investment objectives under an all-inclusive program fee. Pershing serves as the custodian for program account assets. Client authorizes IAR to manage accounts on a discretionary or non-discretionary basis. Eligible assets include stocks, bonds, mutual funds, Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs), structured products, fixed income and other securities. Only no-load or load-waived mutual funds may be purchased within Program accounts. Margin, mutual fund systematic investments, mutual fund systematic withdrawals and options (specifically covered calls and puts) may be permitted in Program accounts as indicated in the advisory services agreement. Options transactions and margin accounts require the client to complete and sign additional approval forms.

**Fee Schedule** - The maximum advisory fee is 2.50% per annum. Costs associated with execution of transactions are charged to the IAR.

2. **AccessPoint Third Party Management Programs (Account Ranges PWW, PWX, PWY, PWZ, PXZ)** - The SMART Portfolios, Third-Party Portfolios, Institutional Portfolios, Unified Managed Portfolios, and Multi-Manager Portfolios offers programs which includes custody and clearing fees, platform manager fee, account administrative fee, and money manager fees. Client authorizes IAR to manage the account on a discretionary basis. Depending on the services utilized by the IAR, the program fee also includes third party investment management services comprised of client profiling assistance, strategic asset allocation assistance, style allocation assistance, research and evaluation of approved investment strategies and mutual funds, account performance calculations, account rebalancing, account reporting, account billing administration and other operational and administrative services.

**Fee Schedule** - The maximum advisory fee for this program is 3.00% per annum.

3. **AutoPilot Portfolios (Closed to new business)** - The AutoPilot Portfolio offers participants advisory services, asset allocation, reporting and recommendations based on a stated risk tolerance under an all-inclusive program fee. TD Ameritrade serves as the custodian for program account assets. Client authorizes IAR to make investment decisions on a discretionary basis. Eligible assets include ETFs and/or mutual funds. Only no load or load-waived mutual funds may be purchased within these program accounts. CLS is the sub-

advisor on these accounts; they use diversified asset allocation strategies to construct various models that are based on the client's stated objectives, risk tolerance and time horizon.

**Fee Schedule** - The maximum advisory fee for this program is 1.25% per annum.

4. **I Freedom Wrap Fee Program at Schwab** - The Wrap Fee Program at Schwab offers participants advisory services, asset allocation, brokerage services and periodic recommendations based on stated investment objectives under an all-inclusive program fee. Charles Schwab and Co., Inc. (Schwab) serves as the custodian for program account assets. Client authorizes IAR to manage the account on a discretionary or non-discretionary basis. Eligible assets include stocks, bonds, mutual funds, Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs), structured products, fixed income and other securities. Only no-load or load-waived mutual funds may be purchased within Schwab Wrap Program accounts. Margin, mutual fund systematic investments, mutual fund systematic withdrawals and options (specifically covered calls and puts) may be permitted in the Schwab Wrap Program accounts as indicated in the advisory services agreement. Options transactions and margin accounts require the client to complete and sign additional Schwab approval forms.

Effective October 7, 2019, Schwab has eliminated commissions for online trades of U.S. equities, ETFs and options (subject to \$0.65 per contract fee). We encourage you to review Schwab's pricing to compare the total costs of entering into a wrap fee arrangement versus a non-wrap arrangement. You will still incur commissions and fees for certain types of transactions in a non-wrap fee arrangement. To see what you would pay for transactions in a non-wrap account please refer to Schwab's most recent pricing schedules available at [www.schwab.com/aspricingguide](http://www.schwab.com/aspricingguide).

**Fee Schedule** - The maximum advisory fee for this program is 2.50% per annum.

5. **American Funds Class F-2 Direct** - The wrap Program at American Funds offers participants advisory services, asset allocation, and periodic recommendations based on stated investment objectives under an all-inclusive program fee. American Funds serves as the custodian for program account assets. Client authorizes IAR to manage the account on a discretionary or non-discretionary basis. Eligible assets include American Funds F-2 mutual funds only.

#### **Program Choice Conflicts**

Clients should be aware that the compensation to IFG and IARs varies from one advisory program to another. Therefore, IARs have a financial incentive to recommend higher paying programs over other programs solely due to the additional compensation received. This is a conflict between the interests of IFG/ IAR and the client.

In addition, IARs may recommend either advisory programs in which the client pays the transaction charges or the IAR pays the transaction charges. This presents a conflict of interest between recommendations of different types of programs because the trading costs in some programs cost the IAR more and therefore the IAR has a financial incentive to trade less for these clients or to otherwise recommend programs where the client pays the trading costs.

#### **Investments Available without IFG's Services**

With certain exceptions, you can purchase recommended investments outside of your advisory account without paying for and receiving the benefit of your IAR's management services which are designed, among other things, to assist you in determining which fund or funds are most appropriate to your financial condition and stated investment objectives, risk tolerance and time horizon.

#### **Tax Consequences of Transactions**

Clients are advised that any redemptions and exchanges between mutual funds and other securities transactions in their account might have tax consequences, which clients should discuss with their independent tax advisor. IFG is not an accounting firm and does not provide tax advice, although some IFG IAR's may also be CPA's and provide such advice under their separate businesses, as described in their individual Form ADV Part 2B disclosure brochure supplement.

#### **No Assignment**

Neither IFG nor the client may assign the client's agreement without obtaining consent of the other party.

#### **Verification and Reliance on Client's Information**

In performing its services, IFG and IARs shall not be required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and are expressly authorized to rely on such information.

**F. Client Assets under Management** - As of December 31, 2019, Adviser has a total of \$3,747,236,894 in assets of which \$3,434,342,613 in assets are managed on a discretionary basis and \$312,894,281 are non-discretionary.

### **ITEM 5 – ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

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Minimum account asset requirements range from \$10,000 to \$150,000 depending on the investment program selected; however, IAR may choose to lower this minimum at his/her discretion based on various factors, including house-holding situations.

Services are provided but not limited to the following types of clients: individuals, corporations, trusts, retirement plans, endowments and foundations.

#### **Important Information for Retirement Plan Clients**

To the extent that client is a Plan Sponsor to an ERISA plan and elects to engage IAR to provide non-discretionary investment management services, such services will constitute "investment advice" under Section 3(21)(A)(ii) of ERISA. If Plan Sponsor elects to engage IAR to



perform any Discretionary Investment Management Services, such services will constitute “investment manager” services under Section 3(38) of ERISA. In these cases, IAR will be deemed a “fiduciary” as such term is defined under the applicable sections of ERISA in connection with those services. Plan Sponsors should understand that to the extent the IAR is engaged to perform services that are not “investment advice” or “investment manager” service under ERISA, IFG and IAR will not be a “fiduciary” under ERISA with respect to those other services.

## ITEM 6 – PORTFOLIO MANAGER SELECTION AND EVALUATION

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Depending on the program selected, the IAR manages client assets or consults with the client regarding third party manager selection. Based on the risk and suitability data provided by the client, the IAR will determine the investment strategy to follow when managing program accounts. As applicable, IAR will assist client with determining the appropriate allocation models and investment strategies.

Investment strategies will be selected based on client needs. IAR may utilize strategies such as asset allocation, trend analysis, fundamental analysis, technical analysis or economic indicators. Each IAR may have their own strategies therefore clients should discuss their objectives with their IAR thoroughly. No assumption can be made that any particular strategy will provide better returns than other investment strategies. Investing in securities involves the risk of loss that clients should be prepared to bear.

All investment decisions involve risk, or the possibility that your investment will not increase in value and may lose value. The following describes common characteristics of risk associated with specific types of investments that may be recommended:

- **Mutual Funds:** Each mutual fund has different risks and rewards. Generally, the higher the potential return, the higher the risk of loss. Investors may have to pay taxes on capital gains distributions received even if the fund goes on to perform poorly after the investor bought shares.
- **Money Market Funds:** Although Money Market Funds have relatively low risk, the NAV may fall below \$1.00 if the fund performs poorly; therefore, losses are possible.
- **Fixed Income Securities:** Fixed income investments tend to be more conservative than individual stocks; however, clients should be aware that bonds and bond funds do carry risks including, but not limited to, loss of principal, interest rate, credit, inflation, prepayment and reinvestment.
- **Stocks:** Investment that represents an ownership share in a company. The risks associated with stock investments include business risk and market risk, but may also include other types of risks depending on the size of the company, the company’s use of debt, location of the company’s primary businesses, etc.
- **Closed-end Mutual Funds:** While similar to Mutual Funds above, closed-end funds trade intra-day and are priced by the market rather than being valued by the fund’s holdings at the end of the day. Like Mutual Funds, the risks associated with specific Closed-end Mutual Funds depend on the fund’s portfolio and investment objectives
- **ETFs:** Exchange-Traded Funds, like stocks and index funds can carry a significant amount of market risk. ETFs are made up of many assets or companies. Unlike a mutual fund that prices at Net Asset Value at the end of the trading day, ETFs can be traded at any time during trading hours, like a stock. Investing in an ETFs involves volatility and risk of loss that client should be able to withstand.
- **Leveraged ETFs:** Leveraged ETFs, sometimes labeled as “ultra” or “2x”, seek to deliver multiples of the performance of the index or benchmark they track. To achieve a return that is a multiple of index or benchmark, the underlying investment include derivatives that creates additional volatility and are very risky. Most leveraged ETFs “reset” daily, meaning that they are designed to achieve their stated objectives for the day and on a daily basis. Their performance over longer periods of time (over weeks or months or years) can differ significantly from the performance of their underlying index or benchmark during the same period of time. This effect can be magnified in volatile markets.
- **Leveraged Inverse ETFs:** Leveraged Inverse ETFs, sometimes labeled as “ultra short” or “2x”, seek to deliver multiples of the inverse performance of the index or benchmark they track. To achieve a return that is a multiple of index or benchmark, the underlying investment include derivatives that creates additional volatility and are very risky. Most leveraged inverse ETFs “reset” daily, meaning that they are designed to achieve their stated objectives for the day and on a daily basis. Their performance over longer periods of time (over weeks or months or years) can differ significantly from the performance of their underlying index or benchmark during the same period of time. This effect can be magnified in volatile markets.
- **ETNs:** Exchange Traded Notes (ETNs) are senior, unsecured debt securities issued by an underwriting bank. Similar to other debt securities, ETNs have a maturity date and are backed only by the credit of the issuer. ETNs are designed to provide investors access to the returns of various market benchmarks. The returns of ETNs are usually linked to the performance of a market benchmark or strategy, less fees. When a client buys an ETN, the underwriting bank promises, upon maturity, to pay the amount reflected in the index, minus fees.
- **Unit Investment Trusts:** an investment company that offers a fixed portfolio, generally of stocks and bonds, as redeemable units to investors for a specific period of time and generally designed to provide capital appreciation and/or dividend income. UITs can vary in their investment strategies, risk profiles, performance and management fees. The risks of UITs are directly related to the underlying holdings.
- **Structured Products:** Structured products are securities derived from or based on a single security, a basket of securities, an index, a commodity, a debt issuance and/or a foreign currency. Structured products have a fixed maturity, but typically contain two components – a note and a derivative (which may be an option). Structured products are issued by financial institutions, such as investment banks, and are senior to the unsecured debt of the issuing institution. As such, structured products are subject to the credit worthiness of the issuer even if they are structured to offer principal protection, and any payments due at maturity are dependent on the issuer’s ability to make payment. There may be little or no secondary market for the securities and information regarding market pricing for the securities may be limited even if the product has a ticker symbol or has been listed on an exchange. In addition to credit risk, other risks of investing in structured products include, but are not limited to, principal risk, liquidity risk, principal risk, limitations on upside participation, and the tax treatment may be different from other investments in a Program account.
- **Alternative Investments/DPPs/Private Placements:** Direct participation programs typically include limited partnerships, LLCs, and REITS which benefit the investor based on their partial tax shelter. However, these programs also have significant risks associated with them. Direct Participation Programs rely upon the general partner to manage the investment. This type of program is often a blind



pool because the investment may not be specifically identified, and as a result you cannot evaluate the risks of, or potential returns from, the investment. DPP's are highly illiquid and there is no guarantee of a secondary market for the investment. All or a substantial portion of the distributions from this type of investment may be a return of capital and not a return on capital, which will not necessarily be indicative of performance. DPPs are speculative investments which could result in the loss of the client's entire investment.

- **Interval Funds:** Interval funds are closed-end funds with varying investment strategies and investment objectives that may not give investors the right to redeem shares and a secondary market may not exist. While the fund may provide limited liquidity to shareholders by offering to repurchase a limited amount of shares on a periodic basis, there is no guarantee that clients will be able to sell their shares even if there is a repurchase offer. Also, the offer to repurchase shares may be suspended or postponed by the investment sponsor. An investment in an interval fund involves a considerable amount of risk.
- **Options:** Certain types of options strategies (such as selling covered calls or purchasing puts) are allowed in program accounts as a way to generate income or hedge existing positions. The use of options involves additional risks including the potential for the market to rise significantly, making your put options worthless and having a security called away (covered call writing) or the loss of the premium paid for the purchase of the option.

All investments and investment programs have certain risks that are associated with them and which the investor must bear. Following are the types of risk that may arise due to the types of investments that are recommended to or purchased for clients or the investment strategies used:

- **Business Risk:** the risk that the price of an investment will change due to factors unique to that company, investment or market segment and not the market in general.
- **Liquidity Risk:** the risk associated with the ease of being able to quickly convert the value of a security into an equivalent amount of cash. For example, money market funds are readily convertible (liquid) while certain limited partnership units or real estate are not.
- **Financial Risk:** the risk to specific companies' future earnings due to their use of debt. Companies that borrow money must pay it back at some future date, plus the interest charges. This increases the uncertainty about the company because it must have enough income to pay back this amount at some time in the future.
- **Country (Political) Risk:** the risk that a major change in the political or economic environment of a foreign country may devalue investments made in that country. This risk is usually restricted to emerging or developing countries that do not have stable economic or political environments.
- **Market Risk:** the risk that the price of a particular investment will change as a result of overall market conditions that are not specific to that particular company or investment.
- **Interest Rate Risk:** the risk that interest rate changes will affect the price of a particular investment. For example, when interest rates rise, the price of bonds generally fall.
- **Inflation Risk:** the risk that inflation would exceed the return on an investment. For example, if inflation was 4% and an investment returned 2%, the investor would lose 2% in purchasing power.

Adviser does not charge performance-based fees in any of its program accounts; however, certain third party managers may charge performance based fees as disclosed in their ADV Wrap Brochures.

Client retains the right to vote all proxies solicited for securities held in program accounts. Adviser and IAR are precluded from voting proxies on behalf of the client. Client will receive all proxy solicitation materials from the custodian for program assets or its authorized vendor. Clients should contact the party identified in the proxy material with any questions related to the proxy solicitation.

## ITEM 7 – CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

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IAR is responsible for account management and assisting the client with gathering information regarding financial goals, risk tolerance time horizon and investment objectives. The IAR collects information about the client during the initial meeting and through subsequent meetings with each advisory client. The IAR communicates client suitability information to the portfolio managers to account for such material changes. Therefore, clients should promptly inform the IAR of any change in their financial status, or goals and objectives.

## ITEM 8 – CLIENT CONTACT WITH PORTFOLIO MANAGERS

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Clients are free to contact their IAR at any time. As applicable, the IAR will contact and consult with the client's portfolio manager on their behalf. The programs are not structured to provide for direct contact between the client and any third-party portfolio manager.

## ITEM 9 – ADDITIONAL INFORMATION

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**A. Disciplinary Information** - Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to client's or prospective client's evaluation and/or selection of an investment adviser.

In 2018, IFG self-reported an issue related to its disclosure regarding the receipt of 12b-1 fees for mutual fund shares purchased for advisory accounts where a lower cost share class of the same fund was available, creating a potential conflict of interest. The SEC determined that IFG's disclosure did not sufficiently clarify the conflict of interest when a firm and its representatives receive 12b-1 fees from a mutual fund company. Without admitting or denying fault, IFG consented to a cease and desist, censure, and disgorgement. The agreed to amount of disgorgement to affected investors is \$1,250,386.58 and interest of \$175,764.06. The Firm has amended its policies concerning the receipt of 12b-1 fees so that it does not receive 12b-1 fees on advisory accounts.

**B. Other Financial Industry Activities and Affiliations** - Adviser's principal business is as a full service general securities broker-dealer (Independent Financial Group, LLC). IFG also engages in business as an insurance broker.

Typically, Adviser's IARs are also registered representatives of IFG and would likely receive commissions if clients choose to implement recommendations through the broker-dealer. If clients choose to make such purchases through IFG, this will present a conflict of interest to the extent the IAR recommend products and services through IFG in lieu of another financial institution. No investment advisory client is obligated to implement commissionable transactions through IFG as a broker-dealer and may utilize the broker-dealer of their choice.

Certain registered representatives of IFG also provide advisory services independently of IFG through separate unaffiliated Registered Investment Advisers. Some of IFG's registered representatives may act as IARs of both the IFG and a separate RIA.

**C. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading** – Adviser has adopted a Code of Ethics that is designed to comply with the Investment Advisers Act of 1940, SEC Rule 204A-1 and federal securities laws. The Code of Ethics requires certain covered persons, including IARs, to adhere to the highest business standards and conduct their affairs with integrity and competence when dealing with the public, clients, prospects and their employees. The Code of Ethics outlines acceptable and unacceptable activities for IARs. The Code of Ethics also requires IARs to report personal securities transactions to the Adviser on a quarterly basis and contains guidelines for how client transactions must be given preference over personal transactions by the IAR. A copy of the Code of Ethics is available to clients and prospects upon request.

Adviser and IAR may invest in, or otherwise own, an interest in the same investments that are recommended to clients within program accounts. In certain circumstances this creates the potential for a conflict of interest. When making personal investments, IAR is required to place the interest of client ahead of their own. Personal trading by IAR is monitored by the Adviser.

Adviser and IAR may perform advisory and brokerage services for certain clients that differ in timing and nature from the advice given and/or services provided to other clients.

Adviser does not make a market in any securities. All transactions made by the Advisor will be as Agent and never as Principal. No agency-cross transactions as such term is defined in Advisers Act Rule 206(3)-2(b) will be executed by Adviser for client program accounts.

**D. Review of Accounts** – IAR is primarily responsible for reviewing client advisory accounts and doing so on a periodic (monthly, quarterly, etc.) basis. Triggering events may include responses to client requests, market events or specific target dates.

Clients will receive trade confirmations and periodic account statements from the applicable custodian or program sponsor. IAR may also provide additional reporting services to clients. Clients are encouraged to review and compare the account information (e.g., market values, transactions, and advisory fees) in any such reports and additional IAR reporting to the account statements received from the custodian.

**E. Client Referrals** - Adviser does not pay direct or indirect compensation to any persons or entities for client referrals.

**F. Additional Compensation** - IFG receives commissions or other fees or compensation in relation to securities or insurance products placed through or with them as a broker-dealer or agent outside the advisory program account. IARs in their capacity as registered representatives receive a portion of such fees or compensation. The account services offered by IFG in its capacity as a broker-dealer are separate and distinctly different from IFG's advisory services.

It is possible for a client to pay a commission on a security or insurance product and then move the investment into a managed account. In these cases, the investment will be ineligible for fee billing, with limited exceptions, for a one year period of time from the date of purchase if the IAR received a commission in his/her capacity as a registered representative.

Additionally, Adviser has entered into arrangements that provide the following types of additional compensation and benefits:

#### **SMART Portfolios**

SMART Portfolios are Adviser created and maintained model portfolios comprised of specific mutual funds from a select group of mutual fund families. Adviser receives revenue sharing payments from all funds that participate in the SMART Portfolios. A conflict of interest exists because the payment of this additional compensation by these product sponsors poses a financial incentive to promote SMART Portfolios over other products from which Adviser does not receive revenue sharing payments. These revenue sharing payments are retained by Adviser and not paid to any of its IARs and, therefore, Adviser does not believe that these arrangements compromise the duty and service the IAR owes and provides to the client. IARs are under no obligation to utilize Adviser's SMART Portfolios.

#### **Compensation and Benefits from Third-Parties**

Clients are generally required to use IFG and Pershing as the broker-dealer and custodian for their wrap program accounts. However, depending on criteria established by the Firm, IFG may approve IARs to offer its wrap programs that use other independent broker-dealer/custodians, such as Charles Schwab & Co., Inc.

#### **Compensation and Economic Benefits from Pershing**

While IFG has negotiated competitive pricing and services with Pershing for the benefit of clients, the Firm's clearing relationship with Pershing provides the Firm with certain economic benefits, as further discussed below, by using itself as the broker-dealer for its advisory program accounts rather than an unaffiliated broker-dealer.

**Transaction Costs and Other Charges and Fees** – IFG does not receive any transaction based compensation from trades in wrap accounts. However, pursuant to IFG's agreement with Pershing, IFG adds a markup to certain other brokerage-related account charges and fees that are

assessed to client advisory accounts held at Pershing. The charges and fees that are marked up include, but are not limited to: paper delivery surcharge fees for client confirmations, outgoing account transfer fees, mandatory reorganization fees, checking account fees, wire fees, legal transfer fees, bond redemption fees, termination fees and IRA annual custodial maintenance fees. To the extent that your account is subject to these fees, IFG receives a portion of them. None of these fees that IFG receives is shared with IARs. IFG's participation in these fees presents a conflict of interest in that IFG has a financial incentive to recommend itself as introducing broker-dealer and Pershing as the clearing firm/custodian for client wrap accounts rather than an unaffiliated broker-dealer/custodian where IFG would not receive a portion of these fees.

**FundVest** — IFG is a participant in Pershing's FundVest mutual fund ticket charge program. This program offers a wide range of mutual funds in which transaction costs are waived on certain purchases that would otherwise be assessed a transaction charge. This presents a conflict of interest to your Advisor in types of accounts where your IAR would otherwise be assessed the ticket charge in that the IAR has a financial incentive to recommend a FundVest mutual fund that does not assess transaction costs over a mutual fund that does assess transaction costs.

In addition, IFG receives third-party compensation based on assets in the FundVest program. This compensation is a conflict of interest because there is a financial incentive to IFG for clients to utilize the FundVest program. However, this conflict is minimized as the compensation is retained by IFG and is not shared with your IAR. Therefore, your IAR does not have a financial incentive to recommend FundVest mutual funds over other investments.

**Cash Sweep Program** - Advisory accounts where Pershing serves as the custodian provide an automatic daily cash sweep program into money market funds offered by Federated Financial Services Company and Dreyfus Funds. Adviser will receive compensation of up to 0.15% of the assets invested in Dreyfus Insured Deposits and up to 0.35% of assets invested in Federated money market funds for non-retirement accounts. IFG's receipt of this compensation is a conflict of interest as it creates a financial incentive for IFG to recommend itself as introducing broker-dealer and Pershing as the clearing firm/custodian for client accounts rather than an unaffiliated broker-dealer/custodian where IFG would not participate in these fees. IARs do not receive any portion of these fees.

**Bank Loans** - In certain circumstances, you may use the assets in your non-qualified Pershing account as collateral to borrow money from a bank that is not affiliated with IFG. The interest rate for such loans is subject to change. Unlike a margin account, these loans may not be used for the purpose of purchasing securities. These loans require periodic payments and remain outstanding until the loan is repaid. Advantages of securities backed lines of credit include potentially permitting you to avoid potential capital gains taxes resulting from liquidating securities to provide funds. Additionally, because you still own the assets in your account, you may also receive associated dividends, interest and appreciation. Disadvantages include the requirement to deposit additional funds or the fact that you could be subject to the liquidation of positions should the value of your collateral account decrease below certain levels.

IFG receives third-party compensation from participating banks based on the amount of the outstanding loans. This compensation is a conflict of interest because there is a financial incentive to IFG for clients to maintain their outstanding loan. However, IFG does not share this compensation with its IARs. Additionally, IFG's and IARs' interest in continuing to receive investment advisory fees provides an incentive to recommend that clients borrow money rather than liquidating some of their assets managed by the Firm, when it could be in a client's best interest to sell such assets instead of using them as collateral for a loan.

Prior to establishing a securities-backed line of credit, you should carefully review the loan disclosure, loan agreement, loan application and other forms relating to your loan application.

**Margin Loans** - A margin account is an account where you may borrow funds for the purpose of purchasing additional securities. You may also use a margin account to borrow money to pay for fees associated with your account or to withdraw funds. If you decide to open a margin account, please carefully consider that: (i) if you do not have available cash in your account and use margin, you are borrowing money to purchase securities, pay for fees associated with your account or withdraw funds; and (ii) you are using the securities that you own as collateral.

Money borrowed in a margin account is charged an interest rate that is subject to change over time. This interest rate is in addition to other fees associated with your account. The Firm retains a portion of the margin interest charged, which is a source of revenue. This compensation represents a conflict of interest as the Firm has a financial benefit when you maintain a margin debt balance. However, the Firm does not share this compensation with your IAR so your IAR does not have a financial incentive to recommend that you maintain a margin balance. Your IAR does have a conflict of interest when recommending that you purchase securities using borrowed money. This conflict occurs because your advisory fee is based on the total market value of the securities in your account. If you have a margin debit balance (in other words you have borrowed and owe money), your margin debit balance does not reduce the total market value of your account. In fact, since you have borrowed money to purchase additional shares, the total market value of your account will be higher, which results in a higher advisory fee.

Please also carefully review the margin disclosure document for additional risks involved in utilizing borrowed funds in a margin account.

#### **Benefits from Sponsor Companies**

Through its IARs, IFG provide access to a broad selection of securities products and investment programs. Many Sponsor Companies engage in activities designed to promote their products and services to IFG and IARs, including paying for travel, meals, and lodging expenses for IARs to attend educational programs and due diligence meetings that help IARs be more knowledgeable about the Sponsor Companies' products, operations and management. Sponsor Companies may also provide additional forms of non-cash compensation to IARs relating to the sale and distribution of their products, including merchandise, gifts, prizes and entertainment such as tickets to sporting events and leisure activities, as well as payment or reimbursement for the costs of business development expenses, client seminars, client appreciation events, software, and marketing materials designed to help promote the IARs' business.

If clients attend a training or education meeting or event promoted by an IAR and a Sponsor Company is present, clients should assume that the sponsor has paid for some or all of the costs of the meeting or event.

### **Additional Compensation from Sponsor Companies**

IFG generally receives extra compensation from Sponsor Companies for providing ongoing due diligence, operational oversight and marketing and education opportunities. IARs do not participate in this compensation. This additional compensation paid to IFG by Sponsor Companies is in addition to the charges and other fees described in the applicable prospectuses and varies between Sponsor Companies and over time. This additional compensation is in the form of annual payments directly from these companies' assets and revenues and no portion of these annual payments to IFG is paid from client assets. The payments may be based on a negotiated fixed annual fee, a fee based on a percentage of the total purchase amount, total assets held by IFG clients in their product or the greater of a flat fee or amount based on assets and/or new sales.

A conflict of interest exists in these Sponsor Company revenue sharing arrangements in that we are paid more revenue-sharing fees if you purchase one type of product instead of another and/or purchase a product from one sponsor instead of another. Your IAR also indirectly benefits from Sponsor Company payments when we use the money to support costs relating to product review, marketing or training. Such fees are paid from the Sponsor Company's revenues and assets and do not increase the fee paid by the client. However, a conflict of interest exists because the payment of this additional compensation by these product sponsors poses a financial incentive to IFG to promote certain products over other products. Even so, IFG does not believe that these arrangements compromise the duty and service the IAR owes and provides to the client as these fees are retained by IFG and are not paid to IAR.

### **Additional Compensation from Strategic Partners**

In addition to the above-referenced benefits that Sponsor Companies provide directly to IARs, certain of these companies (Strategic Partners) pay extra compensation to IFG in return for providing them with additional opportunities to make their products available in our programs and services. This additional compensation paid to IFG by Strategic Partners is in addition to the charges and other fees described in the applicable prospectuses and varies between Strategic Partners and over time. This additional compensation is in the form of annual payments directly from these companies' assets and revenues and no portion of these annual payments to IFG is paid from client assets. The payments may be based on a negotiated fixed annual fee, a fee based on a percentage of the total purchase amount, total assets held by IFG clients in their product or the greater of a flat fee or amount based on assets and/or new sales.

A conflict of interest exists in these Strategic Partner revenue sharing arrangements in that IFG is paid more revenue-sharing fees if you purchase one type of product instead of another and/or purchase a product from one sponsor instead of another. Your IAR also indirectly benefits from Strategic Partner payments when IFG uses the money to support costs relating to product review, marketing or training. Additionally, the financial support, participation in due diligence meetings and educational activities, and gifts and entertainment received by IARs creates a conflict of interest for IARs as they incentivize IARs to focus more on or otherwise recommend or promote the products of Product Sponsors that provide this compensation over those that do not. Such fees are paid from the Product Sponsors' revenues and assets and do not increase the fee paid by the client. However, a conflict of interest exists because the payment of this additional compensation by these product sponsors poses a financial incentive to IFG to promote certain products over other products, participation as a Strategic Partner provides a greater opportunity than non-Strategic Partners to market and educate IARs on their investments and products and IFG provides Strategic Partners with additional opportunities to make their products available in programs or services offered by IFG. Even so, IFG does not believe that these arrangements compromise the duty and service the IAR owes and provides to the client as these fees are retained by IFG and are not paid to IAR.

### **Additional Compensation from Retirement Strategic Partners**

In addition to the above-referenced Strategic Partner program, IFG has Strategic Partner relationships with certain Retirement Partners (Retirement Strategic Partners), including plan recordkeeping platforms as well as investment managers of mutual funds and the issuers of annuities. In compliance with the prohibited transaction requirements of ERISA, these firms pay extra compensation to IFG of a fixed dollar amount. Retirement Strategic Partners may also pay the Firm's expenses or provide non-cash items and services to facilitate training and educational meetings for IARs. None of these Retirement Strategic Partner payments depend on the amount of any plan's investment in any product or use of any Retirement Strategic Partners services.

A conflict of interest exists in these Retirement Strategic Partner compensation arrangements in that IFG directly benefits from these payments. Additionally, your IAR also indirectly benefits from these payments when we use the money to support costs relating to product review, marketing or training. Additionally, these payments create a conflict of interest for IARs as they incentivize IARs to focus more on or otherwise recommend or promote the products or services of Retirement Strategic Partners that provide this compensation over those that do not. Such fees are paid from the Retirement Strategic Partners revenues and assets and do not increase the fee paid by the client. However, a conflict of interest exists because the participation as a Retirement Strategic Partner provides a greater opportunity than non-Strategic Partners to market and educate our IARs on products and services and IFG provides Retirement Strategic Partners with additional opportunities to make their products and services available in programs or services offered by IFG. Even so, IFG does not believe that these arrangements compromise the duty and service the IAR owes and provides to the client as these fees are retained by IFG and are not paid to IAR.

**Please see the disclosure section of our website at: <http://ifgsd.com/disclosures/> for current information concerning these Sponsor Company arrangements, including participating companies and programs.**

### **Products and Services Available to IFG from Broker/Custodians**

The available Broker/Custodians provide clients and IARs with access to their institutional brokerage, trading, custody, reporting, and related services, many of which are not available to their retail customers. They also make available various support services to IARs. Some of those services help IARs manage or administer client's accounts, while others help IARs manage and grow their business. Some of the products, services and other benefits provided by our Broker/Custodians benefit IFG and IARs and may not benefit you or your account. An IAR's recommendation/requirement that you place assets with one of these Broker/Custodians may be based in part on benefits they provide IFG and/or IAR, and not solely on the nature, cost or quality of custody and execution services provided by the Broker/Custodian, which is a conflict of interest. As part of their fiduciary duty, Adviser and IARs endeavor at all times to put the interest of our clients first.

**Services that Benefit You**

The Broker/Custodian's services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The available investment products include some which we might not otherwise have access to or that would require a significantly higher minimum initial investment by our clients. These services generally benefit you and your account.

**Services that May Not Directly Benefit You**

The Broker/Custodians we utilize make available to Adviser and IARs other products and services that benefit IFG and/or IARs but may not benefit your accounts in every case. Some of these other products and services assist IARs in managing and administering your accounts. These include software and technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution and allocation of aggregated trade orders for multiple client accounts, provide research, pricing information and other market data, facilitate payment of our fees from your account, and assist with back-office functions, recordkeeping, reporting and supervision. Many of these services generally may be used to service all or a substantial number of accounts.

**Services that Generally Benefit Only Adviser and IARs**

The Broker/Custodians also make available to Adviser other services intended to help Adviser and its IARs manage and further develop our business enterprises. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, the Broker/Custodians may make available, arrange and/or pay for these services rendered to us by third parties. The Broker/Custodians may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services. The Broker/Custodians may also provide Adviser and/or IARs with other benefits such as occasional business entertainment of personnel. Please see "Additional Compensation and Economic Benefits from Pershing" in Item 5 above for additional information concerning the compensation and benefits the Firm receives from Pershing.

**Please see Item 4 above for information concerning additional benefits and compensation received by IFG and/or IARs from Pershing in relation to accounts held at Pershing.**

**G. Financial Information** – Investment advisers are required to provide certain financial information or disclosures about their financial condition in this item. Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.