

Form ADV Part 2A: Firm Brochure

March 10, 2020

Item1: Cover Page

Intercarolina Financial Services, Inc.

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This brochure provides information about the qualifications and business practices of Intercarolina Financial Services, Inc. ("hereinafter IFS") If you have any questions about the contents of this brochure, please contact Joe Navolanic at 336-288-6890 or 800-326-3705 The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Intercarolina Financial Services, Inc. is also available on the Internet at www.adviserinfo.sec.gov. You can view our firm's information on this website by searching for our name, Intercarolina Financial Services, Inc. or searching by our firm's CRD number 19475.

The firm has notified, via this Form ADV Part 2A, the Securities Administrator of the Nevada Secretary of State that it has custody of it's Nevada clients cash or securities and that it intends to use the safeguards of Section (3)-Fee Deduction of the NASAA Custody Requirements for Investment Advisers Model Rule 102 (e)(1)-1.

Massachusetts Resident Clients may obtain the disciplinary history of IFS upon request from IFS. They may also obtain this information from Representatives of the Massachusetts Securities Division upon request.

Registration as an investment adviser does not imply a certain level of skill or training.

Item 2 – Material Changes

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amended the disclosure documents that Intercarolina Financial Services, Inc., provides to clients as required by applicable rules and regulations.

In accordance with NC Securities Division Rules, we are required to deliver to clients a copy of our amended Form ADV Part 2A within 30 days of a material event which requires us to file an amendment.

Within 120 days of the end of our fiscal year, we must offer our clients a copy of our Form ADV Part 2.

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Item 4 – Advisory Business

Description of Service

Intercarolina Financial Services, Inc. is an Securities and Exchange Commission (SEC) Registered Investment Advisor registered and is a corporation formed under the laws of the State of North Carolina. Marcus D. Kindley & Joseph E. Navolanic are the principal owners of IFS. IFS specializes in providing Investment Advisor and Retirement Plan Consulting Services to qualified retirement plans. We provide investment portfolio management for individuals, and pension, profit sharing, 403 (b), 404 (c) and 401 (k) Plans. Clients may choose to utilize a third-party account manager. We do participate in Wrap Fee Programs. Minneapolis Portfolio Management Group (MPMG), Fairfax Global Markets and First Trust.

Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words or abbreviations: “IFS” “adviser”, “firm”, “we”, “our” and “us” refer to Intercarolina Financial Services, Inc. and words “you”, “your” and “client” refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this brochure. As used in this brochure, our Associated Persons are our firm’s officers, employees, and all individuals providing investment advice on behalf of our firm. Please review Item 5-Fees and Compensation of this Brochure which describes brokerage and other transaction costs.

Client accounts may be managed on a discretionary and non-discretionary basis. As of December 31, 2019, client assets managed on a discretionary basis were 7,700,000 and \$100,000,000 managed on a non-discretionary basis.

Portfolio Management Services:

IFS provides ongoing advice to clients regarding investment of client funds based on the individual needs for the client. IFS develops an individual investment policy based on results from personal discussions about the individual's financial goals, objectives and other circumstances. We work with each client on a one-on-one basis through interviews and questionnaires. Clients will have the opportunity to place reasonable restrictions on the types of investments which will be made on the client's behalf.

A portfolio is created and managed based on the investment policy. IFS manages accounts either on a discretionary or non-discretionary basis. Account supervision is guided by the stated objectives of the client. With discretionary authority, we will determine the securities to be bought and sold, the amount of securities to be bought and sold and when the securities will be bought and sold for a client’s account. If the adviser does not have discretionary authority to place trade orders with a broker-dealer, pursuant to a third party trading agreement, Adviser must secure client permission prior to effecting securities transactions for the client for the client’s broker-dealer account(s). IFS/RIA is authorized to use “at the market” orders for discretionary and non-discretionary accounts.

IFS will allocate the client's assets among various investments taking into consideration the overall management style selected by the client. Mutual funds will be selected on the basis of any or all of the following criteria: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy and the fund's management fee structure. Portfolio weighting between funds and market sectors will be determined by each client's individual needs and circumstances. Clients will have the opportunity to place reasonable restrictions on the types of investments which will be made on the client's

behalf. We may modify our investment strategy to accommodate special situations like: low basis stock, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations. (Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)

Types of Investments

Portfolios will consist of one or more of any of the following: individual equities, government and corporate debt securities, municipal securities, no-load (i.e. no trading fee) and load-waived (i.e. trading fee waived) mutual funds and exchange traded funds (ETF). IFS allocates the client's assets among various investments taking into consideration the overall management style selected by the client. The mutual funds will be selected on the basis of any or all of the following criteria: the fund's performance history; the industry sector in which the fund invests, the track record of the fund's manager, the fund's investment objectives, the fund's management style and philosophy, and the fund's management fee structure. Portfolio weighting between funds and market sectors will be determined by each client's individual needs and circumstances. We restrict our investments to the types described in this Section 4-Advisory Business.

Retirement Plan Consulting Services:

In combination with Investment Advisory Services, IFS provides several Retirement Plan Consulting Services to its clients, including but not limited to; pension, profit sharing, 403(b), 404 (c) and 401(k) Plans. Retirement Plan Consulting Services are comprised of seven different services. The following is a description of the seven services:

(1) Investment Policy Statement (hereinafter “IPS”)

IFS will prepare an IPS for the Plan based upon consultation with the client to ascertain the client's investment objectives, policies, and constraints and will assist the client in developing a policy and IPS that is consistent with the requirements of ERISA if the client is a retirement plan. The IPS will be specific enough to provide guidance to the client's investment manager(s) and shall include the investment objectives of the Plan, the asset classes to be offered under the Plan, the criteria and benchmarks for selection and monitoring of the investments offered under the Plan, and the criteria used for monitoring IFS as a fiduciary of the Plan.

(2) Mutual Fund Search and Recommendation

IFS will provide a mutual fund search report designed to provide a list of mutual funds whose investment philosophies and policies are, in IFS' opinion, compatible with investment objectives, policies, constraints and risk tolerance, as specified by the client. IFS will review various investments to determine which of these investments are appropriate to implement the client's IPS.

Because IFS will render advice regarding the purchase and sale of securities, there is a mutual understanding that IFS' advice will be the primary basis for investment decisions, and IFS will receive advisory fees, IFS will accept, in writing, the status of a fiduciary under ERISA § (3)(21)(A).

Upon the plan sponsor's request IFS can also serve as the investment manager under ERISA § (3) (38).

(3) Performance Monitoring of the Investment Manager(s)/Mutual Funds

IFS will perform ongoing monitoring of the investments held by or offered as investment options and the investment manager(s) under the Plan in accordance with the IPS guidelines to ensure compliance. The investment manager(s) or investments will be evaluated according to the established guidelines as

outlined in the IPS and investment portfolio characteristics, performance of duties, and investment process and philosophy. IFS will not have discretion unless the client gives IFS discretion in writing in the purchase or sale of these investments. IFS will supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

(4) Mutual Fund Performance Reports

IFS will prepare Quarterly Mutual Fund Performance Reports, evaluating the performance of funds over specified periods of time, comparing various aspects of the performance to benchmarks agreed upon by the client and IFS if the client is a retirement plan. Analysis will include, but is not limited to, performance, style, manager tenure, peer comparison and holdings analysis.

(5) Employee Education Services

IFS will provide education services with on-site group sessions, or Webcasts, or one-on-one (by telephone, in person, or email) and will provide education materials to participants in the Plan, and advise them of the investment options under the Plan. In addition IFS will provide participants information regarding Plan benefits, features, and investment options. The nature of the topics to be covered will be determined by IFS and the client under the guidelines established in ERISA § 404(c). IFS provides information to participants about the benefits of retirement plans, advantages of contributing to a plan, increasing one's contributions, the tax status of contributions, terms of the plan and the impact of withdrawals or loans on retirement income. IFS provides information pertaining to the investments offered in the plan, such as prospectuses, investment objectives, risk and return characteristics of a particular fund and historical returns. IFS will provide plan participants with information about general investment concepts, including concepts such as diversification, dollar-cost averaging, compounding, risk and return, the effect of inflation, and tax deferral.

(6) Fee Analysis

As a one-time service, IFS will provide an analysis of the client's current plan fee arrangement. IFS' analysis will be based solely on information supplied by the client and the client's plan service providers. This fee analysis will pertain to the Plan's investment expenses as well as administration and recordkeeping fees.

(7) Provider Search Support

IFS will manage the preparation, distribution, evaluation of "Request for Proposal's", finalist interviews, and conversion support.

Item 5 – Fees and Compensation

5A. Manner of Compensation

This section provides details on fees and compensation arrangements for our advisory services. We have determined that the fees we charge clients are reasonable considering the type of services being provided, our experience and expertise and the sophistication and fee bargaining power of the client. Clients should be aware that lower fees for comparable services may be available from other sources. We are compensated for our investment advisory services by either a percentage of assets under management or fixed fees.

5B. Methods of Fee Payment

Payment of our portfolio management fees will be made by the qualified custodian holding your funds and securities provided you grant written authorization permitting our fees to be paid directly from your account. Alternatively, at your discretion, we will bill you directly for our services. We will not have physical access to your funds for payment of fees. Your qualified custodian agrees to deliver an account statement, at least quarterly, directly to you, showing all disbursements from your account. We encourage you to review all account statements for accuracy. Both we and you will have electronic access to your account statements.

Fees are negotiable for both non-retirement accounts and retirement plan accounts. Clients will incur brokerage and other transaction costs and are directed to Item 12-Brokerage Practices, which discusses how often these fees are billed or deducted from client accounts is described further in this section.

Non-Retirement Plan Accounts Investment Advisory Management Fees

Our annual fee for non-retirement plan accounts portfolio management services may be billed quarterly in advance, quarterly in arrears and monthly based on the market value of your assets under our management on the last day of the quarter. Fees for partial quarter services are adjusted on a pro-rate basis. Our fees will be assessed pro rata in the event the portfolio management agreement is executed at any time other than the first day of an entire calendar quarter. Fees for an entire calendar quarter shall be calculated by multiplying the value of the client's account at the end of each calendar quarter by one-fourth of the annual fee as specified in the agreement. Monthly fees shall be calculated by multiplying the value of the client's account at the end of the month by 1/12th of the annual fee as specified in the agreement and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds, or any portion of the funds of an advisory client.

IFS does not have physical access to customer funds and securities. Neither we, nor any other supervised persons accepts compensation for the sale of securities, including asset-based sales charges or service fees, from the sale of mutual funds for IA accounts.

On an annualized basis, our fees for non-retirement plan accounts portfolio management services are not based on account AUM, but are negotiable with a maximum of 150 basis points. One hundred basis points is the equivalent of 1%.

Retirement Plan Accounts Investment Advisory Management Fees

Retirement Plan Accounts-Fixed Fees

For some Retirement Plan Accounts, the client is charged a fixed annual fee for Portfolio Management Services and Retirement Plan Consulting Services inclusively. The annual fee schedule is indicated

below. The amount of the fee is determined by the amount to be managed when the account is established. These fixed fees do not increase or decrease regardless of the change in value of the account after it is established. Neither we, nor any other supervised persons accepts compensation for the sale of securities including asset-based sales charges or service fees from the sale of mutual funds for IA accounts.

Fixed Fee Schedule

<\$250,000 in assets	\$1250 annually
\$250,000 to \$500,000	\$2500 annually
\$500,000 to \$1,000,000	\$4000 annually
\$1,000,000 to \$2,000,000	\$5000 annually
\$2,000,000 to \$3,000,000	\$7500 annually
\$3,000,000 to \$5,000,000	\$12,000 annually
\$5,000,000 to \$8,000,000	\$16,000 annually
>\$8,000,000 in assets	\$20,000 annually

All these fees are negotiable. Fees are billed quarterly. The quarterly fee is equal to one-fourth of the annual fee. Payment of our portfolio management fees will be made by the qualified custodian holding your funds and securities provided you grant written authorization permitting our fees to be paid directly from your account. Alternatively, at your discretion, we will bill you directly for our services. We will not have physical access to your funds for payment of fees. Fees for partial quarter services are adjusted on a pro-rate basis. Fees continue to accrue for 30 (thirty) days after receipt of a written notice of termination of the agreement for retainer services. IFS does not have physical access to customer funds and securities.

Retirement Plan Accounts-Percentage of Assets Under Management Fees

Our annual fee for some of our retirement plan accounts portfolio management services is billed quarterly in arrears based on the market value of your assets under our management on the last day of the quarter. Fees for partial quarter services are adjusted on a pro-rate basis. Our fees will be assessed pro rata in the event the portfolio management agreement is executed at any time other than the first day of an entire calendar quarter. Fees for an entire calendar quarter shall be calculated by multiplying the value of the client's account at the end of each calendar quarter by one-fourth of the annual fee specified in the agreement and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds, or any portion of the funds of an advisory client.

On an annualized basis, our fees for portfolio management services are based on the following AUM breakpoint fee schedule. One hundred basis points is the equivalent of 1%.

<u>Assets Under Management</u>	<u>Annualized Fee</u>
Up to \$1,000,000	150 basis points
Over \$1,000,000	100 basis points

Payment of our portfolio management fees will be made by the qualified custodian holding your funds and securities provided you grant written authorization permitting our fees to be paid directly from your account. Alternatively, at your discretion, we will bill you directly for our services. Fees continue to accrue for 30 (thirty) days after receipt of a written notice of termination of the agreement for retainer services. IFS does not have physical access to customer funds and securities. Neither we, nor any other supervised persons accepts compensation for the sale of securities including asset-based sales charges or service fees from the sale of mutual funds for RIA accounts.

Payentry Multiple Employer 404(c) Plan (MEP) Accounts

This is an ERISA Section 404(c) Plan that incorporates several different employers. These fees are deducted from the employer's and participant's accounts held by the MEP custodian. The fees charged to this plan include a percentage of AUM Fee and additional fees and expenses.

The MEP is constructed so plan fees and expenses are paid partly by the MEP and partly by the individuals enrolled in the MEP by each employer that is a member of the MEP. A participant's share of these expenses is allocated on both a pro rata and a per capita basis. Certain fees may be applied pro-rata (i.e., your share of these expenses is based on the value of your account balance over the total assets in the Plan) while others, may be applied per capita (i.e., your share of these expenses is determined by dividing the total expense by the number of participants in the Plan).

Your account is charged a pro rata share (your account value/total plan value) of the following general plan expenses: Alerus Annual Asset Based Fee: 0.25%; Intercarolina Financial Services, Inc. Annual Asset Based Investment Advisory Fee 0.30%; Payentry Financial Services, Inc. Annual Asset Base Fee: 0.20%; Spectrum Employee Benefits, Inc. Annual Asset Based Fee: 0.50%. Your account is charged with the full amount of the following expenses: Alerus Annual Participant Recordkeeping Fee: \$30 per participant, Small Account Balance Fee: Terminated participants with balances smaller than the current distribution fee may be charged a small account balance fee equal to the current distribution fee listed in this disclosure.

Individual expenses- These are expenses you may incur if you take advantage of certain Plan features.

Loans- A \$130 processing fee for each new loan will be charged to your account.

Qualified Domestic Relations Order (QDRO)- The following QDRO- related expenses will be charged to your account:

- A \$100 processing fee for each domestic relation order

Distributions- The following distribution-related expenses will be charged to your account:

- A \$60 processing fee for each type of distribution requested

Other Expenses- You may incur certain charges for:

- Additional overnight delivery charge: \$35
- Wire transfer fee: \$20

5C.Other Fees and Expenses

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or ETF's (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities.

5D. Advance Payment of Fees

Please review Item 5B. Methods of Payment on page 7 in regard to advance payment of fees

5E. Supervised Persons Compensation for Securities Sales

Charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. Neither we, nor any other supervised persons accepts compensation for the sale of securities including asset-based sales charges or service fees from the sale of mutual funds. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds and exchange funds.

Clients may pay Third-Party Administrator fees or mutual fund expenses in connection with our Advisory Services. Clients will incur brokerage and other transaction cost.

IFS as a broker-dealer, and our supervised persons accepts compensation for the sale of securities, other investment products, or service fees from the sale of mutual funds for brokerage accounts. IFS does not permit commissions to be paid to it's IA Reps. or broker-dealer reps. for the sale of securities performed for advisory client accounts. If the firm recommends mutual funds to an investment advisory client, IFS will recommend no load funds or load waived funds for which there are no commissions, 12 B-1 fees, or other fees that are paid by the advisory client. Neither IFS or it's IA Reps. receive any of these commissions.

Clients have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with us. We do not charge commissions or markups to our advisory clients in addition to our advisory fees.

Item 6 – Performance-Based Fees and Side-By-Side Management

Neither we nor any of our Associated Persons accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are not charged on the basis of a share capital gains upon, or capital appreciation of, the funds in your advisory account.

Item 7 – Types of Clients

Individuals comprise 26 – 50% of the firm's total RIA clients. Pension and profit sharing plans including 403 (b), 404 (c) 401 (k) Plans comprise up to 50% of the firm's total RIA clients. In regard to Regulatory Assets under management, Individuals comprise up to 50% of the firm's total Regulatory Assets under management. Pension and profit-sharing plans including 403 (b), 404 (c) & 401 (k) Plans comprise up to 50% of the firm's total Regulatory Assets under management. IFS has no requirements, including a minimum account size, for opening or maintaining an account.

All clients are required to execute an agreement for services in order to establish a client arrangement with IFS.

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

Clients should consider that investing in securities involves risk of loss that clients should be prepared to bear. IFS uses the following methods of analysis in formulating investment advice:

Cyclical - Analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins. **Material Risks:** Cyclical risks of loss: the economic forecasts used to produce cyclical analyses may be inaccurate causing investments to be bought or sold at an inappropriate time which could cause investment losses. Even if the economic forecasts used are correct, a cyclical analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and or profitable investment opportunities.

Fundamental - A method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of determining out what sort of position to take with that security (underpriced = buy, overpriced = sell). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security. **Material Risks:** To perform an accurate fundamental analysis, the firm must have access to current/new market information. The firm has no control over the dissemination rate of market information; therefore, unbeknownst to the firm, analysis may be compiled with outdated market information, severely limiting the value of the firm's fundamental analysis. An accurate fundamental analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and or profitable investment opportunities.

Technical - A method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance. **Material Risks:** The data used to produce charts may be inaccurate, errors may be made in constructing the charts and charts may not be interpreted correctly. An accurate technical analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and or profitable investment opportunities.

Investment Strategies

IFS uses the following investment strategies when managing client assets and/or providing investment advice:

Long term purchases. Investments held at least a year. Material Risks: Long term investment strategies require a longer investment time period to allow for the strategy to potentially develop; therefore, the investment is exposed to a variety of market, economic and other potential investment risks than a short term investment.

Short term purchases. Investments sold within a year. Material Risks: Short term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs, compared to longer term investment strategies which will affect investment performance.

Risk of Loss

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, we are unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our individual portfolio management program strategies.

Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.

Equity (Stock) Market Risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

Company Risk - When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

Fixed Income Risk. When investing in government, corporate and municipal debt securities, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.

Exchange Traded Funds (ETF) and Mutual Fund Risk – When investing in an ETF or mutual fund, a client will bear additional expenses based on the client's pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF

or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.

Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

Item 9 – Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity or our registered investment advisor representatives.

Item 10 – Other Financial Industry Activities and Affiliations

IFS has other financial industry activities or affiliations. IFS is also a FINRA Registered Broker-Dealer. Marcus D. Kindley and Joseph E. Navolanic are management persons and registered representatives of this broker-dealer.

Because the firm's management persons and IA Representatives may also be a Registered Representatives of the firm's affiliated broker-dealer, certain material conflicts of interest may arise in implementing an IA client's Investment Strategy.

If the transactions in an client's IA account are performed by the firm's affiliate broker-dealer, the firm's management person or registered representative could charge excessive commissions for the purchase or sale of securities in investment advisory client accounts and receive these commissions as the registered representative assigned to the account in addition to receiving the IA fees for the client's IA account. This conflict of interest is addressed by not permitting the firm's broker-dealer representatives from receiving commissions from IA client accounts.

The firm's management person or investment advisor representative in managing their own financial assets may buy or sell securities recommended to the firm's clients. At times, depending on differences between them and the client's objectives, they may be selling a security the client is holding or the client may be selling a security they are holding. As a result, there is a possibility of a conflict of interest. To address this situation, it is the firm's policy that it's management persons and IA representatives conduct themselves so as to put the client's best interest. Market liquidity in most securities recommended to clients will facilitate all trades and prevent this conflict of interest. In addition, the client upon written request may inspect the firm's IA management persons and IA representative personal trading records, with the firm's affiliate broker-dealer.

A conflict of interest could also be possible if the client purchases or sells a security based on a firm's management person's or IA representative's recommendation that they in their capacity as a registered representative of the firm's affiliate broker-dealer obtained from a third-party transaction. This would occur for example, if they recommend a security the client's IA account at the same time one of their brokerage customers was selling the stock. Accordingly, the client acknowledges that such a conflict exists, and gives advance permission to make such a trade if recommended.

As described in the Form ADV Part 2A, the firm may recommend other broker-dealers to other clients based on the broker-dealers clearing abilities, commission rates and other factors. To the extent, the firm's management persons and IA representative or the firm's other IA clients not doing business with these other recommended broker-dealers are able to benefit from their services, client's doing business with these broker-dealers could be deemed to paying for services benefiting the firm's management

persons, IA representatives and other clients. Accordingly, the client acknowledges this possibility exists. The client accepts that this possible conflict of interest exists and may occur.

A management person or IA representative could advise an IA client to move part of or all of their IA account assets to a brokerage account of the firm's affiliate broker-dealer and arrange for them to be the registered representative for the brokerage account. They could then perform the same securities transactions in the brokerage account at commission rates much higher than they had been performed in the client's IA account. To address this potential conflict of interest, registered representatives may open brokerage individual accounts for IA clients, but the client's IA assets may not be moved to a brokerage account of the firm's affiliate broker-dealer.

Because the firm's management persons and several IA representatives are also licensed insurance agents of the firm's insurance agency, they earn commissions for selling insurance products, including insurance commissions they may receive from sales to advisory clients for insurance products. These commissions are separate from advisory fees. It is possible that a conflict of interest may exist if a firm's management person or IA representative recommends that an IA client sell securities in their IA account to purchase an insurance product from an agent of the firm's affiliated insurance agency for the purpose of producing a large commission for the insurance agent. The firm addresses this possible conflict of interest by requiring that funds obtained thru the sale of IA client's account securities or existing cash in the account may not be used to purchase insurance products unless it is deemed to be in the best interest of the client. Joe Navolanic will decide if the purchase of an insurance product is in the best interest of the clients and thus meets the suitability requirement. Our investment advisory clients are not required to purchase insurance products from our investment advisor's representative.

IFS does recommend or select other investment advisors for its clients. It recommends MPMG, Fairfax Global and First Trust.

Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading

Code of Ethics Summary

IFS has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. IFS' Code of Ethics describes the firm's fiduciary duties and responsibilities to clients and sets forth IFS' practice of supervising the personal securities transactions of supervised persons with access to client information. Individuals associated with IFS may buy or sell securities for their personal accounts identical to or different than those recommended to clients. It is the expressed policy of IFS that no person employed by IFS shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of advisory clients. To supervise compliance with its Code of Ethics, IFS requires that anyone associated with this advisory practice with access to advisory recommendations provide annual securities holdings reports and quarterly transaction reports to the firm. IFS requires such access persons to also receive approval from the firm prior to investing in any IPOs or private placements (limited offerings).

IFS requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices. IFS' Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. Any individual not in observance of the Code of Ethics may be subject to disciplinary action. IFS will provide a complete copy of its Code of Ethics to any client upon request to Marcus Kindley at IFS' principal address. Thirteen (13) of our employees perform investment advisory functions and are registered representatives of our broker-dealer. One of our employees is registered with the Kentucky Securities Division as an investment advisor in their state.

Eight of our employees are insurance agents of our insurance agency. No firms or other persons solicit advisory clients on our behalf. We are not an advisor to any private fund.

Affiliate and Employee Personal Securities Transactions Disclosure

IFS or its associated persons may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of IFS that all persons associated in any manner with the firm must place the interests of our clients ahead of their own interests when implementing personal investments. IFS and its associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry. In order to minimize this conflict of interest, securities recommended by IFS are widely held and publicly traded.

Item 12 – Brokerage Practices

Brokerage Recommendations

IFS recommends broker-dealers to clients for transactions based on their commission schedule, accuracy, timeliness of executing securities transactions for client accounts and quality of the broker-dealers back office service. The reasonableness of the recommended broker-dealer's commissions is determined by comparing their commission schedule to several different broker-dealer firms.

As IFS does not have the discretionary authority to determine the broker/dealer to be used or the commission rates to be paid by clients, clients must direct IFS as to the broker/dealer to be used. In directing the use of a particular broker or dealer, it should be understood that IFS will not have authority to negotiate commissions among various brokers or obtain volume discounts, and best execution may not be achieved. This practice may cost clients more money. In addition, a disparity in commission charges may exist between the commissions charged to other clients. IFS will maintain ongoing due diligence files on the various vendors in order to insure the client receives competitive services for the brokerage and custodial fees they pay.

Block Trading Policy/Trade Errors

Transactions implemented by IFS for client accounts are generally effected independently, unless the firm decides to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by the firm when IFS believes such action may prove advantageous to clients. When IFS aggregates client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among the firm's clients in proportion to the purchase and sale orders placed for each client account on any given day. When IFS determines to aggregate client orders for the purchase or sale of securities, including securities in which IFS may invest, IFS will do so in accordance with the parameters set forth in the SEC No-Action Letter, SMC Capital, Inc. It should be noted, IFS does not receive any additional compensation or remuneration as a result of aggregation.

IFS has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of IFS to correct trade errors

in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by IFS if the error was caused by IFS. If the error is caused by the broker-dealer, the broker-dealer will be responsible for resolving the trade error. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should also receive the gains and it is not permissible for all clients to retain the gain. IFS may also confer with a client to determine if the client should forego the gain (e.g., due to tax reasons).

Item 13 – Review of Accounts

Non-Retirement and IRA Portfolio Management Services: Your investment advisor representative will monitor your accounts on a quarterly basis to ensure the advisory services provided to you are consistent with your investment needs and objectives. Your investment advisor representative will conduct an account review with you at least once annually. We will provide account recommendations and investment considerations during the meetings and/or when appropriate. Determining factors that may stimulate additional reviews include, but are not limited to, material changes in your financial condition, significant market corrections, large deposits or withdrawals from your account, and your request for an additional review.

Retirement Plan Portfolio Management and Retirement Plan Consulting Services: Mike Meador or Derrick Longo from MPay, Inc. will review Retirement Plan Consulting Services Accounts Investment Policy Statements, at least quarterly or whenever clients indicate there is a change in circumstances regarding the needs of the plan. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. Mike Meador or Derrick Longo may also review the investment options of the plan according to the agreed upon time intervals established in the investment policy statement. More frequent reviews are determined by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. Unless expressly waived by you, we will conduct an account review with you at least once annually. These reviews will be conducted by Mike Meador or Derrick Longo from.

Statements and Reports

Portfolio Management Services: Clients will receive monthly and/or quarterly statements and confirmations from their respective broker-dealer(s) and/or custodian(s). IFS will provide reports as contracted for at the inception of the advisory relationship. These reports will be in a written format.

Item 14 – Client Referrals and Other Compensation

IFS nor any related person directly or indirectly compensates any other firms or persons for client referrals. No Firm or individual who is not a client provides an economic benefit to us for providing investment advice or other advisory services to our clients.

Item 15 – Custody

We have custody of our accounts since we have an arrangement under which we are authorized or permitted to withdraw client funds from a custodian upon your written instructions to the custodian. We

do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s), if they were billed to the custodian, each billing period. You should carefully review account statements for accuracy. If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure. Neither we nor our CPA firm has signatory authority for a client's checking account. Of the \$107,000,000 of our securities and cash under management we have custody of \$1,000,000 in cash of these assets since we have the authority to request the withdrawal of client funds from client custodians for these accounts. We have custody of this cash in 199 of our accounts.

Based on Nevada Regulations, which are based on NASAA Custody Requirements for Investment Advisers Model Rule 102(e)(1)-1, we do have custody of client funds since we deduct our fees from the cash held in the clients' account with their account custodian. We do not have custody of client's cash held in their bank accounts.

Item 16 – Investment Discretion

Before we can buy or sell securities on a discretionary basis on your behalf, you must first authorize it in your investment advisory agreement, a power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the timing, selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines and/or impose certain conditions or investment parameters for your account.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis. Therefore, you will be contacted and required to accept or reject our investment recommendations including: the security being recommended, the number of shares or units, and whether to buy or sell securities.

If your accounts are managed on a non-discretionary basis, you need to know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

All clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account.

Item 17 – Voting Client Securities

IFS will not vote proxies on behalf of your account unless IFS manages the account on a discretionary basis. While there are some investment advisors that will vote proxies and other corporate decisions on behalf of their clients, we have determined that taking on the responsibility for voting client securities does not add enough value to the services provided to clients to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in accounts managed by our firm unless IFS has discretion over the account.

You will receive proxies directly from your custodian or transfer agent and such documents will not be delivered by IFS.

As indicated above, IFS will vote proxies on the investments that are being managed on a discretionary basis. Our policy is that proxies will be voted in the best interest of clients. Our proxy voting policy is to cast proxy votes in favor of proposals that are anticipated to enhance the long-term value for a company's shareholders and the company. Generally, this will mean voting "for" proposals that are to improve the management of a company, increase the rights or preferences of the voted securities, and/or increase the chance that a premium offer would be made for the company or for the voted securities. IFS' decision to vote in support or opposition of a proposal will always depend on the specific circumstances described in the proxy statement and other available information. Clients may request a complete copy of our proxy voting policies and procedures as well as information on how the individual client's proxies were voted by contacting IFS.

Item 18 – Financial Information

IFS does not require or solicit prepayment of more than \$500 in fees per client six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year.

IFS is not subject to any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. IFS has not been the subject of a bankruptcy petition at any time in the past ten (10) years.

Of the \$107,000,000 of our securities and cash under management we have custody of \$1,00,000 of cash of these assets since we have the authority to request the withdrawal of client funds from client custodians for these accounts.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines and/or impose certain conditions or investment parameters for your account(s).

Item 19- Requirements for State-Registered Advisors

Refer to our Form ADV Part 2B; Brochure Supplement: for background information, including their formal education and business background, about management personnel and those giving investment advice on behalf of our firm. Marcus D. Kindley & Joseph E. Navolanic are the principal owners of IFS.

The Form ADV Part 2B: Brochure Supplement, will be provided to you simultaneously with the Form ADV Part 2A: Firm Brochure. These two documents may be provided to you at least forty-eight (48) hours prior to your endorsement of the contract, or they may be provided to you at the time you endorse the contract. If they are provided to you at the time you endorse the contract, you may cancel the contract within five (5) business days of your endorsement without penalty to you.

IFS is actively engaged in the business of a FINRA Registered Broker-Dealer. The firm spends approximately sixty percent (60 %) of it's time performing this business. We are also an insurance agency and spend approximately 5% of our time performing this business.

Neither our firm, nor any of our Associated Persons have any reportable arbitration claims, civil, self-regulatory organization proceeding or administrative proceeding or any other disciplinary disclosure information.

Neither our firm, nor any of our Associated Persons are compensated for advisory services, with performance-based fees or Side-By-Side Management. Please refer to Item 6 Performance-Based Fees and Side-By-Side Management in this Brochure for additional information on this topic.

Our firm has never been subject of a bankruptcy petition.

Failing to disclose to a client in writing, before entering or renewing an advisory agreement with that client, any material conflicts of interest regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice does not promote “fair, equitable or ethical principles.” Any material conflicts of interest that may exist between our clients and our firm has been disclosed in this Brochure.