

## Item 1 – Cover Page



### **BFC Planning, Inc.**

4201 42<sup>nd</sup> Street NE  
Suite 100  
Cedar Rapids, IA 52402  
(319) 447-5700

Date of Brochure: March 29, 2023

---

This brochure provides information about the qualifications and business practices of BFC Planning, Inc. (also referred to as "us", "we", "BFC" or "BFCP" in this brochure). If you have any questions about the contents of this brochure, please contact the Managed Money Department at 319-447-5700 or [RIACompliance@berthel.com](mailto:RIACompliance@berthel.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about BFCP is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for BFC Planning, Inc. You may search for information by using the firm's CRD number. The CRD number for BFC Planning, Inc. is **119682**.

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

## Item 2 – Material Changes

Since our last update dated March 2022, we have made the following material changes to this disclosure brochure:

- We have updated the list of investments we do not provide advice on.
- We have updated advisory services offered on held away assets . See Item 15.
- We have added information related to payment options for certain services.

## Table of Contents (Item 3)

[Item 1 – Cover Page](#)

[Item 2 – Material Changes](#)

[Item 4 – Advisory Business](#)

[Item 5 – Fees and Compensation](#)

[Item 6 – Performance-Based Fees and Side-By-Side Management](#)

[Item 7 – Types of Clients](#)

[Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss](#)

[Item 9 – Disciplinary Information](#)

[Item 10 – Other Financial Industry Activities and Affiliations](#)

[Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading](#)

[Item 12 – Brokerage Practices](#)

[Item 13 – Review of Accounts](#)

[Item 14 – Client Referrals and Other Compensation](#)

[Item 15 – Custody](#)

[Item 16 – Investment Discretion](#)

[Item 17 – Voting Client Securities](#)

[Item 18 – Financial Information](#)

[Item 19 - Business Continuity Plan](#)

[CONSUMER PRIVACY NOTICE AND POLICY](#)

## Item 4 – Advisory Business

BFC Planning, Inc. (also referred to as “us”, “we and “BFCP” throughout this brochure) is a corporation formed under the laws of the State of Iowa in 1974 and registered as an investment adviser with the United States Securities and Exchange Commission (“SEC”) since 2007.

Our firm is fully owned by a parent company, Berthel Fisher & Company (“BFC”), of which a majority interest is owned by Thomas J. Berthel, who is also the Chief Executive Officer of BFCP, Berthel Fisher & Company, Berthel Fisher & Company Financial Services, Inc. (“BFCFS”), and Securities Management and Research, Inc. (“SMR”).

### **Introduction**

The investment advisory services of BFCP will be provided to you through an appropriately licensed (when required) and qualified individual who is an Investment Adviser Representative of BFCP (referred to as your “IAR” throughout this brochure). Your IAR typically is not an employee of BFCP; rather, your IAR typically is an independent contractor of BFCP.

Your IAR is limited to providing the services and charging investment advisory fees in accordance with the descriptions detailed in this brochure. However, the exact services you will receive and the fees you will be charged are dependent upon your IAR and will be specified in your advisory program agreement. As a result, investment advisory services offered through and the investment advisory fees charged by BFCP can vary among the IARs of BFCP.

The exact services that your IAR may provide may be limited by his or her broker-dealer affiliation. Your IAR may be affiliated in a separate capacity as a registered representative with our affiliated broker-dealers, Berthel Fisher & Company Financial Services, Inc. or Securities Management and Research, Inc.

*For more details about your investment adviser affiliation with a broker-dealer, please refer to Item 10 – Other Financial Industry Activities and Affiliations.*

### **General Description of Primary Advisory Services**

The following are brief descriptions of the primary investment advisory services of BFCP. More detailed descriptions of our services are provided in *Item 5 – Fees and Compensation* so that you can review the services and description of fees in a side-by-side manner. Please understand that a written agreement, which details the exact terms of the service, must be signed by you and us before we can provide you the investment advisory service described below.

**Financial Planning Services** - We provide investment advisory services in the form of financial planning services. Financial planning services do not involve the active management of client accounts, but instead focus on a client’s overall financial situation. Financial planning can be described as helping individuals determine and set their long-term financial goals, through investments, tax planning, asset allocation, risk management, retirement planning, and other areas. Under this program, the role of your IAR as a financial planner is to find ways to help you understand your overall financial situation and help you set financial objectives. Financial planning services can include the provision of a written financial plan or other consulting without a written financial plan.

**Asset Management Services** - We provide investment advisory services in the form of asset management services. Our asset management services involve providing clients with continuous and on-going supervision over designated accounts. Your IAR may provide asset management services to you through one or more of the following platforms: (A) Berthel Edge; (B) BFCP Advisory program through our affiliated broker-dealers; (C) Institutional RIA Platforms; (D) Variable Annuity/Variable Life Sponsors; (E) Managed Account Solutions; (F) Sub-Advisory Platforms; and (G) Held Away Accounts.

**Outside Money Managers** – We provide advisory services by referring you to outside, or unaffiliated, money managers that are registered or exempt from registration as investment advisers. Third-party money managers are responsible for continuously monitoring your designated account and making trades for your account when necessary.

### **Limits Advice to Certain Types of Investments**

With some exceptions, your IAR is typically available to offer advice on most types of investments owned by you and, at your specific request, will explore investment options not currently owned by you. However, your IAR is not permitted to provide advice on futures contracts.

BFC Planning, Inc. is typically available to provide investment advice on the following types of investments.

- No-Load (i.e. no trading fee) and Load-Waived (i.e. trading fee waived) Mutual Fund Shares
- Exchange-listed securities (i.e. stocks)

- Securities traded over-the-counter (i.e. stocks)
- Fixed income securities (i.e. bonds)
- Closed-End Funds and Exchange Traded Funds (ETFs)
- Foreign Issues
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable Annuities
- United States government securities
- Options contracts on securities and commodities
- Interests in partnerships investing in real estate, oil and gas interests
- Fixed Indexed Annuities
- Publicly registered non-traded REITs and BDCs.

We do not provide advice on hedge funds, futures contracts on tangible and intangible assets, digital assets and do not affect transactions in commodities futures, or commodity options.

When providing asset management services, your IAR will typically construct your account holdings using stocks, bonds, mutual funds and ETFs to build diversified portfolios. We may modify our investment strategy to accommodate special situations like: low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or unique tax situations. Some platforms offer limited investment options, specifically Held Away Accounts that are subject to limitations determined by the Plan Administrator and/or custodian.

In certain cases, where a client and IAR determine it to be appropriate, and it is consistent with the client's best interest and investment mandates, our IAR can employ strategies that involve concentration, active trading and speculation.

BFCP may provide advice regarding real estate investment trusts (REITs) and Business Development Companies (BDCs). Some of the REITs and BDCs that are the subject of BFCP's advisory services are not publicly traded. In other words, the lack of an active secondary market for the sale of such REITs or BDCs can limit a client's ability to dispose of such investments in a timely manner and at an advantageous price. Consequently, a client should exercise caution to avoid over-concentration of their assets in these illiquid investments. It is likely the price of a REIT or BDC listed on your account statement provided by a custodian only reflects the original purchase price and does not reflect any price or value from a secondary market, a repurchase offered by the sponsor or the book value. It is possible that the actual value of the REIT or BDC on a secondary market or through a repurchase by a sponsor is significantly less than the original purchase price shown on the account statement provided by the custodian.

*Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.*

#### **Wrap-Fee Program versus Non-Wrap Fee Program**

Your IAR may provide asset management services through both wrap-fee programs and non-wrap fee programs. Under a wrap-fee program, asset management services and transaction/execution costs are provided for one fee. This is different from non-wrap fee programs whereby our asset management services are provided for a fee, but transaction/execution costs are billed to clients separately on a per-transaction basis. From an asset management perspective, there is not a fundamental difference in the way your account is managed except whether the transaction/execution costs are billed as a single fee with the asset management services or as separate fees for each transaction in addition to the asset management fee. However, offering both wrap and non-wrap fee programs is a conflict of interest because BFCP might earn more or less compensation depending on factors such as the type of account you select and the frequency of your trades. Before recommending that you utilize a wrap fee program or non-wrap fee program, your IAR will help you evaluate options for your consideration.

BFCP permits its IARs to recommend that you utilize one of multiple asset management programs described in Item 5 of this brochure. These programs offer various features and benefits, and investment advisory fees will vary from program to program. Similarly, your IAR's compensation may vary depending on which program he or she recommends to you, which is a conflict of interest. In order to mitigate this conflict, your IAR is required to recommend the asset management program or programs that are in your best interest without regard to BFCP or the IAR's own interest. In addition, certain asset management programs are available only to pre-existing or grandfathered clients.

### **Tailor Advisory Services to Individual Needs of Clients**

Our financial planning, asset management and outside money manager services are always provided based on your individual needs. This means, for example, that you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information.

### **Client Assets Managed by BFC Planning, Inc.**

The amount of clients' assets managed by BFCP totaled \$1,477,309,181 as of December 31, 2022. The amount managed on a non-discretionary basis is \$181,559,941 and \$1,297,786,991 is managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

In addition to the information provided in *Item 4 – Advisory Business*, this section provides additional details regarding our firm's services along with descriptions of each service's fees and compensation arrangements.

### **Financial Planning Services**

Depending upon your IAR, BFCP will generally provide one of three basic types of financial planning and consulting services as follows:

1. Full Service Financial Planning - This service is for the creation of a holistic written financial plan, which typically addresses the following topics: investment planning; retirement planning; insurance planning; tax planning; education planning; portfolio reviews; asset allocation, and real estate planning. This service can be for preparation of a new financial plan or for an update of an existing financial plan.
2. Limited Service Financial Planning: This service is limited to focusing upon one or more specific areas identified by you. It does not involve the creation of a full financial plan. You should be aware that there are important issues that may not be taken into consideration when your IAR develops his or her analysis and recommendations under limited service financial planning.
3. As-Needed Consulting Services: Under this service, we offer consultations in order to discuss financial planning issues when you do not need a written financial plan. This includes "as-needed" consultations, which are limited to consultations in response to a particular investment or financial planning issue raised or request made by you. Under an "as-needed" consultation, it will be incumbent upon you to identify those particular issues for which you are seeking our advice or consultation on.

Our financial planning and consulting services do not include the implementation of any transactions on your behalf. You have the sole responsibility for determining whether to implement our financial planning and consulting recommendations. To the extent you would like to implement any of our investment recommendations through BFCP as an investment adviser to actively monitor and manage your investments, you must execute a separate written investment advisory agreement with BFCP for our asset management services. This asset management service charges a separate fee from your financial planning and consulting services. Thus, your IAR has a conflict of interest when recommending asset management services.

In the alternative, you could also work with your IAR in his or her separate capacity as a registered representative of Berthel Fisher & Company Financial Services (BFCFS) or Securities Management and Research (SM&R) broker-dealer for the purpose of implementing transactions through a non-fee, commission-based brokerage account. A conflict will exist between the interests of BFCP, your IAR and your interests. If you choose to implement the advice of BFCP, your IAR may earn commissions in his or her capacity as a registered representative or additional advisory fees for managed accounts in addition to the fees charged for financial planning services.

If you choose to implement any financial planning recommendations through BFCP, your representative will recommend an implementation strategy (e.g., fee-based advisory account or commission based brokerage account) that is in your best interest without regard to the financial interests of BFCP, or broker-dealer, as an investment adviser or broker-dealer or your representative as an the IAR or registered representative.

### **Fees for Financial Planning Services**

Fees for BFCP's financial planning services may be fixed or hourly as described below.

BFCP provides financial planning services under an hourly fee arrangement. An hourly fee in the range of \$150 to \$400 per hour (depending upon the IAR) is charged by BFCP for financial planning services provided under this arrangement. Under this type of

arrangement, prior to commencing financial planning services, BFCP provides an estimate of the approximate hours needed to complete the requested financial planning services. If BFCP anticipates exceeding the estimated number of hours required, BFCP will contact you to receive authorization to provide additional services. You will pay in advance a mutually agreed upon retainer that will be available for BFCP to bill hourly fees against for our financial planning services; however, under no circumstances will BFCP require you to pay fees more than \$1,200 more than six months in advance. The standard billing dates and events of BFCP are the following: (1) the first business day of each month; (2) the date when incurred hourly fees and expenses will cause the retainer balance to be depleted to zero; (3) the date or thereafter that BFCP substantially provides the agreed upon services; and (4) the date the engagement is terminated by either you or BFCP. Upon presentment of the invoice to you, BFCP will deduct the hourly fees due BFCP against your current retainer balance and you are required to pay BFCP immediately any outstanding balance of hourly fees due.

BFCP also provides financial planning services under a fixed fee arrangement. A mutually agreed upon fixed fee is charged for financial planning services under this arrangement. There is a range in the amount of the fixed fee charged by BFCP for financial planning services. The minimum fixed fee is generally \$100, and the maximum fixed fee is generally no more than \$15,000. The amount of the fixed fee for your engagement is specified in your financial planning agreement with BFCP. You are required to pay 100% of the fixed fee in advance at the time you execute an agreement with BFCP; however, at no time will BFCP require payment of more than \$1,200 in fees more than six months in advance.

BFCP also provides ongoing financial and investment planning services for a flat annual fee.

Fees charged for financial planning services will vary depending on the IAR, scope of services provided, complexity of the process undertaken, the types of issues addressed and the frequency with which the services are rendered.

There are fees and expenses charged by mutual funds to their shareholders, which will be applicable if you invest in mutual funds due in part to the services under this Agreement. These fees and expenses are described in each mutual fund prospectus. These fees will generally include a management fee, other fund expenses and a possible distribution fee (known as 12(b)-1 fees). If the mutual fund also imposes sales charges, you may pay an initial or deferred sales charge. Likewise, if you decide to invest through a qualified custodian due in part to the services under this Agreement, the qualified custodian or broker-dealer executing certain transaction will charge commissions for implementing transactions.

To the extent BFCP provides you with general investment recommendations as part of the financial planning services and you implement such investment recommendations through BFCP's IAR, we may offer in our agreement with you to waive or reduce the fees for financial planning services.

The financial planning services terminate upon delivery of the written financial plan or upon either party providing the other party with written notice of termination.

If you terminate the financial planning services after entering into an agreement with us, you will be responsible for immediate payment of any financial planning services performed by BFCP prior to the receipt by BFCP of your notice of termination. For financial planning services performed by BFCP under an hourly arrangement, you will pay BFCP for any hourly fees incurred at the rates described above. For financial planning services performed by BFCP under a fixed fee arrangement, you will pay BFCP a pro-rated fixed fee equivalent to the percentage of work completed by BFCP as determined by BFCP. In the event that there is a remaining balance of any fees paid in advance after the deduction of fees from the final invoice, those remaining proceeds will be refunded by BFCP to you.

#### **Fees for Financial Consulting Services**

BFCP provides consulting services under an hourly fee arrangement. An hourly fee in the range of \$150 to \$400 (depending upon the IAR working with you) is charged by BFCP for consulting services provided under this arrangement. Before providing consulting service, BFCP will provide an estimate of the approximate hours needed to complete the consulting services. If BFCP anticipates exceeding the estimated number of hours required, BFCP will contact you to receive authorization to provide additional services. You may be requested to pay in advance a mutually agreed upon retainer that will be available for BFCP to bill hourly fees against for our consulting services; however, under no circumstances will BFCP require you to pay fees more than \$1,200 more than six months in advance. The standard billing dates and events of BFCP are the following: (1) the first business day of each month; (2) the date when incurred hourly fees will cause the retainer balance to be depleted to zero; (3) the date or thereafter that BFCP substantially provides the agreed upon services; and (4) the date the engagement is terminated by either you or BFCP. Upon presentment of the invoice to you, BFCP will deduct the hourly fees due BFCP against your current retainer balance and you will immediately pay BFCP any outstanding balance of hourly fees due.

The “as-needed” consulting services will terminate upon either you or BFCP providing written notice of termination to the other party.

If you terminate the consulting services after entering into an agreement with BFCP, you will be responsible for immediate payment of any consulting work performed by BFCP prior to the receipt by BFCP of your notice of termination. For consulting services performed by BFCP under an hourly arrangement, you will pay BFCP for any hourly fees incurred at the rates described above. In the event that there is a remaining balance of any fees paid in advance after the deduction of fees from the final invoice, those remaining proceeds will be refunded by BFCP to you.

#### **Other Fee Terms for Financial Planning and Consulting**

The above described fee ranges are the standard fee ranges that are typically charged. In some instances, fees higher than those stated above may be charged if the scope of the project agreed upon warrants a higher fee. Your IAR may negotiate fees with you based on the complexity of your personal circumstances, financial situation and the services that will be provided, the scope of the engagement, your gross income, the experience and standard fees charged by the IAR providing the services, and the nature and total value of the assets subject to the financial planning services. In addition, your fees may be negotiated based on whether or not you have assets under management with your IAR. Your IAR, at his or her discretion, may waive the agreed upon financial planning fees if you purchase products or enter into agreements for other services with your IAR.

BFC Planning, Inc. allows your IAR to set fees within ranges provided by BFCP. As a result, your IAR may charge more or less for the same service than another IAR of BFCP. It should be noted that lower fees for comparable service may be available from other sources. The exact fees and other terms will be outlined in the financial planning agreement between you and BFC Planning, Inc.

You may pay the investment advisory fees owed for the financial planning services by submitting payment directly (for example, by check) or having the fee deducted from an existing investment account. If you elect to pay by automatic deduction from an existing investment account, you will provide written authorization to BFCP for such charge. You may also pay the fee via a credit or debit card through an on-line payment service if your financial advisor has subscribed to the service (current vendor is Advice Pay). Paying through the vendor reduces the amount your financial advisor receives from the total fee you paid. Paying by check provides your financial advisor credit for the full amount, paying by a debit record reduces the amount and paying by credit card reduces the amount more than if by debit card. Even when your financial advisor subscribes to the on-line payment service, how you pay (check, investment account deduction, bank account debit (ACH) or credit card) is your choice.

You should notify BFCP within ten (10) days of receipt of an invoice if you have questions about or dispute any billing entry.

To the extent BFCP engages an outside professional (i.e. attorney, independent investment adviser or accountant) while providing financial planning and consulting services to you, BFCP will be responsible for the payment of the fees for the services of such an outside professional, and you will not be required to reimburse BFCP for such payments. To the extent that you personally engage such an outside professional, you will be responsible for the payment of the fees for the services of such an outside professional, and BFCP will not be required to reimburse you for such payments.

All fees paid to BFCP for services are separate and distinct from the commissions, fees and expenses charged by insurance companies associated with any disability insurance, life insurance and annuities subsequently acquired by you. If you sell or liquidate certain existing securities positions to acquire any insurance or annuity, you may also pay a commission and/or deferred sales charges in addition to the financial planning and consulting fees paid to BFCP and any commissions, fees and expenses charged by the insurance company for subsequently acquired insurance and/or annuities.

If you elect to have your IAR, in his or her separate capacity as an insurance agent, implement the recommendations of BFCP, your IAR at his or her discretion may waive or reduce the investment advisory fee charged for these services by the amount of the commissions received by your IAR as an insurance agent. Any reduction of the investment advisory fee will not exceed 100% of the insurance commission received.

All fees paid to BFCP for advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each mutual fund’s prospectus. These fees will generally include a management fee, other fund expenses and a possible distribution fee. If the fund also imposes sales charges, you may pay an initial or deferred sales charge.

All fees paid to BFCP for financial planning and consulting services are separate and distinct from the commissions charged by a broker-dealer or asset management fees charged by an investment adviser to implement such recommendations.

If you elect to have your IAR, in his or her separate capacity as a registered representative, implement the recommendations of BFCP through our affiliated broker-dealers (BFCFS or SM&R), your IAR at his or her discretion may waive or reduce the investment advisory fee charged for the financial planning and consulting services by the amount of the commissions received as a registered representative. Any reduction of the investment advisory fee for financial planning and consulting will not exceed 100% of the commission received as a registered representative.

If you elect to implement the recommendations of BFCP through our other investment advisory programs, BFCP may waive or reduce a portion of the investment advisory fees for such investment advisory program(s). Any reduction will be at the discretion of your IAR and disclosed to you prior to contracting for additional investment advisory services.

It should be noted that lower fees for comparable services may be available from other sources.

### **Asset Management Services**

BFCP offers asset management services, which involves BFCP providing you with continuous and ongoing supervision over your specified accounts.

Asset management services may be provided by your IAR through one or more of the following platforms: (A) Berthel Edge; (B) BFC Advisory program through our affiliated broker-dealers; (C) American Funds Direct F-2 Share Class Program (D) Institutional RIA Platforms; (E) Variable Annuity/Variable Life Sponsors; (F) Envestnet's Managed Account Solutions; (G) Sub-Advisory Platforms; and (H) Held Away Accounts (accounts with custodians other than BFCP's primary custodians)..

BFCP allows your IAR to set fees within ranges provided by BFCP for its asset management services. As a result, your IAR may charge more or less for the same asset management service than another IAR of BFCP. It should be noted that lower fees for comparable asset management service may be available from other sources. The exact fees and other terms will be outlined in the Investment Adviser Agreement between you and BFCP.

You should discuss with your IAR the costs and benefits of each platform and/or program and then select the platform and/or program that you believe best supports your investment goals and style and provides the most cost-effective means of executing the investment strategy for your designated account. Some of the programs described below are available only to pre-existing or grandfathered clients.

You must appoint our firm as your investment adviser on specified accounts (collectively, the "Account"). The Account consists only of separate account(s) held by qualified custodian(s) under your name. The qualified custodians maintain physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

Depending on the platform selected, the Account is managed by your IAR, a sub-adviser, or third-party money manager based on your financial situation, investment objectives and risk tolerance. We (or the sub-adviser or other third-party money manager, as described in the particular program's Form ADV description and client agreement) actively monitor the Account and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the Account.

For all programs, we will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however, we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to consult with you relative to the status of your Account. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities.

It is important that you understand that we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material,



non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

Mutual Fund Share Class Selection. Mutual Funds typically offer multiple share classes available for investment based upon certain eligibility and/or purchase requirements. For instance, in addition to the more commonly offered retail mutual fund share classes (typically, Class A and C shares), mutual funds may also offer institutional or advisor share classes (the "lower cost share classes") or other share classes that are designed for purchase in an account enrolled in an investment advisory program. These lower cost share classes usually have a lower expense ratio than other shares classes.

BFCP prohibits purchases of all known 12b-1 fee-paying funds in accounts under BFCP's management. New purchases of these share classes would only be allowed in extremely limited circumstances (e.g., if no other share class is available). BFCP performs a quarterly review to identify any 12b-1 fee-paying shares carried in advisory accounts as a result of transfers of accounts to BFCP, in kind, and will convert the 12b-1 shares to lower-cost share classes where such classes exist. If any 12b-1 fees are paid to an affiliated broker-dealer firm in advisory accounts managed by BFCP, these 12b-1 fees will be refunded to the client.

#### **A. Berthel Edge**

BFCP uses Envestnet Asset Management, Inc. ("Envestnet") to provide asset management services to clients through the Berthel Edge program, a wrap-fee program sponsored by BFCP. Berthel Edge provides functions and renders investment advice including recommending an appropriate asset allocation for each client and specific investment managers ("Sub-Managers") or investment products.

Upon execution of a *Statement of Investment Selection*, your IAR assists you with the establishment of one or more individual accounts with one of BFCP's qualified custodians; National Financial Services, LLC (also referred to as National Financial Services or NFS throughout this Disclosure Brochure), Charles Schwab Institutional, TD Ameritrade Institutional, or Fidelity Institutional. Clients must appoint Envestnet and BFCP as their investment adviser on the account.

Through Berthel Edge, BFCP provides each client continuous investment advice based on their needs and circumstances. Utilizing tools provided by Envestnet, your IAR assists you with determining the suitability of the asset allocation and investment options for you. Your IAR will then assist you in allocating your assets among different investment options in the program and recommend investment vehicles and/or Sub-Managers within Berthel Edge for your accounts.

If you participate in Berthel Edge, you may grant BFCP discretionary authority with respect to investment and advisory services provided to your designated account to (i) invest and reinvest the assets in the program, and (ii) retain Sub-Managers with respect to all or a part of the separate account program assets. These Sub-Managers, in turn, shall be granted full discretionary authority to invest and reinvest the separate account program assets with respect to which such Sub-Managers have been granted investment discretion, subject to reasonable restrictions requested by the client.

Under Berthel Edge, you are charged a specified fee, or fees for investment advisory and execution services. You pay a single annualized fee, calculated by applying the annual fee schedule for the pertinent category of Program assets in the *Statement of Investment Selection* to the asset value of program assets (determined quarterly on an account by account basis and not in the aggregate). The initial program fee will equal (on an annualized basis) the percentage set forth in the client fee schedule of the fair market value of each client's Program assets in the applicable category. This fee is not based directly on the transactions in the client's accounts.

The initial program fee shall be calculated on the first day of the following month after the initial program assets are placed in the program with National Financial Services and shall be the program fee for the first calendar quarter (or part thereof) in which you participate in the program. The initial program fee for any partial calendar quarter shall be appropriately pro-rated based on the number of calendar days in the partial quarter. Thereafter, the program fee shall be calculated at the beginning of each calendar quarter based on the value of program assets on the last business day of the prior calendar quarter. However, if an account is opened in the last month of a calendar quarter, the program fee will be calculated and debited for the remaining period in the calendar quarter plus the next calendar quarter on the day after initial program assets are placed into the program. If a client invests \$10,000 or more in any account after the inception of a calendar quarter, the program fee for that quarter will be recalculated and pro-rated as of the day of the additional investment. The program fee for each quarter will equal (on an annualized basis) the percentage set forth in the client agreement's fee schedule of the fair market value of the program assets in the applicable category (including interest paid or accrued) as calculated on the last business day of the previous calendar quarter. The qualified custodian of the account will determine the fair market value for program fee calculation purposes. If services are terminated and all program assets are withdrawn from the program prior to the end of a quarter, the pro rata portion of the program fee will be reimbursed to you.

The program fee will be debited from your account by Envestnet on a quarterly basis in advance. You will authorize the qualified custodian to pay Envestnet directly from your account and Envestnet, as agent for you, will pay all amounts due to BFCP, Sub-Manager and the qualified custodian. Either party may terminate the agreement by providing notice to the other party. Termination will be effective upon receipt of notification. If you terminate the agreement within five (5) business days after the agreement has been signed by you and accepted by BFCP, you will receive a full refund of all fees. If the agreement terminated after five (5) business days of its signing and acceptance you will be entitled to a pro rata refund of any prepaid fees based upon the number of days remaining in the billing period after the date upon which notice of termination is received by BFCP.

The maximum fee charged by BFCP for accounts that maintain equity stock as program assets shall not exceed 2.5% annually. The actual fee charged to individual clients will be based on factors such as, but not necessarily limited to, the amount of assets under management and the portfolio(s) used to manage the client's assets. The specific fee charged to you will be agreed upon and described in the client agreement prior to commencing services.

A separate brokerage account will be established for each portfolio that is selected by a client. As a general rule, the minimum account size is twenty-five thousand dollars (\$25,000). However, under certain circumstances, BFCP may waive the minimum account size requirement and accept accounts less than the minimum requirement.

Other costs that may be assessed to a client include fees for portfolio transactions executed away from the qualified custodian, including but not limited to IRA and qualified retirement plan charges, dealer mark-ups, electronic fund and wire transfer fees, market maker spreads, exchange fees and broker/dealer fees, among others. Mutual funds exchange traded funds ("ETFs"), and alternative investments may charge their own fees (such as 12b-1 fees and surrender charges) for investing the pool of assets in the respective investment vehicle. Please see the prospectus or related disclosure document for information regarding these fees. These fees are not part of the Program fee. BFCP prohibits purchases of all known 12b-1 fee-paying share classes in accounts under BFCP's management. New purchases of these share classes would only be allowed in extremely limited circumstances (e.g., if no other share class is available). BFCP performs a quarterly review to identify any 12b-1 fee-paying shares carried in advisory accounts as a result of transfers of accounts to BFCP, in kind, and will convert the 12b-1 shares to lower-cost share classes where such classes exist. If any 12b-1 fees are paid to an affiliated broker-dealer firm in advisory accounts managed by BFCP, these 12b-1 fees will be refund to the client.

Your IAR, in his or her separate capacity as a registered representative of a broker-dealer, may receive a portion of the commissions charged to you, which is a conflict of interest. These commissions may include mutual fund expenses, variable annuity fees, surrender charges and IRA and qualified plan fees. In the event your Adviser is acting in capacity as a registered representative and is entitled to receive such up-front commissions or fees, then prior to entering such transaction on your behalf, he/she shall disclose any fees or commissions as required by existing federal and state securities laws and regulations. Unless otherwise agreed upon by you and BFCP, BFCP will not charge a commission for investment products purchased in managed accounts. In the event that you and BFCP agree to charge a fee on an investment product for which our affiliated broker-dealers received an upfront commission (except for publicly traded stocks), BFCP will wait at least 12 months before charging an advisory fee on that investment.

Many products such as mutual funds and alternative investments offer various share classes and pricing options. You may be able to purchase these products net of commission in your advisory account which would allow you to purchase more shares. Your advisor should discuss these options with you so that together you can determine which pricing option is appropriate for your situation.

## **B. BFC Advisory program**

Under the BFCP Advisory program, your IAR may provide investment management services, defined as giving continuous investment advice to a client and making investments for the client based on the individual needs of the client, through brokerage accounts established through BFCP's affiliated broker-dealers, either Berthel Fisher & Company Financial Services, Inc. or Securities Management and Research, Inc., as introducing broker-dealers and cleared and held by the qualified custodian, National Financial Services, LLC (also referred to as NFS throughout this brochure). In addition to the fees charged by BFCP, NFS may impose charges including, but not limited to, custodian fee, transfer fee, postage and handling fee, IRA and qualified retirement plan fees. The decision to use NFS is made by your IAR. However, depending upon your needs, only one of the qualified custodians may be a viable option.

Through this program, your IAR will be responsible for making investment recommendations and for effecting transactions. Under this program, your IAR actively manages your accounts in accordance with your individual needs, objectives and risk

tolerance. These accounts may be managed on either a discretionary trading basis or non-discretionary trading basis as agreed to in writing by you and your IAR.

Various investment strategies are provided through this service; however, a specific investment strategy or investment policy is determined for each client to focus on the specific client's goals and objectives. Investment strategies and philosophies used within BFCP Advisory program vary based on the IAR providing advice. Models and strategies used by one IAR may be different than strategies used by other IARs. Some IARs limit their advice to mutual funds and others will provide advice on a full range of securities that include equities, mutual funds, options, fixed income and other types of investments listed in *Item 4*.

In limited instances, when deemed consistent with a client's investment mandates and in the client's best interest, an IAR can use (i) speculative strategies, (ii) strategies with concentrated holdings in one market sector, (iii) strategies that include more frequent trading (and the increased costs that accompany increased account activity), and (iv) strategies that attempt to time the market. *Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.*

The annual fee for accounts managed through the BFCP Advisory program is based on the amount of assets under management. The annual fee is negotiable and is subject to discounts on an IAR-to-IAR or account-by-account basis. These discounts may be a consideration for your IAR when choosing a platform to recommend.

- The maximum allowable fee that can be charged may not exceed 2.5% of assets under management on an annual basis.

Under this platform, fees may be charged in advance or in arrears and monthly or quarterly depending upon the written agreement between you and your IAR. BFCP will calculate fees on the basis of (i) the market value of the account(s) on the last day of the previous quarter (or month) if fees are billed in advance or on the last day of the quarter (or month) in which services were rendered if fees are billed in arrears, (ii) the average daily fair market value of the assets during each billing period, netting assets added against assets withdrawn during the period.

The exact fee and payment arrangement shall be agreed to in writing by you and BFC Planning, Inc. prior to commencing services.

Fees are typically deducted directly from your designated account. You must provide the qualified custodian with written authorization to have fees deducted from the account and paid to BFC Planning, Inc. The qualified custodian will send you statements, at least quarterly, showing all disbursements for the account including the amount of the advisory fees, if deducted directly from the account. You should verify the accuracy of fee calculations; the qualified custodian will not determine whether the fee has been properly calculated. Upon approval from BFCP and the IAR, certain clients may pay fees via direct invoice. For clients paying via invoice, fees shall be due upon client's receipt of the invoice.

You may incur certain charges imposed by third parties other than BFCP in connection with investments made through the account, including but not limited to, mutual fund expenses and surrender charges, variable annuity/insurance fees and surrender charges, IRA and qualified retirement plan fees, and in limited instances where no lower-cost share class is available, or, where an account has been transferred to BFCP and an affiliated broker-dealer firm (and subject to refund under BFCP's policies), 12b-1 fees.

Management fees charged by BFCP do not include transaction ticket fees charged by BFCP's broker-dealer and the qualified custodian. Management fees charged by your investment advisor representative and transaction ticket fees are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. These fees may be significant and may affect the performance of your securities. A description of these fees and expenses are available in each investment company security's prospectus.

Unless otherwise agreed upon by you and BFCP, you will not be charged a commission by an affiliated broker-dealer firm of BFCP for investment products purchased in advisory accounts. If your IAR or an affiliated broker-dealer firm of BFCP received an upfront commission on a purchase of a security (except for publicly traded stocks) in your advisory account, BFCP will wait at least 12 months from the purchase date before charging an advisory fee on that investment. In any instance where you and your IAR in his or her separate capacity as a registered representative have agreed that the IAR may receive commissions or fees relating to transactions involving your account assets, your IAR will have a conflict of interest, and must disclose any fees or commissions to be received.

Many products such as mutual funds and alternative investments offer various share classes and pricing options. You may be able to purchase these products net of commission in your advisory account which would allow you to purchase more shares. Your advisor should discuss this option with you so that together you can determine which pricing option is appropriate for your situation. It may be in the advisor's best interest to suggest higher commission products. BFCP prohibits purchases of all known

12b-1 fee-paying share classes in accounts under its management. New purchases of these share classes would only be allowed in extremely limited circumstances (e.g., if no other share class is available).

The asset management services under the BFCP Advisory program continue in effect until terminated by either party (i.e. BFCP or you) by giving written notice to the other party. Any prepaid, unearned fees will be promptly refunded by BFCP to you. Fees refunds will be determined on a pro-rata basis using the number of days services are actually provided during the final period.

### **C. American Funds Direct F-2 Share Class Program**

BFCP offers the American Funds Direct F-2 Share Class Program ("the Program") to its clients. Assets in the American Funds Direct F-2 Share Class Program are not held with a qualified custodian but are instead held in book entry form at the American Funds transfer agent. Through the Program, BFCP provides each client continuous investment advice based on their needs and circumstances. Your investment adviser will determine an asset allocation consisting of only American Funds in the F-2 share class. Your investment adviser will review your account at least annually to determine if the allocation is still in line with your objectives. This is a non-discretionary investment program.

Fees shall be calculated for each quarterly period ending the last business day of February, May, August, and November and shall be the product of (i) the average daily net asset value of Client assets invested in shares of the Funds through the Program during the quarter; (ii) the number of days in the quarter; and (iii) a rate of 1.0% divided by the number of days in the year. Fees will be debited by American Funds, proportionately for each fund owned unless directed otherwise, such redemptions may result in a tax reportable event.

### **D. Institutional RIA Platform**

Under the Institutional RIA Platform, your IAR may provide investment management services, defined as giving continuous investment advice to you and making investments for you based on your individual needs through an account established at an institutional RIA platform.

Through this program, your IAR will be responsible for determining investment recommendations and effecting transactions. Your IAR shall actively manage your account in accordance with your individual needs, objectives and risk tolerance. This account may be managed on either a discretionary trading basis or non-discretionary trading basis as agreed to by you and your IAR. Your IAR must be granted limited power of attorney over your account in order to have trading authorization on your account.

BFCP has approved Schwab Institutional, TD Ameritrade Institutional, and Fidelity Institutional Wealth Services. BFCP is independently owned and operated and not affiliated with any of these companies. Generally, your investment adviser will not use every platform and in most cases will only recommend the use of one of these platforms

Various investment strategies are provided through this service; however, a specific investment strategy and investment policy is crafted for each client to focus on the specific client's goals and objectives. Investment strategies and philosophies used through an institutional RIA platform vary based on your IAR providing advice. Models and strategies used by your IAR may be different than strategies used by other IARs of BFC Planning, Inc. Some IARs of BFCP limit their advice to mutual funds and others will provide advice on a full range of securities that include equities, mutual funds, options, fixed income and other types of investments listed in Item 4.

The annual fee for accounts managed through the institutional RIA platform is based on the amount of assets under management. The annual fee is negotiable and is subject to discounts on an IAR-by-IAR or account-by-account basis.

- The maximum allowable fee that can be charged may not exceed 2.5% of assets under management on an annual basis.

Fees may be charged in advance or in arrears depending upon the agreement between you and your IAR. Fees are charged on a quarterly basis unless you and your IAR agree on another billing cycle. Fees are calculated on the basis of the market value of the account(s) on the last day of the previous quarter if fees are billed in advance or on the last day of the quarter in which services were rendered if fees are billed in arrears.

The exact fee and payment arrangement shall be agreed to by you and your IAR prior to commencing services and stated in the agreement for services.

Trading, brokerage and custodial fees charged by the qualified custodian are separate from management fees charged by your IAR. In addition, you may incur certain charges imposed by other third-parties including but not limited to, mutual fund expenses, 12b-1 fees and surrender charges, IRA and qualified retirement plan fees. Management fees charged by BFCP are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus. BFCP prohibits purchases of all known 12b-1 fee-paying share classes in accounts under BFCP's management. New purchases of these share classes would only be allowed in extremely limited circumstances (e.g., if no other share class is available). BFCP performs a quarterly review to identify any 12b-1 fee-paying shares carried in advisory accounts as a result of transfers of accounts to BFCP, in kind, and will convert the 12b-1 shares to lower-cost share classes where such classes exist. If any 12b-1 fees are paid to an affiliated broker-dealer firm in advisory accounts managed by BFCP, these 12b-1 fees will be refunded to the client.

Investment Management Services continue in effect until terminated by either party (i.e. BFCP or the client) by giving written notice. Any prepaid, unearned fees will be promptly refunded by BFCP to you. The refund of fees will be determined on a pro-rata basis using the number of days services are actually provided during the final period. The amount of client assets on the termination date will be used to determine the final fee payment. BFCP does not impose a termination fee; however, client accounts may be subject to a modest charge for reimbursement of fees related to transferring the account.

#### **E. Variable Annuity/Variable Life Sponsors**

Under our Variable Annuity/Variable Life Sponsor Platform, your IAR manages your variable annuity or variable life contract by selecting, monitoring and exchanging as necessary between sub-accounts available from the insurance company issuing the variable annuity or variable life contract.

Under this service, your IAR will assist you in completing a questionnaire which details your financial goals, risk tolerance and time horizon. You will have the opportunity to list on your investment advisory agreement with BFCP any reasonable restrictions on the sub-accounts that may be utilized by your IAR. You will be responsible for notifying your IAR of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however, your IAR will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives.

Once you have provided us with the necessary information and made the appropriate authorizations, your IAR will utilize limited discretionary authority to select or exchange among the sub-accounts available under your variable annuity or variable life contract in accordance with your disclosed investment objective and risk tolerance. Your IAR may utilize signal providers for guidance regarding investment strategies, asset allocations and timing of exchanges. Your IAR will monitor your sub-accounts and exchange sub-accounts as necessary and in accordance with your investment objective and risk tolerance.

Under this program, you will incur an annual investment advisory fee, which is based upon a percentage of the market value of your variable annuity and variable life contract under management. Your IAR has the authority to negotiate the annual fee, and consequently, the annual fee charged by your IAR may be different than the annual fee negotiated by another IAR of BFCP. The exact annual fee charged by BFCP will be agreed to by you and your IAR prior to commencing services and stated in the client agreement.

- The maximum allowable fee that can be charged may not exceed 2.5% of assets under management on an annual basis.
- In certain instances, insurance companies may allow for investment advisory fees to be deducted directly from the annuity contract, if this allowed certain limitations will apply:
  - Advisory fees cannot be taken from commission-based products.
  - The advisory fee cannot exceed 1.5% of the contract's cash value and must be payable to the RIA.
  - The advisory fee will be withdrawn first from the earnings of the annuity contract and will not reduce the cost basis.
  - The advisory fee charged against the annuity contract must be for services performed by the RIA for that contract only. .

Under this platform, fees may be charged in advance or in arrears and monthly or quarterly depending upon the written agreement between you and your IAR. BFCP calculate fees on the basis of the market value of the account(s) on the last day of the previous quarter if fees are billed in advance or on the last day of the quarter in which services were rendered if fees are billed in arrears. The quarterly fee payments for the first and last billing periods are pro-rated to reflect the actual days that your variable annuities and variable life contracts were subject to management by BFC Planning, Inc.

You will have the option to pay directly the quarterly investment advisory fee to BFCP upon receiving an invoice or to have the investment advisory fee automatically deducted from a designated brokerage account or your variable annuity and/or variable life contract and directly paid to BFCP.

The exact fee and payment arrangement shall be agreed to in writing by you and BFCP prior to commencing services.

Under this program, the insurance companies issuing your variable annuities and variable life contracts will charge management expenses in addition to the investment advisory fee charged by BFCP. In addition, your variable annuity and/or variable life contract may be subject to exchange fees and surrender charges. BFCP does not share in these fees charged by your insurance company. Please refer to the prospectus of your variable annuity and/or variable life contract for more details about the insurance company's management expenses and any exchange or surrender fees.

In the event that your IAR sold you the variable annuity and/or variable life contract in his/her separate capacity as a registered representative of one of our affiliated broker-dealers, your IAR and our affiliated broker-dealers may have received commission and/or trail compensation for this transaction. This sales compensation is separate from, and in addition to, any investment advisory fee charged by BFCP.

Unless otherwise agreed upon by you and BFCP, you will not be charged a commission for investment products purchased in advisory accounts. In the event your IAR is also acting as a registered representative and is entitled to receive up-front commissions or fees, then prior to entering into such a transaction on your behalf, your IAR shall disclose any fees or commissions as required by existing federal and state securities laws and regulations. In the event that you and BFCP agree that your IAR may charge an advisory fee on an investment product for which your IAR received an upfront commission in your IAR's separate capacity as a registered representative (except for publicly traded stocks), BFCP will wait at least 12 months before charging an advisory fee on that investment.

BFCP prohibits purchases of all known 12b-1 fee-paying share classes in accounts under BFCP's management, including under our Variable Annuity/Variable Life Sponsor Platform. New purchases of these share classes would only be allowed in extremely limited circumstances (e.g., if no other share class is available). BFCP performs a quarterly review to identify any 12b-1 fee-paying shares carried in advisory accounts as a result of transfers of accounts to BFCP, in kind, and will convert the 12b-1 shares to lower-cost share classes where such classes exist. If any 12b-1 fees are paid to an affiliated broker-dealer firm in advisory accounts managed by BFCP, these 12b-1 fees will be refunded to the client.

You or BFCP may terminate this service for any reason by providing the other party with written notice, which will be effective five (5) days after receipt or such later date as specified in the notice.

#### **F. Investnet's Managed Account Solutions**

BFCP uses Investnet Asset Management, Inc. ("Investnet") to provide asset management services to clients through the Investnet's Managed Account Solutions program, a wrap-fee program sponsored by Investnet. Managed Account Solutions provides functions and renders investment advice to BFCP, including recommending an appropriate asset allocation for each client and specific investment managers ("Sub-Managers") or investment products.

Upon execution of a *Statement of Investment Selection*, your IAR assists you with the establishment of one or more individual accounts at National Financial Services, LLC (also referred to as National Financial Services or NFS throughout this Disclosure Brochure). National Financial Services will serve as the qualified custodian for accounts through this program. Clients must appoint Investnet and BFCP as their investment adviser on the account.

Through Managed Account Solutions, Investnet assists BFCP to provide each client continuous investment advice based on their needs and circumstances. Utilizing tools provided by Investnet, your IAR assists you with determining the suitability of the asset allocation and investment options for you. Your IAR will then assist you in allocating your assets among different investment options in the program and recommend investment vehicles and/or Sub-Managers within Managed Account Solutions for your accounts.

If you participate in Managed Account Solutions, you may grant BFCP discretionary authority with respect to investment and advisory services provided to your designated account to (i) invest and reinvest the assets in the program, and (ii) retain Sub-Managers with respect to all or a part of the separate account program assets. These Sub-Managers, in turn, shall be granted full discretionary authority to invest and reinvest the separate account program assets with respect to which such Sub-Managers have been granted investment discretion, subject to reasonable restrictions requested by the client.

Under Managed Account Solutions, you are charged a specified fee, or fees for investment advisory and execution services. You pay a single annualized fee, calculated by applying the annual fee schedule for the pertinent category of Program assets in the *Statement of Investment Selection* to the asset value of program assets (determined quarterly on an account by account basis and not in the aggregate). The initial program fee will equal (on an annualized basis) the percentage set forth in the client fee schedule of the fair market value of each client's Program assets in the applicable category. This fee is not based directly on the transactions in the client's accounts.

The initial program fee shall be calculated and debited on the first day of the following month after the initial program assets are placed in the program with National Financial Services and shall be the program fee for the first calendar quarter (or part thereof) in which the client participates in the program. The initial program fee for any partial calendar quarter shall be appropriately pro-rated based on the number of calendar days in the partial quarter. Thereafter, the program fee shall be calculated at the beginning of each calendar quarter based on the value of program assets on the last business day of the prior calendar quarter. However, if an account is opened in the last month of a calendar quarter, the program fee will be calculated and debited for the remaining period in the calendar quarter plus the next calendar quarter on the day after initial program assets are placed into the program. If a client invests \$10,000 or more in any account after the inception of a calendar quarter, the program fee for that quarter will be recalculated and pro-rated as of the day of the additional investment. The program fee for each quarter will equal (on an annualized basis) the percentage set forth in the client agreement's fee schedule of the fair market value of the program assets in the applicable category (including interest paid or accrued) as calculated on the last business day of the previous calendar quarter. The qualified custodian (NFS) of the account will determine the fair market value for program fee calculation purposes. If services are terminated and all program assets are withdrawn from the program prior to the end of a quarter, the pro rata portion of the program fee will be reimbursed to the client.

The program fee will be debited from your account by National Financial Services on a quarterly basis in advance. You will authorize National Financial Services to pay Envestnet directly from your account and Envestnet, as agent for you, will pay all amounts due to BFCP, Sub-Manager and National Financial Services.

The maximum fee charged for accounts that maintain equity stock as program assets shall not exceed 2.5% annually. The actual fee charged to individual clients will be based on factors such as, but not necessarily limited to, the amount of assets under management and the portfolio(s) used to manage the client's assets. The specific fee charged to a client will be agreed upon and described in the client agreement prior to commencing services.

A separate brokerage account will be established for each portfolio that is selected by a client. As a general rule, the minimum account size is twenty-five thousand dollars (\$25,000). However, under certain circumstances, BFCP may waive the minimum account size requirement and accept accounts less than the minimum requirement.

Other costs that may be assessed to a client include fees for portfolio transactions executed away from National Financial Services, including but not limited to IRA and qualified retirement plan charges, dealer mark-ups, electronic fund and wire transfer fees, market maker spreads, exchange fees and broker/dealer fees. Mutual funds, exchange traded funds ("ETFs"), and alternative investments may charge their own fees (such as 12b-1 fees and surrender charges) for investing the pool of assets in the respective investment vehicle. Please see the prospectus or related disclosure document for information regarding these fees. These fees are not part of the Program fee.

Unless otherwise agreed upon by you and BFCP, you will not be charged a commission for investment products purchased in an advisory account. In the event your IAR is also acting as a registered representative of a firm not affiliated with BFCP and wishes to receive commissions or fees on transactions in your account at that firm, then prior to entering such transaction on your behalf, your IAR shall disclose any fees or commissions to you as required by existing federal and state securities laws and regulations. In the event that you and BFCP agree that BFCP may charge an advisory fee on an investment product (except for publicly traded stocks) for which your IAR received an upfront commission in the IAR's separate capacity as a registered representative, BFCP will wait at least 12 months before charging an advisory fee on that investment.

Many products such as mutual funds and alternative investments offer various share classes and pricing options. You may be able to purchase these products net of commission in your advisory account which would allow you to purchase more shares. Your advisor should discuss these options with you so that together you can determine which pricing option is appropriate for your situation. It may be in the advisor's best interest to suggest higher commission products.

For a complete description of the program, you should refer to the Envestnet's Wrap Fee Program Disclosure Brochure. If you participate in the Program, you will receive a copy of the Wrap Fee Program disclosure brochure prior to, or upon, entering into an

agreement for the Program services. As a participant in the program, you will also be offered a copy of the Wrap Fee Program disclosure brochure at least annually.

### **G. Sub-Advisory Platforms**

Under our sub-advisory platforms, your IAR may provide asset allocation advice and manage your assets through various third-party mutual fund management programs and separately managed account programs including Advisors Asset Management, AssetMark Investment Services, Inc., Charles Schwab, Dunham & Associates, FTJ Fundchoice, LLC, SEI Investment Management Corporation.

Dependent upon the individual agreements with the program sponsors and based on information provided by you about your financial goals, investment objectives, and risk tolerance, your IAR will assist you in selecting a suitable investment portfolio and asset allocation strategy that will be used by the program sponsor to assist your IAR in properly allocating your assets in the investment portfolio. Your IAR will provide initial and ongoing education concerning the asset allocation strategy selected by you, explain the rebalancing guidelines utilized with the investment allocation strategy selected, and meet with you periodically to discuss changes in your investment objectives and risk tolerance, and review the performance of your designated accounts.

For mutual fund wrap programs offered by these sub-advisory platforms, the investment portfolio may be created by your IAR with the assistance of the program sponsor and any sub-advisers utilized by the program. The program sponsor typically determines the universe of no-load and load-waived mutual funds included in the portfolios it recommends to your IAR. Your investment adviser with the assistance of the program sponsor, or the program sponsor itself, typically exercises limited discretion authority and determines the specific asset allocations within each portfolio and also rebalances the portfolios periodically. Your IAR with the assistance of the program sponsor, or the program sponsor itself, may also change periodically the relative allocations among mutual funds in the portfolios.

Your IAR may also recommend separately managed account programs (SMA) offered through certain sub-advisory platforms. These programs provide your IAR with access to programs that specialize in separate account management, private account management, and timing and multi-disciplined account services. Program sponsors provide full-time professional investment management by quality investment managers. Under certain sub-advisory platforms, your IAR may assist you, or exercise limited discretionary authority on your behalf, to select the manager(s) most aligned with your investment style based on your individual personal and financial goals, investment objectives, and risk tolerance. A SMA account portfolio is a customized portfolio that may consist of stocks and/or bonds and cash that is guided by a professional investment manager. The manager buys and sells stock and/or bonds on your behalf. Because you directly own the securities within your account, you have the option to specify investment restrictions (e.g., no alcohol or tobacco stocks), and may request tax-loss selling. Typically, one all-inclusive fee arrangement covers all the services provided by the SMA. A portion of the SMA's annualized fee based on the total value of your portfolio is charged quarterly to your account and shared with BFCP and your IAR.

The sub-advisory platform sponsor will generally determine the minimum investment amount for client participation. The investment advisory fee for these programs is based upon a percentage of the value of your assets subject to these services. The actual fee charged to you will vary depending on the charge by the program sponsor along with portion of the fee set by your IAR. The portion of the fee set by your IAR is negotiable and may vary among IARs so you should discuss with your IAR the fee which is appropriate for the services. All fees are calculated and collected by the program sponsor who shall be responsible for delivering your investment adviser and BFCP's portion of the fee to BFCP. To the extent that sub-advisory platform sponsor has not set a maximum fee, the maximum fee for services provided by BFCP and the program sponsor may not exceed 2.5%. Additional fees for third party and separately managed accounts may be determined by the sub-advisory platform sponsor.

The following is specific information regarding the sponsors of sub-advisory platforms currently available to your IAR. If you wish to enter into an arrangement with a sub-advisory sponsor, you must execute an investment advisory agreement directly with the sponsor and will be provided a copy of the sponsor's disclosure brochure.

#### **1. Advisors Asset Management**

Your IAR may utilize Advisors Asset Management's program. Under this program, your IAR will gather information about your risk tolerance, financial circumstances and investment objective. Based upon this suitability information, your IAR will engage Advisors Asset Management to serve as a sub-adviser to provide portfolio management services in accordance with your investment objective. Upon your written authorization, Advisors Asset Management will manage the assets in your designated account at a qualified custodian on a discretionary basis. BFCP will not hold discretionary authority nor manage any of the assets under this



program. However, your IAR will monitor and review with you the performance of your accounts subject to management by Advisors Asset Management.

Under this program, your IAR is allowed to charge a fee up to the maximum 2.50%. The fee payable to Advisors Asset Management is between 0.25% and .70% depending upon whether the assets are fixed income or equities and the value of the assets of your account. The remainder of the fee payable to your IAR and BFCP is negotiable and varies by IAR at BFCP.

A complete description regarding this program will be provided in the Advisors Asset Management's disclosure brochure, which will be provided by your IAR when recommending this program.

## **2. Charles Schwab & Company**

Your IAR may utilize Charles Schwab & Company's Managed Account Access and Managed Account Select programs. Under these programs, your IAR will gather information about your risk tolerance, financial circumstances and investment objective. Based upon this suitability information, your IAR will recommend an unaffiliated, third-party money manager available under this program. This third-party money manager will manage your separate account(s) held at Charles Schwab & Company ("Schwab") in accordance with your investment objective. Upon your written authorization, the third-party money manager will manage the assets in your designated account at Schwab on a discretionary basis. BFCP will not hold discretionary authority nor manage any of the assets under this program. However, your IAR will monitor and review with you the performance of your accounts subject to management by the third-party money manager and the appropriateness for the continuation of the third-party money manager's management of your account.

Under the program, your IAR is allowed to charge a fee up to the maximum of 2.50%. The portion of the fee that is payable to the third-party money manager and Schwab includes the brokerage and custody charges. The portion of the fee payable to the third-party money manager and Schwab is between 0.45% and 1.0% depending upon whether the assets are fixed income or equities and the value of the assets of your account. The remainder of the fee payable to your IAR and BFCP is negotiable and varies by IAR.

## **3. Dunham & Associates**

Your IAR may utilize Dunham & Associates Investment Counsel, Inc.'s asset allocation and mutual fund wrap programs. Under this program, your IAR allocates assets of your account to and among shares of mutual funds chosen by Dunham & Associates Investment Counsel, Inc. ("Dunham").

You may authorize your IAR to exercise investment discretion to select funds available under the program. You, or your IAR if you provide written authorization granting investment discretion, will select available funds representing 11 different assets classes or a core fixed income and/or equity allocation(s), which each allocation consists of a custom blend of funds selected and rebalanced by Dunham.

Under the program, your IAR is allowed to charge a fee up to the maximum of 2.50%. The fee to Dunham. is 0.25%. The remainder of the fee payable to your IAR and BFCP is negotiable and varies by IAR.

## **4. Orion Portfolio Solutions**

Your IAR may utilize Orion Portfolio Solutions' program. Under these programs, your IAR will gather information about your risk tolerance, financial circumstances and investment objective. Based upon this suitability information, your investment adviser will utilize Orion Portfolio Solutions' program to select unaffiliated, third-party money managers to manage your designated accounts at a qualified custodian. Your investment adviser will monitor and review the performance of your accounts managed by the third-party money managers.

Under this program, your IAR is allowed to charge a fee up to the maximum of 2.50%. The fee to Orion Portfolio Solutions is between 0% and 0.45% depending upon the third-party money manager selected and the value of the assets of your account. The remainder of the fee payable to your IAR and BFCP is negotiable and varies by IAR at BFCP.

A complete description regarding this program will be provided in the Orion's disclosure brochure, which will be provided by your IAR when recommending this program.

## **5. SEI Investments**

The SEI Asset Management Program (SEI Program) is an institutional asset allocation program offered by SEI Investments for use by your IAR in the management of a client's account assets. The SEI Program uses asset allocation portfolios developed by SEI Investments. Under this program, your IAR will provide SEI Trust Company (SEI) with the portfolios selected for your account. SEI will change the reallocation of the investments within the SEI Program in accordance with your asset allocation policy. Custody of all SEI Program client account assets is held at SEI. If you decide to participate in the SEI program, you will receive a copy of the SEI Program Schedule H-Wrap Fee Program disclosure brochure.

Under the SEI Program, your IAR is allowed to charge a fee up to the maximum of 2.50%. The fee to SEI and the managers ranges from .73% to .94 % depending on the equity exposure and level of diversification. The remainder of the fee for BFCP and your IAR is negotiable.

A complete description regarding this program will be provided in the SEI disclosure brochure, which will be provided by your IAR when recommending this program.

### **G. Held Away Account Management (Discretionary)**

Under the agreement for Held Away Accounts, BFCP may manage the assets using the Pontera Order Management System or another similar system. Held Away Accounts are defined as accounts held at a qualified custodian other than those customarily used by BFCP. The system allows BFCP to view and manage the assets in your account on a discretionary basis. Investment options available is limited to those offered through the custodian.

Due to the features of the system used, BFCP is not considered to have custody of client funds. BFCP does not have direct access to or direct use of client log-in credentials to affect trades.

For its services provided to Held Away Accounts, BFCP will be paid a management fee as determined in the BFC Planning, Inc Advisory Agreement for Held Away Assets. This fee shall not exceed 1.5%. The management fee includes the cost for using the order management system. The fee is calculated on a quarterly basis in advance. It is based on period end values and assessed in advance. The first fee will be determined on a prorated basis on the number of days of service for the billing quarter. It will be assessed at the time of the first full quarter billing. The calculation will not include proration for contributions or withdrawals (known as flow billing). The client must designate an account from which the calculated fees will be withdrawn. That designated account must have adequate cash on hand to cover the amount of the fees. The client is responsible for any fees the designated account may charge for the withdrawal of the fees. In the event the designated account does not have adequate cash to cover the fee amount, any action taken by BFCP or its affiliates to obtain adequate cash (liquidating a position for example) may incur transaction fees, charges, commissions etc which are the responsibility of the client.

Pontera Solutions Inc (provider of the Pontera Order Management System) is not affiliated with BFC Planning, Inc.

### **Solicitor Programs (Outside Money Managers)**

BFCP may act as a solicitor and allow your IAR to refer clients such as yourself to unaffiliated, outside money managers offering asset management and other investment advisory services. As a result, BFCP is paid a portion of the fee charged and collected by the outside money manager in the form of solicitor fees. Each solicitation arrangement is performed pursuant to a written solicitation agreement and is in compliance with SEC Rule 206(4)-3 and applicable state securities rules and regulations.

Under this program, your IARs will assist you with identifying your risk tolerance and investment objectives. Your investment adviser will recommend outside money managers in relation to your stated investment objectives and risk tolerance, and you may select a recommended outside money manager or model portfolio based upon your needs. You will enter into an agreement directly with the outside money manager who will provide your designated account with asset management services.

Your IAR is available to answer questions that you may have regarding your account and act as the communication conduit between you and the outside money manager. The outside money manager may take discretionary authority to determine the securities to be purchased and sold for you. BFCP and your IAR will not have any trading authority with respect your designated account managed by the outside money manager.

Outside money managers generally have account minimum requirements that will vary among outside money managers. Account minimums are generally higher on fixed income accounts than on equity-based accounts. A complete description of the outside money manager's services, fee schedules and account minimums will be disclosed in the outside money manager's disclosure brochure which will be provided to you prior to, or at the time an agreement for services is executed and the account is established.

The actual fee charged to you will vary depending on the outside money manager. All fees are calculated and collected by the outside money manager who shall be responsible for delivering BFCP's portion of the client fee to BFCP.

Under this program, you may incur additional charges including but not limited to, mutual fund expenses and surrender charges, and IRA and qualified retirement plan fees.

Your IAR may have a conflict of interest by only offering those outside money managers that have agreed to pay a portion of their advisory fee to BFCP and have met the conditions of BFCP's due diligence review. There may be other outside money managers that may be suitable to you and may be more or less costly. No guarantees can be made that your financial goals or objectives will be achieved. Further, no guarantees of performance can be offered.

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

BFCP **does not charge nor accept performance-based fees** which can be defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

#### **Item 7 – Types of Clients**

BFCP generally provides investment advice to the following types of clients:

- Individuals
- High-Net Worth Individuals
- Banks or thrift institutions
- Pension and profit-sharing plans
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above
- Investment Company

You are required to execute a written agreement with BFCP specifying the particular services in order to establish a client arrangement with BFCP.

#### **Minimum Investment Amounts Required**

As a general rule, the minimum account size is twenty-five thousand dollars (\$25,000). However, under certain circumstances, BFCP may waive the minimum account size requirement and accept accounts less than the minimum requirement. Additionally, you are required to execute a written agreement with BFCP detailing each investment advisory service you choose to utilize prior to BFCP commencing any work for such service.

In addition to BFCP's minimum requirements, the sponsor of the Sub-Advisory Platforms may set account minimums and determine whether such minimums are negotiable.

The minimum investment amount is the following for these sub-advisory platforms:

| <u>Sub-Advisory Platform Sponsor</u> | <u>Minimum Amount</u> |
|--------------------------------------|-----------------------|
| Advisors Asset Management            | \$250,000             |
| Charles Schwab                       | \$100,000             |
| Dunham & Associates:                 |                       |
| (IRA)                                | \$ 50,000             |
| (Other Accounts)                     | \$100,000             |
| Orion Portfolio Solutions            | \$ 5,000              |

The sponsors of Outside Money Manager programs are responsible for determining account minimums and whether such minimums are negotiable. Please refer to the disclosure brochure of the Outside Money Manager program for more details.

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

Our IARs use various methods of analysis and investment strategies. Methods and strategies will vary based on the IAR providing advice. Models and strategies used by one IAR may be different than strategies used by other IARs. Some of our IARs may use just one method or strategy while other IARs may rely on multiple. BFCP does not require or mandate a particular investment strategy be implemented by all of our IARs. Further, BFCP has no requirements for using a particular analysis method and our IARs are provided flexibility (subject to BFCP's supervision and compliance requirements) when developing their investment strategies. The following sections provide brief descriptions of some of the more common methods of analysis and investment strategies that are used by our IARs.

Please understand the information included in Item 8 is provided as general information intended to cover a wide breadth of methods of analysis, investment strategies and risks. Your IAR will correspond directly with you to detail and describe the methods of analysis and investment strategies used in the management of your account(s).

To the extent your IAR's primary strategy involves frequent trading of securities, the frequent trading of securities can have a direct impact on investment performance. Performance from active trading will be lowered due to an increase in brokerage and other transaction costs and frequent trading will also affect short-term taxes in applicable taxable accounts.

To help control for and mitigate risks associated with investment strategies we use, and investing in general, we work with you on a one-on-one basis through interviews and client account paperwork to determine your investment objectives and suitability information.

### **Methods of Analysis in Formulating Investment Advice**

**Charting** - The set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

Charting is likely the most subjective analysis of all investment methods since it relies on proper interpretation of chart patterns. The risk of reliance upon chart patterns is that the next day's data can always negate the conclusions reached from prior days' patterns. Also, reliance upon chart patterns bears the risk of a certain pattern being negated by a larger, more encompassing pattern that has not shown itself yet.

**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.

While most economists and investors agree that there are cycles in the economy that need to be respected, the duration of such cycles is generally unknown. An investment decision targeting a purchase at the bottom of a business cycle may actually turn out to be a trade that occurs before or after the bottom of the cycle. If done before the bottom, then downside price action can result prior to any gains. If done after the bottom, then some upside price action may be missed. Similarly, a sell decision meant to occur at the top of a cycle may result in a missed opportunity or unrealized losses.

**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 figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). 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.

The risk associated with fundamental analysis is that it is somewhat subjective. While a strictly quantitative approach is theoretically possible, fundamental analysis usually also entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong and could therefore lead to an unfavorable investment decision.

**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.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

#### **Investment Strategies When Managing Client Assets**

**Long term purchases** - Investments held at least a year.

**Short term purchases** - Investments sold within a year.

**Trading** - Investments sold within 30 days.

**Short sales** - A short sale is generally the sale of a stock not owned by the investor. Investors who sell short believe the price of the stock will fall. If the price drops, the investor can buy the stock at the lower price and make a profit. If the price of the stock rises and the investor buys it back later at the higher price, the investor will incur a loss. Short sales require a margin account.

**Margin transactions** - When you buy a stock on margin, you pay for part of the purchase and borrow the rest from the qualified custodian such as National Financial Services. For example, an investor may buy \$5,000 worth of stock in a margin account by paying \$2,500 and borrowing \$2,500 against his or her account. You cannot borrow stock or funds from BFCP.

**Options** - Option writing including covered options, uncovered options, or spreading strategies. Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.

**Tactical asset allocation** - Allows for a range of percentages in each asset class (such as Stocks = 40-50%). These are minimum and maximum acceptable percentages that permit the investor to take advantage of market conditions within these parameters. Thus, a minor form of market timing is possible, since the investor can move to the higher end of the range when stocks are expected to do better and to the lower end when the economic outlook is bleak.

**Strategic asset allocation** - Calls for setting target allocations and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is akin to a "buy and hold" strategy, rather than an active trading approach. Of course, the strategic asset allocation targets may change over time as the client's goals and needs change and as the time horizon for major events such as retirement and college funding grow shorter.

**Market timing** - Although not commonly used, some of our IARs will employ strategies designed to move in and out of a financial market or switching between asset classes based on predictive methods. These predictive tools include technical indicators or economic data to gauge how the market is going to move. Many professionals believe it is impossible to time the market and it is very difficult to time the market consistently over the long run successfully. Market timing is an extreme form of Active Management and is the complete opposite of a buy-and-hold investment strategy. Market timing will almost certainly incur

increased transaction and taxation costs. Another risk is the potential for missing out on beneficial movements in price due to an error in timing. This can harm the value of an investor's portfolio resulting from purchasing too high or selling too low.

***Speculative strategies*** – These are portfolios that include strategies seeking profits by speculating whether the price of a security will go up or go down in the near-term period. The value of a portfolio using such a strategy is likely to fluctuate more than a long-term buy-and-hold strategy. Almost all investment activities involve some degree of speculative risk. However, as used here, a speculative strategy is intended to describe one in which our IAR has a very low degree of certainty whether an investment will be a complete failure or total success. Some investments are more speculative than others. For example, thinly traded securities, certain industries (for example oil and gas exploration), and brand-new companies have a much higher risk of default and deemed more speculative than investing in US Government bonds or companies listed in the Dow Jones Industrial Average.

#### Risk of Loss

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including you) 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. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is 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 investment management program.

- **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.
- **Equity Risk** - Portfolios may be sensitive to stock market volatility and some stocks within a client's portfolio may be more volatile than the market as a whole. The value of stocks and related instruments may decline in response to conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate and commodity price fluctuations, as well as issuer or sector specific events. Market conditions may affect certain types of stocks (such as large-cap or growth stocks) to a greater extent than other types of stocks. If the stock market declines, the value of a portfolio will also likely decline and, although stock values can rebound, there is no assurance that values will return to previous levels.
- **Active Management Risk** - The success of a client's account that is actively managed depends upon the investment skills and analytical abilities of the portfolio manager to develop and effectively implement strategies that achieve the client's investment objective. Subjective decisions made by the portfolio manager may cause a client portfolio to incur losses or to miss profit opportunities on which it may have otherwise capitalized. In addition, your portfolio manager is not compensated based on the level of trading in your account, but instead based on the assets under his or her management in their account. Increased levels of trading will incur additional fees and expenses versus a "buy and hold" strategy.
- **Concentration Risk** - A non-diversified strategy that concentrates its investments in a single or limited number of sector(s) of the market (such as the oil and gas sector) or a specific geographic area (such as a country or state) will be impacted by events that adversely affect that sector or area, and the value of a portfolio using such a strategy is likely to fluctuate more than a less concentrated portfolio. Concentrated strategies are typically *not* appropriate for a client's entire investment portfolio and clients should limit the portion of their overall investable assets to include only the portion they can afford to lose in its entirety within a concentrated strategy.

- 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 bonds, there is the risk that the 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.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When you invest in an ETF or mutual fund, you will bear additional expenses based on its pro rata share of the ETFs 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. You will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment 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.
- Margin Risk - When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you intended to borrow funds in connection with your Account, you will be required to open a margin account, which will be carried by the clearing firm. The securities purchased in such an account are the clearing firm's collateral for its loan to you.

If those securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and as a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any margin account that may be established as part of the advisory agreement established between you and our firm and held by the account custodian or clearing firm. These risks include the following:

- You can lose more funds than you deposit in your margin account.
- The account custodian or clearing firm can force the sale of securities or other assets in your account.
- The account custodian or clearing firm can sell your securities or other assets without contacting you.
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call.
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities.
- The account custodian or clearing firm can increase its "house" maintenance margin requirements at any time and they are not required to provide you advance written notice.
- You are not entitled to an extension of time on a margin call.

## Item 9 – Disciplinary Information

### Securities and Exchange Commission

On September 16, 2021, the Securities and Exchange Commission entered an Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 15(B) of the Securities Exchange Act Of 1934 and Sections 203(E) and 203(K) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease and-Desist Order, publicly available at <https://www.sec.gov/litigation/admin/2021/ia-5863.pdf>. The Order arose from an investigation styled In the Matter of Berthel Fisher & Company (B-03327) relating to our practices with respect to mutual fund 12b-1 fees and revenue sharing. The Order finds that (i) our practices created conflicts of interest that were not accompanied by adequate disclosure; (ii) that we violated our obligation to seek best execution; and (iii) that we failed to adopt and implement adequate written compliance policies and procedures in connection with our mutual fund and money market fund share class selection practices. Without admitting or denying the underlying findings, we agreed to accept an order to cease and desist from committing or causing such violations, a censure, and an order to pay \$103,001.97 in disgorgement, prejudgment interest of \$17,810.72, and a civil money penalty in the amount of \$185,000.

## Item 10 – Other Financial Industry Activities and Affiliations

### **Other Financial Industry Activities or Affiliations**

BFCP is **not** and does **not** have a related company that is a (1) “hedge fund,” or offshore fund, (2) futures commission merchant, commodity pool operator, or commodity trading advisor, or (3) banking or thrift institution. We do have affiliated broker-dealers, insurance agency, and investment adviser.

### **Our Affiliated Broker-Dealers – Berthel Fisher & Company Financial Services, Inc. and Securities Management and Research, Inc.**

BFCP has two affiliated firms, Berthel Fisher & Company Financial Services, Inc. and Securities Management and Research, Inc., which are both registered as broker/dealers.

BFCP is under common ownership with Berthel Fisher & Company Financial Services, Inc. BFCP and Berthel Fisher & Company Financial Services, Inc. are owned by Berthel Fisher & Company, which a majority interest is owned by Thomas J. Berthel, who is also Chief Executive Officer of BFCP, Berthel Fisher & Company Financial Services, Inc. and Berthel Fisher & Company.

Similarly, BFCP and Securities Management and Research, Inc. are under common ownership. Securities Management and Research, Inc. is owned by One Financial, Inc., which is a wholly owned subsidiary of Berthel Fisher & Company, which a majority interest is owned by Thomas J. Berthel, who is the Chief Executive Officer of BFCP, Securities Management and Research, Inc., and Berthel Fisher & Company.

Your IAR may be licensed to sell securities in the capacity as a registered representative with one of our two affiliated broker-dealers, Berthel Fisher & Company Financial Services, Inc. or Securities Management and Research, Inc. Your IAR, acting in his or her separate capacity as a registered representative of our affiliated broker-dealer, may sell, for commissions, general securities products such as stocks, bonds, mutual funds, exchange-traded funds, and variable annuity and variable life products to investment advisory clients. As such, your IAR may suggest that you implement investment advice by purchasing securities products through a commission-based account introduced through our affiliated broker-dealer in addition to an investment advisory account. In the event that you elect to purchase these products through our affiliated broker-dealer, your investment adviser, in the capacity as registered representative, and our affiliated broker-dealer will receive the normal and customary commission compensation in connection with the specific product purchased. BFCP does not require your IAR to encourage you to implement investment advice through our affiliated broker-dealer. You are free to implement investment advice through any broker/dealer or product sponsor you may select. However, please understand that, due to certain regulatory constraints, your IAR, in the capacity as a dually registered representative, must place all purchases and sales of securities products in commission-based brokerage accounts through our affiliated broker-dealer.

BFCP does not engage in Agency Cross-Transactions.

Berthel Fisher & Company Financial Services, Inc. is an investment adviser registered with the SEC.

### **Berthel Fisher & Company Insurance, Inc.**

BFCP is under common ownership with Berthel Fisher & Company Insurance, Inc., a licensed insurance agency. Your IAR may be licensed as a life insurance agent with Berthel Fisher & Company Insurance, Inc. or another agency and may sell insurance and



annuity products to you. In the event that you buy life insurance or an annuity through your IAR in his or her separate capacity as an insurance agent, your IAR will receive separate and typical compensation for the insurance or annuity sale. You are not obligated to utilize your IAR in his or her separate capacity as an insurance agent for life insurance or annuity transactions.

### **Third-Party Money Managers & Sub-Advisors**

BFCP has developed several programs, previously described in Item 5 of this Disclosure Brochure, designed to allow your IAR to recommend and select unaffiliated investment advisers for clients. The selected unaffiliated investment advisers will act as either an outside money manager, sub-adviser or sub-manager. Whenever another investment adviser is selected to manage all or a portion of your assets, the outside investment adviser will be paid a portion of the fees you are charged and BFCP and your IAR will also receive a portion of the fees you are charged. Please refer to *Item 5* for full details regarding the programs, fees, conflicts of interest and materials arrangements when select other investment advisers.

### **Accounting Services**

While BFCP does not have a related person that is an accounting firm, certain IARs of BFCP are accountants or Certified Public Accountants ("CPAs"). Clients needing assistance with tax preparation and/or account services may be referred to these IARs in their separate role as an accountant or CPA but are not obligated to use such services. These accounting and CPA services are not provided by BFCP. BFCP is not making any recommendations regarding whether you should utilize the accounting or CPA services provided by our IARs in their separate capacities, and you should conduct your own due diligence of such accounting and CPA services.

### **Legal Services**

While BFCP does not have a related person that is a law firm, certain IARs of BFCP are attorneys, duly licensed in various states. On occasion, an IAR who is also an attorney may provide legal advice or services to clients on matters both related and unrelated to advisory services. When acting in this capacity he or she will be compensated on an hourly or fee basis for legal services. These legal services are not provided by BFCP. BFCP is not making any recommendations regarding whether you should utilize legal services provided by our IARs in their separate capacities, and you should conduct your own due diligence of such lawyers and law firms.

### **Real Estate Agent and/or Mortgage Broker**

BFCP does not have a related person that is a real estate broker or dealer; however, certain IARs of BFCP are real estate agents or mortgage loan originators. In this separate capacity, the IAR that is a licensed real estate broker will earn commissions for real estate transactions. IARs that are mortgage brokers will earn commissions when selling or refinancing real estate loans.

To the extent that an advisory client uses a portion of their proceeds from a loan on the client's real estate or from the sale of their real estate, brokered by an IAR, to fund their securities account(s), the IAR has an incentive to recommend the proceeds be placed in a securities account managed by the IAR or used to purchase securities products through the IAR in his/her capacity as a registered representative of a broker-dealer. Such a recommendation would increase the compensation earned by the IAR, which is a conflict of interest. Clients of BFCP are not obligated in any manner to use the mortgage or real estate services provided by an IAR of BFCP. BFCP is not making any recommendations regarding whether you should utilize real estate and/or mortgage broker services provided by our IARs in their separate capacities, and you should conduct your own due diligence of such real estate and/or mortgage broker services.

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

### **Code of Ethics Summary**

SEC Rule 204A-1 under the Investment Advisers Act of 1940 requires an investment adviser to establish, maintain and enforce a code of ethics. BFCP has established a code of ethics that will apply to all of our supervised persons. An investment adviser is considered a fiduciary according to the Investment Advisers Act of 1940. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. BFCP has a fiduciary duty to all clients. This fiduciary duty is considered the core underlying principle for BFCP's code of ethics, which also covers our insider trading and personal securities transactions policies and procedures. BFCP requires all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and when changes occur, all supervised persons will sign an acknowledgement that they have read, understand and agree to comply with BFCP's code of ethics. BFCP has the responsibility to make sure that the interests of all clients are placed ahead of BFCP's or our supervised person's own investment interests. Full disclosure of all material facts and potential conflicts of interest will be provided to you prior to any services being conducted. BFCP and our supervised persons must conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to

affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of BFCP's code of ethics. Clients may review the BFCP's code of ethics in its entirety upon request.

#### **Affiliate and Employee Personal Securities Transactions Disclosure**

BFCP or our 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 BFCP that all persons associated in any manner with the firm must place the interests of clients ahead of their own when implementing personal investments. BFCP and our associated persons shall 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 BFCP typically are widely held and publicly traded.

We are now, and will continue to be, in compliance with applicable state and federal rules and regulations. To prevent conflicts of interest, we have developed written supervisory procedures that include personal investment and trading policies for our representatives, employees and their immediate family members (collectively, associated persons):

- Associated persons cannot prefer their own interests to that of the client.
- Associated persons cannot purchase or sell any security for their personal accounts prior to implementing transactions for client accounts.
- Associated persons cannot buy or sell securities for their personal accounts when those decisions are based on information obtained as a result of their employment, unless that information is also available to the investing public upon reasonable inquiry.
- Associated persons are prohibited from purchasing or selling securities of companies in which any client is deemed an "insider".
- Associated persons are discouraged from conducting frequent personal trading.
- Associated persons are generally prohibited from serving as board members of publicly traded companies unless an exception has been granted by the Risk Committee of BFCP.

Any associated person not observing our policies is subject to sanctions up to and including termination.

#### **Item 12 – Brokerage Practices**

BFCP's trading policies and procedures prohibit unfair trading practices and seek to avoid conflicts of interests, where possible, or to disclose conflicts when they arise. BFCP will attempt to resolve conflicts in your favor when reasonably possible.

#### **Best Execution**

As a fiduciary, BFCP owes a duty to obtain best execution of your transactions managed by us. In general, we must execute securities transactions in such a manner that the total cost or proceeds in each transaction is the most favorable under the circumstances. However, best execution does not necessarily mean the lowest available price. Instead, the totality of the arrangement and services provided by a broker-dealer or qualified custodian must be examined to determine a qualitative measure of best execution. In other words, all conditions considered, the transaction execution is in your best interest.

When considering best execution, we look at a number of factors in addition to price and rate including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with our existing systems, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back-office services, technology and pricing of services offered.

Based on these principles, commission and fee structures of various broker/dealers are periodically reviewed in order to evaluate the execution services provided by our affiliated broker/dealers and qualified custodians used by BFCP. Accordingly, while BFCP

does consider competitive rates, it does not necessarily obtain the lowest possible commission rates for client account transactions. Therefore, the overall services provided by BFCP's affiliated broker-dealers and qualified custodians are evaluated to determine best execution.

You may pay higher commissions or trade execution charges through the trading platforms approved by BFCP than through platforms that have not been approved by BFCP. Not all investment advisers restrict or limit the broker/dealers their clients can use. Some investment advisers permit their clients to select any broker/dealer of the client's own choosing.

#### **Handling of Trade Errors.**

BFCP has implemented procedures designed to prevent trade errors; however, trade errors in your accounts cannot always be avoided. Consistent with our fiduciary duty, it is the policy of BFCP to correct trade errors in a manner that is in your best interest. In cases where you cause the trade error, you will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, you may not be able to receive any gains generated as a result of the error correction. In all situations where you do not cause the trade error, you will be made whole and any loss resulting from the trade error will be absorbed by BFCP or your IAR if the error was caused by us. Your investment adviser may talk with you to determine if you would like the trade error corrected. If the error is caused by the broker-dealer, the broker-dealer will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will remain in your 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. BFCP will never benefit or profit from trade errors.

#### **Block Trading Policy**

Transactions implemented by your IAR for your accounts are generally affected independently, unless your IAR 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 your IAR when he or she believe such action may prove advantageous to clients. When your IAR 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 your investment adviser's clients in proportion to the purchase and sale orders placed for each client account on any given day. When your IAR determines to aggregate client orders for the purchase or sale of securities, including securities in which your IAR may invest, BFCP will do so in accordance with the parameters set forth in the SEC No-Action Letter, SMC Capital, Inc. It should be noted, BFCP and your IAR do not receive any additional compensation or remuneration as a result of aggregation.

#### **Directed Brokerage**

Clients should understand that not all investment advisors require the use of a particular broker/dealer or custodian. Some investment advisors allow their clients to select whichever broker/dealer the client decides. By requiring clients to use a particular broker/dealer, BFCP may not achieve the most favorable execution of client transactions and the practice requiring the use of specific broker/dealers may cost clients more money than if the client used a different broker/dealer or custodian. However, for compliance and operational efficiencies, BFCP has decided to require our clients to use broker/dealers and other qualified custodians determined by BFCP.

#### **Soft Dollar Benefits**

An investment adviser receives soft dollar benefits from a broker-dealer when the investment adviser receives research or other products and services in exchange for client securities transactions or maintaining an account balance with the broker-dealer. BFCP does not have a soft dollar agreement with a broker-dealer or a third-party.

### **Item 13 – Review of Accounts**

#### **Account Reviews and Reviewers**

Financial planning services terminate upon presentation of the written plan or completion of the consultation services. Therefore, no reviews are conducted for these accounts. If you elect to have a review and update to an original financial plan, additional fees may be charged and you may be required to sign a new client agreement.

Your investment representative is responsible for conducting on-going reviews of your accounts subject to our asset management services. Therefore, you will need to contact your IAR for the most current information and status of your accounts.

Managed accounts are typically reviewed, based on a schedule agreed upon by you and your IAR. BFCP does not impose a specific review schedule that all IARs must follow. Generally, the calendar is the main triggering factor for client reviews. However, more frequent reviews may be provided to any account depending on, among other issues, changes to your financial situation, personal situation or changes in market conditions.

Your accounts subject to our asset management services are reviewed by your IAR to analyze if the account is being managed in accordance with your chosen investment objective, that the account is properly balanced, if it is being managed according to a specific asset allocation model, and to verify the accuracy of account holdings and fee deductions. For accounts managed by outside money managers, your IAR will monitor the performance of the outside money manager and conduct reviews with you as necessary.

If your accounts are subject to asset management services or outside money managers, your IAR will generally contact you at least annually, or on a schedule agreed upon by you and your IAR, to discuss changes in your goals, investment objectives, and personal and financial situation.

BFCP encourages you to request a review with your IAR to discuss such things as account performance, changes in your investment objectives, goals, and financial situation, tax planning, estate planning, retirement planning and any other questions you may have concerning their investment portfolio. If you only receive financial planning services from your IAR, you may be charged a separate fee for meetings with your IAR. You should read carefully the client agreement with BFCP to determine the amount of such separate fees, if any.

#### **Statements and Reports**

For asset management services, you are provided with transaction confirmation notices and regular summary account statements directly from the qualified custodian. Additionally, your IAR may provide performance reports to you quarterly and upon request.

Whether reports by outside money manager are provided to you will depend upon the outside money manager.

Financial planning clients do not receive any report other than the written plan originally contracted for and provided by BFCP.

You are encouraged to always compare any reports or statements provided by BFCP, your IAR or outside money manager against the account statements delivered from the qualified custodian. When you have questions about your account statement, you should contact BFCP and the qualified custodian preparing the statement.

### **Item 14 – Client Referrals and Other Compensation**

#### **Other Compensation**

Your IAR, in his or her separate capacity as a registered representative of our affiliated broker-dealers may receive commissions from the execution of securities transactions.

Your IAR may also be licensed as an insurance agent, including those approved to conduct business under BFCP's affiliated insurance agency, Berthel Fisher & Company Insurance, Inc., and receive commissions and other incentive awards for the recommendation/sale of annuities and other insurance products. The receipt of this compensation may affect the judgment of your IAR when recommending insurance products to you.

While your IAR endeavors, at all times, to put your interests first, the receipt of commissions and additional compensation itself creates a conflict of interest and may affect the judgment of your IAR when making recommendations. In addition to the economic benefits, including assistance and services, detailed above, our affiliated broker-dealers enter into specific arrangements with product sponsors and other third parties. Your IAR may offer a wide variety of products and programs including mutual funds, annuities, life insurance, and investment wrap programs (collectively referred to as "Approved Product Companies"). BFCP and our affiliated broker-dealers have entered into arrangements with some Approved Product Companies and/or Custodians referred to as revenue sharing arrangements. Although BFCP and affiliated broker-dealers endeavor at all times to put the interest of our clients ahead of our own or those of our officers, directors, or representatives ("affiliated persons"), these revenue sharing arrangements present conflicts of interest. These conflicts of interest could affect the judgment of BFCP or our affiliated persons, including your IAR, when recommending investment products and could cause BFCP or our affiliated persons, including your IAR, to recommend these Approved Product Companies or Custodians for the purpose of obtaining revenue sharing payments, even where it is not in your best interests.

Certain IARs have received payments from BFCP in connection with the transition from another broker-dealer or investment advisor firm. These payments, which may be significant, are intended to assist the IAR with costs associated with the transition. These payments may be in the form of loans to the IAR, which are repayable to BFCP or are forgiven by BFCP based on years of service with BFCP (e.g., if the IAR remains with BFCP for 5 years).

These loans and any additional payments to new or existing IARs present a conflict of interest in that an IAR has a financial incentive to maintain a relationship with BFCP which may include directing clients to BFC for execution of trades, custody of assets, and reporting or research services. However, to the extent an IAR directs clients to BFC for such services, it is because the IAR believes that it is in that client's best interest to do so. BFCP has systems in place to review IAR-managed accounts for suitability and best execution practices over the course of the advisory relationship.

For additional information on a particular product's payment and compensation practices, please see the prospectus, offering documents or statements of additional information.

#### **Solicitors – Referring Parties**

BFCP may enter into arrangements with individuals ("Solicitors") who will refer clients that may be candidates for investment advisory services to BFCP. In return, BFCP agrees to compensate the Solicitor for the referral. Compensation to the Solicitor is dependent on the client entering into an advisory agreement with BFCP. Compensation to the Solicitor will be an agreed upon percentage of BFCP's investment advisory fee or a flat fee depending on the type of advisory services BFCP provides to clients.

It should be noted that not all IARs of BFCP work with Solicitors. In fact, most IARs of BFCP do not use Solicitors.

All solicitation/referral fees are paid pursuant to a written agreement retained by both BFCP and the Solicitor. Solicitors are required to provide client with a copy of BFCP's Form ADV Part 2 and a Solicitor Disclosure Document at the time of solicitation and the Solicitor will provide BFCP with an acknowledgement from the client of receiving those disclosures. If the referring party is an unaffiliated registered investment adviser firm, then the client will also receive a copy of the referring party's Form ADV Part 2 Disclosure Brochure. Acknowledgement must be obtained prior to or at the time of entering into any investment advisory contract with BFCP. Solicitors are not permitted to offer clients any investment advice on behalf of BFC Planning, Inc. The advisory fee charged to clients may increase as a result of compensation being shared with the Solicitor.

#### **Client Testimonials**

From time to time an IAR may pay for the use of a client testimonial. The use of compensation for a client testimonial will be disclosed as part of the testimonial information.

#### **Banks**

BFCP's affiliated broker dealers, Berthel Fisher & Company Financial Services, Inc. and Securities Management and Research, Inc., have established and will continue to establish marketing arrangements with banks and other depository institutions. In certain circumstances, investment advisory services of BFCP may also be marketed through these banks and other depository institutions, provided that such marketing is done in compliance with applicable SEC and state regulations. Further, BFCP may have IARs conducting business from and/or affiliated with a bank or other depository institution. These relationships create compliance issues relative to consumer protection.

The joint guidelines of regulators of the depository institution call for, at a minimum, both written and verbal disclosure at, or prior to the time securities products are purchased or sold that such securities products:

- Are not insured by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Share Insurance Fund, the Federal Deposit Insurance Corp., the National Credit Union Administration, or any other federal or state deposit guarantee fund or other government agency;
- Not endorsed or guaranteed by the bank or credit union or their affiliates;
- Are not deposits or obligations of the depository institutions and are not guaranteed by the depository institutions;
- Investments and securities are subject to investment risks, including possible loss of principal invested.

#### **Travel and Marketing Reimbursements**

We may from time to time receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as client appreciation events, advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements

are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for which sales have been made or for which it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control for this conflict by always basing investment decisions on the individual needs of our clients.

#### **PPP Loan**

On April 15, 2020, the Firm's parent company, Berthel Fisher and Company ("BFC"), received a Paycheck Protection Plan Loan ("PPP") through the SBA in conjunction with the relief afforded from the CARES [Act]. BFC used the PPP to continue payroll for the Firm and the Firm's affiliates. The firm did not suffer any interruption of service. The PPP Loan was forgiven in its entirety in May 2021.

### **Item 15 – Custody**

Custody, as it applies to investment advisers, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

BFCP is deemed to have custody of client funds and securities whenever BFCP is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody BFCP will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which BFCP is deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from BFCP. When clients have questions about their account statements, they should contact BFCP the qualified custodian preparing the statement.

***\*\* Please note that payment for fees, securities and any other items cannot be made payable to your IAR, his or her staff members or entities owned by your IAR. Payment for financial planning fees should be made payable to BFC Planning, Inc. Payment for the purchase of securities and for the purpose of funding an account must be made payable to the qualified custodian of your account. The qualified custodian will never be your IAR or any entity controlled by your IAR.***

### **Item 16 – Investment Discretion**

Upon receiving your written authorization if you are participating in our asset management services, BFCP will maintain trading authorization over your designated account. Upon receiving your written authorization, BFCP may also implement trades on a discretionary basis. When discretionary authority is granted, BFCP will have the authority limited to determining the type of securities to be bought, sold or exchanged and the amount of securities that can be bought, sold or exchanged for your portfolio without obtaining your consent for each transaction.

If you do not grant this limited investment discretion, your IAR will be required to contact you prior to implementing changes in your account. 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
- Whether to buy or sell

Once the above factors are agreed upon, BFCP will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, 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.

You have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. You may also place reasonable limitations on the discretionary power granted to your IAR so long as the limitations are specifically set forth or included as an attachment to the client agreement.

With respect to certain program available under the sub-advisory platforms, upon receiving your written authorization, BFCP through your IAR may exercise limited discretionary authority to hire/fire investment advisers on your behalf available within the program. Please refer to the program sponsor's disclosure document and client agreement for additional details about this discretionary authority.

For sub-account management services, when discretionary authority has been granted in writing by you, BFCP will exercise limited discretionary authority to exchange sub-accounts available in the variable annuity and/or variable life contract without contacting you in advance to obtain your consent for each exchange. Under our sub-account management services, you have the ability to place reasonable restrictions on the available sub-accounts utilized by BFCP. You may also place reasonable limitations on the discretionary power granted to BFCP so long as the limitations are specifically set forth or included as an attachment to the client agreement.

Client will grant BFCP discretionary authority (without first consulting with Client) to establish and/or terminate a relationship with a Sub-Adviser for purposes of managing the Account or a portion of the Account determined BFCP. Client will also grant the Sub-Adviser selected by BFCP with the discretionary authority (in the sole discretion of the Sub-Adviser without first consulting with Client) to make all decisions to buy, sell or hold securities, cash or other investments for such portion of the Account managed by the Sub-Adviser. Client will also grant the Sub-Adviser selected by BFCP with the power and authority to carry out these decisions by giving instructions, on behalf of Client, to brokers and dealers and the qualified custodian(s) of the Account. Client authorizes BFCP to provide a copy of this Agreement to the qualified custodian or any broker or dealer, through which transactions will be implemented on behalf of Client, as evidence of Sub-Adviser's authority under this Agreement.

#### **Item 17 – Voting Client Securities**

BFCP will not vote proxies on behalf of your account. 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 BFCP.

Clients will receive proxies directly from their qualified custodian or transfer agent and such documents will not be delivered by our firm. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact us. However, you will have the ultimate responsibility for making all proxy-voting decisions. With respect to any of your assets subject to sub-advisory relationships, we do not perform proxy-voting services on your behalf. You will need to refer to each sub-advisor's disclosure brochure to determine whether the sub-adviser will vote proxies on your behalf. You may request a complete copy of sub-advisor's proxy voting policies and procedures as well as information on how your proxies were voted by contacting BFCP at the address or phone number indicated on Page 1 of this disclosure document.

With respect to assets managed by a third-party money manager, we will not vote the proxies associated with these assets. You will need to refer to each third-party money manager's disclosure brochure to determine whether the third-party money manager will vote proxies on your behalf. You may request a complete copy of third-party money manager's proxy voting policies and procedures as well as information on how your proxies were voted by contacting the third-party money manager or by contacting BFCP at the address or phone number indicated on Page 1 of this disclosure document.

#### **Item 18 – Financial Information**

BFCP does not require or solicit prepayment of more than \$1200 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. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

#### **No Arrangement with Issuer of Securities**

BFCP and its management do not have any relationship or arrangement with any issuer of securities.

### **Item 19 - Business Continuity Plan**

BFCP has a business continuity and contingency plan in place designed to respond to significant business disruptions. These disruptions can be both internal and external. Internal disruptions will impact our ability to communicate and do business, such as a fire in the office building. External disruptions will prevent the operation of the securities markets or the operations of a number of firms, such as earthquakes, wildfires, hurricanes, terrorist attack or other wide-scale, regional disruptions. Our continuity and contingency plan has been developed to safeguard employees' lives and firm property, to allow a method of making financial and operational assessments, to quickly recover and resume business operations, to protect books and records, and to allow clients to continue transacting business.

The plan includes the following:

- Alternate locations to conduct business;
- Hard and electronic back-ups of records;
- Alternative means of communications with employees, clients, critical business constituents and regulators; and
- Details on the firms' employee succession plan

Our business continuity and contingency plan is reviewed and updated on a regular basis to ensure that the policies in place are sufficient and operational.



## **CONSUMER PRIVACY NOTICE AND POLICY**

You are receiving this Privacy Notice from BFC Planning, Inc. ("BFCP" or "BFC"), and on behalf of the Investment Adviser Representative who are associated with BFCP ("IAR") because you are either a customer of BFCP or are considering becoming one. This notice describes our practices concerning the handling of your personal information.

### **SECURITY STANDARDS**

BFCP is constantly attempting to update and improve its security standards and procedures to help protect against disclosure of information to unauthorized parties. Only those persons who need to do so as part of their job responsibilities are authorized to have access to your information. We train our employees on privacy and information security and on their obligations to protect your information.

### **INFORMATION WE GATHER AND SHARE WITH OTHER COMPANIES**

We do collect and retain nonpublic personal information about you, including information we receive from you or your Representative, such as your name and address, tax identification number, account balances, financial information, servicing information and brokerage activity.

While we do not sell any information to any third parties, we may disclose nonpublic personal information about you to affiliates, Representatives or to third party firms we may retain for clearing, accounting, legal or computer services and as permitted by law. We are selective in choosing these companies and we restrict the information we provide them to only what they need to do their job. They are not permitted to use the information for any purpose other than to assist the servicing of your accounts or as permitted by law and they are not permitted to release this information, use it for their own purposes or transfer it to any other party. If you close your account or if your Representative elects to change broker-dealers, your Representative will be permitted to retain copies of your non-public information to assist with the timely transfer of your account and to continue to serve you at the new firm. If you do not want your Representative to transfer this information, please contact 1-(800)-356-5234 to opt out of this information sharing.

### **MAINTAINING ACCURATE INFORMATION**

We strive to maintain complete and accurate information about you and your accounts. If you ever believe that our records contain inaccurate or incomplete information about you, or you believe we have reported information about you which we should not have done, please let us know immediately. We will investigate your concern and correct any inaccuracies we find and will confirm with you, any actions we take.

Please send your notice to:  
BFC Planning, Inc.  
4201 42<sup>nd</sup> Street NE Suite 100  
PO Box 11340  
Cedar Rapids, IA 52410-1340  
1-800-356-5234