



# INDEPENDENT FINANCIAL GROUP, LLC

ADV PART 2A

## FIRM BROCHURE

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**Dated March 27, 2018**

[www.ifgsd.com](http://www.ifgsd.com)

### ITEM 1 – COVER PAGE

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This ADV Part 2A Firm Brochure provides information about the qualifications and advisory business practices of Independent Financial Group, LLC. Independent Financial Group, LLC is a Registered Investment Adviser. Registration of an investment adviser does not imply any level of skill or training. If you have any questions about the contents of this brochure, please contact us at (858) 436-3180 or email us at [compliance@ifgsd.com](mailto:compliance@ifgsd.com). Additional information about Independent Financial Group, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

## ITEM 2 – MATERIAL CHANGES

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**Brochure Amendment** - This brochure dated March 26, 2018 is an amended disclosure brochure document that has been prepared to replace the previously filed disclosure brochure dated March 30,2017.

**Summary of Material Changes** – There are no material changes since the last amended brochure.

Independent Financial Group, LLC will ensure that a summary of any material changes to this and subsequent brochures are delivered to advisory clients within 120 days of the close of our business' fiscal year. We will also provide advisory clients with any interim disclosures about material changes as necessary.

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

## ITEM 3 – TABLE OF CONTENTS

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Item 1 – Cover Page .....	1
Item 2 – Material Changes .....	2
Item 3 – Table of Contents .....	2
Item 4 – Advisory Business .....	3
A. Adviser Background .....	3
B. Advisory Services .....	3
1. AP Client, CAM Client (Design II), Adviser Plus and Adviser Plus II.....	3
2. Lockwood .....	3
3. CAM Client TD (Freedom One TD) and CAM Client Schwab (Freedom One Schwab) .....	4
4. Annuity Direct Advisory .....	4
5. Financial Planning and Consulting .....	4
6. Third Party Asset Managers.....	4
C. Client Needs .....	5
D. Wrap Programs .....	5
E. Client Assets under Management.....	5
Item 5 – Fees and Compensation .....	5
A. Compensation for Advisory Services.....	5
1. AP Client, CAM Client (Design II), Adviser Plus and Adviser Plus II Program Costs .....	5
2. Lockwood Program Fees .....	6
3. CAM Client TD (Freedom One TD) and CAM Client Schwab (Freedom One Schwab) Program Costs .....	6
4. Annuity Direct Programs Fees .....	7
5. Financial Planning and Consulting Fees .....	7
6. Third Party Asset Manager Fees.....	7
7. Reporting & Billing .....	7
B. Billing Method .....	7
C. Other Fees and Expenses .....	7
D. Termination .....	8
E. Additional Compensation .....	8
Item 6 – Performance Based Fees and Side-by-Side Management .....	9
Item 7 – Types of Clients.....	9
A. Account Minimums.....	9
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Item 9 – Disciplinary Information .....	10
Item 10 – Other Financial Industry Activities and Affiliations .....	10
Item 11 – Code of Ethics .....	10
Item 12 – Brokerage Practices .....	11
A. Broker-Dealer Selection.....	11
B. Trade Aggregation, Allocation or Block Trading.....	11
Item 13 – Review of Accounts .....	11
Item 14 – Client Referrals and Other Compensation .....	11
Item 15 – Custody .....	11
Item 16 – Investment Discretion .....	11
Item 17 – Voting Client Securities .....	12
Item 18 – Financial Information .....	12

## ITEM 4 – ADVISORY BUSINESS

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

**B. Advisory Services** - Adviser provides a variety of financial planning and advisory services through Investment Adviser Representatives (IARs) who are in most cases also Registered Representatives (RRs) of IFG. These services include asset allocation within a portfolio, day-to-day investment decisions, third party adviser programs, financial planning and consulting services. In addition, IFG offers brokerage services to clients that may also participate in the advisory services described herein. Whether an IAR offers a client brokerage or advisory services or a combination of both depends on various factors including investment style and trading preferences of the client. Clients should take time to consider the differences between a brokerage and advisory relationship to determine which type of service best serves the client's needs. Clients should refer to the informational section on ifgsd.com titled "Understanding the Difference between Brokerage and Investment Advisory Services". There is no guarantee that the advisory services offered will result in the client's goals and objectives being met. Nor is there any guarantee of profit or protection from loss. No assumption can be made that any particular advisory service or strategy will provide better returns than other investment strategies. Descriptions of advisory programs are provided below.

**Technology** - IARs may utilize AccessPoint, IFG's primary asset management platform. The AccessPoint platform is provided by Envestnet. Envestnet is a subsidiary of Envestnet, Inc., a publicly held company (NYSE: ENV). Envestnet provides portfolio management services to retail clients as well as institutional clients such as pensions profit-sharing plans, trusts, estates, and corporations.

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

In addition to the Envestnet advisory services offered in the programs, Envestnet also offers IARs many advisory service tools, whereby Envestnet provides only administrative and technology services. IAR determines which services and programs to utilize with their clients and may utilize the services of other third-party services providers in conjunction with these programs. The services offered by Envestnet include, but are not limited to: (1) Assessment assistance of the client's investment needs and objectives; (2) Investment policy planning assistance; (3) Development of an asset allocation strategy designed to meet the client's objectives; (4) Recommendations on suitable style allocations; (5) Identification of appropriate managers and investment vehicles suitable to the client's goals; (6) Evaluation of asset managers and investment vehicles meeting style and allocation criteria; (7) Engagement of selected asset managers and investment vehicles on behalf of the client; (8) Review of client accounts to ensure adherence to policy guidelines and asset allocation; (9) Recommendations for account rebalancing, if necessary; (10) Online reporting of client account's performance and progress; and (11) Fully integrated back office support systems to IAR, including interfacing with client's custodian, trade order placement, billing and performance reporting.

**Custody** - Adviser does not maintain custody of client assets at any time. Pershing LLC, TD Ameritrade Institutional or Charles Schwab Institutional acts as qualified custodians for program assets as applicable by the specific program. In connection with their duties as custodian, Pershing LLC, TD Ameritrade Institutional and Charles Schwab Institutional will provide clients with confirmations for each transaction depending on the program unless instructed to suppress the confirmations by the client. In addition, client will receive account statements and quarterly performance reports from the respective program custodian on behalf of Adviser. IARs may also provide additional reporting services to their clients. Clients are encouraged to review and compare the account information in the performance reports and additional IAR reports to the custodial statements.

**1. Advisor Portfolios: AP Client, CAM Client (previously known as Design II), Adviser Plus\* and Adviser Plus II \*Program Services: (\*Adviser Plus and Adviser Plus II are currently closed to new business with limited exceptions)** - The AP Client, CAM Client (Design II), Adviser Plus and Adviser Plus II Programs (each a "Program" and collectively "Programs") offers participants asset allocation, brokerage services, consolidated reporting and periodic recommendations based on stated investment objectives. To participate in one of these Programs, IAR and client enter into a program specific investment advisory services agreement. Clients may authorize IAR to execute transactions on a discretionary or non-discretionary basis.

Pershing, LLC (Pershing), a BNY Mellon Company based in Jersey City, NJ provides custody and execution services with respect to these Programs. Program accounts are billed quarterly in advance or in arrears depending on the agreement between client and IAR. Pershing will provide custodial statements for each client account.

Eligible assets include stocks, bonds, mutual funds, Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs), structured products, fixed income and other securities. Only no-load or load-waived mutual funds may be purchased within Program accounts. Margin, mutual fund systematic investments, mutual fund systematic withdrawals and options (specifically covered calls and puts) may be permitted in Program accounts as indicated in the advisory services agreement.

**2. Lockwood Wrap Program Services:** Lockwood Capital Management, Inc. (LCM) is an investment management company, based in Malvern, Pennsylvania. Lockwood is affiliated with Pershing Advisors Solutions LLC. LCM offers two discretionary managed account products, Lockwood Investment Strategies (LIS) and Lockwood Asset Allocation Portfolios (LAAP).

- **Lockwood Investment Strategies (LIS):** LIS is a discretionary, multi-discipline managed account product housed in a single portfolio with five core models. The five core models span the risk/return spectrum from "Current Income" to "Growth" within the context of a diversified portfolio. The client may also choose from four additional models which include exposure to non-traditional asset classes. LCM, serving as the portfolio manager, determines asset allocation and selects both sub-managers and specific investment vehicles for each investment style based on its proprietary modeling strategies and its macroeconomic

outlook. Depending upon the model or strategy chosen by the client, a portfolio may typically hold between 5 and 250 securities. LIS accounts are billed quarterly in advance. Pershing will provide custodial statements for each client account.

- **Lockwood Asset Allocation Portfolios (LAAP):** LAAP is a discretionary, multi-discipline managed account product housed in a single portfolio with five core models. The five core models span the risk/return spectrum from “Current Income” to “Growth” within the context of a diversified portfolio. LCM, serving as the portfolio manager, determines asset allocation and selects both sub-managers and specific investment vehicles for each investment style based on its proprietary modeling strategies and its macroeconomic outlook. Depending upon the model or strategy chosen by the client, a portfolio may typically hold between 5 and 250 securities. LAAP accounts are billed quarterly in advance. Pershing will provide custodial statements for each client account.

**3. CAM Client TD (Freedom-One TD) & CAM Client Schwab (Freedom-One Schwab) Program Services:** Adviser has entered into an advisory services agreement with TD Ameritrade Institutional (TD), to provide custody and execution services for Adviser’s CAM Client TD program. Adviser has also entered into an advisory services agreement with Charles Schwab Institutional (Schwab), to provide custody and execution services for Adviser’s CAM Client Schwab programs. The CAM Client TD and CAM Client Schwab programs offer participants asset allocation, brokerage services, consolidated reporting and periodic recommendations based on stated investment objectives.

To participate in one of the CAM Client TD or Schwab programs, IAR and client enter into a program specific investment advisory services agreement whereby the client directs the opening of a custodial account at either TD or Schwab. Clients may authorize IAR to execute transactions on a discretionary or non-discretionary basis. Program accounts are billed quarterly in advance or in arrears depending on the agreement between client and IAR. TD or Schwab will provide monthly custodial statements for each client account.

Eligible assets include stocks, bonds, mutual funds, Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs), structured products, fixed income and other securities. Only no-load or load-waived mutual funds may be purchased within Program accounts. Margin, mutual fund systematic investments, mutual fund systematic withdrawals and options (specifically covered calls and puts ) may be permitted in Program accounts as indicated in the advisory services agreement.

**4. Annuity and Variable Life Program Services:** Offers clients the opportunity for management of annuity or variable life sub-accounts on a fee basis. Services may include asset allocation, consolidated reporting and periodic recommendations on annuities and variable life insurance based on clients’ stated investment objectives. The services offered consist of but are not limited to:

- Initial consultation on the merits and benefits related to various sub-accounts as a component of the client’s total asset allocation.
- Direct the investment and reinvestment of the subaccounts in accordance with the client’s investment objectives.
- Consultation and advise as re-allocations if and when appropriate.
- Monitoring of the investments, reviewing, reporting and consulting to the client.

To participate in one of these programs, IAR and client enter into a program specific investment advisory services agreement. Clients may authorize IAR to execute transactions on a discretionary or non-discretionary basis. Program accounts are billed quarterly in advance or in arrears depending on the agreement between client and IAR. The insurance company provides custodial statements for client accounts.

**5. Financial Planning and Consulting Services:** Certain IARs provide financial planning and consulting services for a fee. All fees and services are negotiable and specified under the terms of the Financial Planning Client Services Agreement. IARs may provide financial planning and consulting clients with general or specific recommendations for investing in securities or opening investment advisory accounts based on the clients’ financial situation, goals and objectives. Financial planning clients are under no obligation to implement such recommendations through IAR. General categories of financial planning or consulting services include:

- **Hourly Financial Consulting:** Clients may retain IAR to provide financial consulting services for an hourly fee as set forth in the IFG Financial Planning/Consulting Agreement. Financial planning services end upon delivery of a written plan except for annual services.
- **Fixed Fee Services:** Clients may retain IAR to provide a one-time financial plan, portfolio analysis or investment policy statement for a fixed fee as set forth in the Financial Planning/Consulting Client Services Agreement. The fee will vary depending upon the services provided or complexity of the client situation.
- **Annual Financial Consulting Program:** Clients may retain IAR, on an annual basis, to provide a financial plan and other consulting services which could be on-going for updates and adjustments to the plan, based on changes in the client’s financial status and circumstances. The fee for the annual financial consulting program will be stated in the Financial Planning/Consulting Client Agreement.

**6. Third Party Asset Manager Services:** Adviser has entered into solicitation agreements with various third party investment advisers (money managers). Under these agreements, Adviser, through its IARs, refers clients to various programs sponsored by these managers. IARs may determine that the client is suitable for one or more third party managers’ services and assist the client in selecting a particular program. Clients will open accounts directly with the third party manager and receive quarterly statements directly from their custodian of assets. Such quarterly statements will include the account values and amount of fees paid.

Third Party Managers also provide mutual fund, variable annuity and variable life management services programs. These programs provide management that includes but is not limited to:

- Allocation of the client’s assets among various mutual fund families or variable annuity and variable life sub-accounts.
- Selection of model portfolios of mutual funds, variable annuities or variable life sub-accounts.
- Assisting clients in allocating existing mutual funds and/or variable annuities or variable life, based on clients chosen investment objective and risk profile.

**C. Client Needs** - IARs conduct initial meetings with each potential advisory client to discuss their financial needs, personal goals, risk tolerance and overall investment objectives. It is of beneficial interest to the client to provide accurate and candid information and promptly inform IAR of any material changes in their circumstances so IAR can evaluate if adjustments to the advisory accounts are necessary. Clients may impose restrictions on investing in certain securities or types of securities in most advisory programs. Since client needs may change, it is important that they alert their IAR with any changes in their needs, goals or overall objectives.

**D. Wrap Programs** - Adviser and its IARs may participate in third party wrap fee programs, as well as Adviser sponsored wrap fee programs, whereby the wrap fee is an asset based fee that includes advisory fees, asset allocation and brokerage services under an all-inclusive program fee. Adviser and IAR receive a portion of the wrap fees. The program fees paid by client for wrap accounts may be higher or lower than advisory fees and commissions which the client could negotiate separately for the same services. Information regarding Adviser's participating wrap programs such as Lockwood has been provided in *Item 4B - Advisory Services* of this brochure.

Adviser also sponsors private label wrap fee programs. Information regarding wrap programs sponsored by Adviser is provided in the *Independent Financial Group, LLC ADV Wrap Fee Program Brochure* which is available upon request.

**E. Client Assets under Management -**

As of December 31, 2017, Adviser manages a total of \$2,764,918,695 in assets of which \$2,337,047,641 in assets are managed on a discretionary basis and services \$427,871,054 in non-discretionary assets.

**ITEM 5 – FEES AND COMPENSATION**

**A. Compensation for Advisory Services-** Adviser is compensated for advisory services by fees based on the value of client accounts at the end of each quarter. All advisory fees within Adviser's programs are negotiable. Descriptions of advisory program fees are as follows.

**1. Advisor Portfolios: AP Client, CAM Client (Design II), Adviser Plus and Adviser Plus II Program Cost** - Clients pay an annualized advisory fee in addition to brokerage transaction charges. The maximum advisory fee is 3.00% per annum. The advisory fee is negotiable and can be reduced depending on the unique circumstances of each client.

**Fees and Transaction Charges** - The fees and transaction charges below reflect the advisory fees charged by Adviser and IAR. With the exception of the AP Client and CAM Client programs, there is an additional \$4.00 confirmation generation cost for each transaction charged by Pershing. For additional charges for services provided by Pershing, clients should refer to the account opening documentation. The fee schedule is in effect for and will continue until thirty (30) days after IAR notifies the client in writing of any change in the amount of fees applicable to the client's account. The new fees will be effective unless the client notifies IAR in writing that the account management is to be terminated.

AP CLIENT TRANSACTION CHARGES (PWV)	
Investment Type	Transaction Charges
Listed Equities	\$10.00 + 0.015 cents/share
OTC Equities	\$10.00
Equity & Index Options	\$10.00 + \$1.50/contract
Option Exercise & Assignments	\$30.00
Listed Bonds	\$40.00 + \$1.25/bond
Corporate, Treasury & Muni Bonds	\$10.00
CDs & UITs	\$40.00
Mutual Fund Purchases/Redemptions	\$7.50 (\$0 for FundVest)
Mutual Fund Internal Exchanges	\$5.00

CAM CLIENT (I-DESIGN II) TRANSACTION CHARGES (JGD)	
Investment Type	Transaction Charges
Listed Equities	\$10.00 + 0.015 cents/share
OTC Equities	\$10.00
Equity & Index Options	\$10.00 + \$1.50/contract
Option Exercise & Assignments	\$30.00
Listed Bonds	\$40.00 + \$1.25/bond
Corporate, Treasury & Muni Bonds	\$10.00
CDs & UITs	\$40.00
Mutual Fund Purchases/Redemptions	\$7.50 (\$0 for FundVest)
Mutual Fund Internal Exchanges	\$5.00

*ADVISER PLUS TRANSACTION CHARGES (0BW)	
Investment Type	Transaction Charges
Listed and OTC Equities	\$25.00
Corporate, Treasury and Muni Bonds	\$35.00
CDs and UITs	\$40.00
Mutual Fund Purchases/Redemptions	\$15.00
Mutual Fund Internal Exchanges	\$10.00

*ADVISER PLUS II TRANSACTION CHARGES (AGY)	
Investment Type	Transaction Charges
Listed Equities	\$25.00 + 0.015 cents/share
OTC Equities	\$25.00
Equity & Index Options	\$30.00 + \$1.50/contract
Option Exercise & Assignments	\$30.00
Listed Bonds	\$35.00 + 1.25/bond
Corporate, Treasury & Muni Bonds	\$35.00
CDs & UITs	\$40.00
Mutual Fund Purchases/Redemptions	\$15.00
Mutual Fund Internal Exchanges	\$10.00

**2. Lockwood Wrap Program** -The Lockwood Wrap Program fee for LIS and LAAP includes the Adviser's fee, LCM advisory fee, the sponsor and administrative fee and clearing and custody fees. The Program fee does not include fees or expenses which may be associated with the underlying investment vehicles such as, redemption fees, 12b-1 fees or internal expense costs. In addition to this Brochure, clients should review the LCM Wrap Program Brochure provided by IAR for detailed information regarding the LIS and LAAP wrap programs.

**Fee Schedule** - The fee schedule is in effect for and will continue until thirty (30) days after IAR notifies the client in writing of any change in the amount of fees applicable to the client's account. The new fees will be effective unless the client notifies IAR in writing that the account management is to be terminated.

**3. CAM Client TD (Freedom-One TD) & CAM Client Schwab (Freedom-One Schwab) Program Costs** - Clients pay an annualized advisory fee in addition to brokerage transaction charges as outlined below. The maximum advisory fee is 2.00%. The advisory fee is negotiable and can be reduced due to the unique circumstances of each client.

**Fees and Transaction Charges** - The following are the schedules reflecting the advisory fees charged by Adviser and IAR, as well as the transaction charges imposed by TD or Schwab. For additional charges for services imposed by TD and Schwab, clients should refer to the account opening documentation. The fee schedule is in effect for and will continue until thirty (30) days after IAR notifies the client in writing of any change in the amount of fees applicable to the client's account. The new fees will be effective unless the client notifies IAR in writing that the account management is to be terminated.

CAM CLIENT TD (FREEDOM ONE TD) TRANSACTION CHARGES	
Investment Type	Transaction Charges
Listed & OTC Equities	\$9.99
Equity & Index Options	\$9.99 + 0.75 cents/contract
Option Exercise & Assignments	\$9.99
Bonds- Listed, Corporate, Treasuries, Munis	\$9.99
CDs & UITs	\$35.00
Mutual Fund Purchases/Redemptions	\$20.00
Mutual Fund Internal Exchanges	\$10.00

CAM CLIENT SCHWAB (FREEDOM ONE SCHWAB) TRANSACTION CHARGES	
Investment Type	Transaction Charges
Listed & OTC Equities	\$8.95 to \$19.95
Equity & Index Options	\$8.95 to \$39.95 + \$1.40/contract
Option Exercise & Assignments	\$8.95 to \$39.95 + \$1.40/contract
Bonds- Listed, Corporate, Treasuries, Munis	\$25.00 plus up to \$1.20/bond
CDs & UITs	\$10 min/\$250 max
Mutual Fund Purchases/Redemptions	\$39.00 to \$74.95 (for Non-NTFs)
Mutual Fund Internal Exchanges	*Consult prospectus

**4. Annuity Direct Advisory Program Costs** - Clients pay an annualized advisory fee. The maximum advisory fee is 2.00%. The advisory fee is negotiable and can be reduced depending on the unique circumstances of each client.

**Fee Schedule** - For additional charges for services imposed by the insurance carrier, clients should refer to the carrier's fee schedule in the prospectus. The fee schedule is in effect for and will continue until thirty (30) days after IAR notifies the client in writing of any change in the amount of fees applicable to the client's account. The new fees will be effective unless the client notifies IAR in writing that the account management is to be terminated.

**5. Financial Planning and Consulting Fees** - Certain IARs provide financial planning and consulting services for a fee. All fees and services are negotiable and specified under the terms of the Financial Planning Client Services Agreement. General categories of financial planning/consulting services are as follows:

- **Hourly Financial Consulting:** Fees for hourly financial consulting generally range from \$100 to \$300 per hour. In certain circumstances, the fee or a portion may be collected in advance. In such cases clients will have five (5) days after signing the agreement to terminate without penalty. If the client terminates the agreement after the first five days, the client will receive a refund of the fees paid or be charged a portion of all of the balance of the fee depending on the cost of the services before termination.
- **Fixed Fee Services:** As set forth in the Financial Planning/Consulting Client Services Agreement, the fee will vary depending upon the services provided or complexity of the client situation. Clients may pay a portion of the fee in advance and the balance upon completion of services. In such cases, clients will have five (5) days after signing the agreement to terminate without penalty. If the client terminates the agreement after the first five days, the client will either receive a refund of a portion of the fees paid or charged a portion of the fee depending upon the cost of services before termination.
- **Annual Financial Consulting Program:** The fee for the annual financial consulting program will be stated in the Financial Planning/Consulting Client Agreement. Clients may pay a portion of the fee in advance and the balance in installment or the whole retainer in advance. In such cases, clients will have five (5) days after signing the agreement to terminate without penalty. If the client terminates the agreement after the first five days, the client will either receive a refund or a portion of the fees paid or be charged a portion of the fee depending upon the cost of services before termination.

**6. Third Party Asset Manager Fees** - Advisory fees may be negotiated but generally range from 0.50% to 3.00% per annum depending upon the program, size of the account and services offered. Some programs offer an inclusive fee or 'wrap fee' to cover account management, brokerage or clearing charges, custody and administrative services. All fees and aspects of the program are detailed and disclosed in the third party investment advisory agreement, Form ADV Part 2A and disclosure documents which are provided to the client. Selection of a wrap fee program may result in the payment of fees in excess of the combined total of separate advisory fees and transaction charges paid per transaction.

For third party mutual fund, variable annuity & variable life management services, advisory fees may be negotiated but generally range from .50% to 3.00% per annum depending upon the program, size of the account and services offered. Some programs offer an inclusive fee or 'wrap fee' to cover account management, brokerage or clearing charges, custody and administrative services. All fees and aspects of the program are detailed and disclosed in the third party investment adviser's advisory agreement, Form ADV Part 2A and disclosure documents which are provided to the client. Selection of a wrap fee program may result in the payment of fees in excess of the combined total of separate advisory fees and transaction charges paid per transaction.

Certain mutual funds, VAs or VULs purchased in the program may or may not bear back-end sales charges or fees pursuant to Rule 12b-1 of the Investment Company Act of 1940 (12b-1). Such fees and other expenses are described in each mutual fund's prospectus. There will also be additional internal cost related to policy riders as well as the mortality and expenses of the life insurance and annuity policies that are borne by the client.

**7. Reporting & Billing Services Program** - IAR's may utilize this Program for reporting only services, or for Reporting & Billing services through AccessPoint. For Reporting Only services, there is a 5 basis point per year, per account service fee with a \$65 minimum annual service fee to be achieved, and no greater than a \$300 maximum service fee to be paid per year, per account. For Reporting and Full-Billing services, there is a 6 basis point per year, per account service fee with a \$90 minimum annual service fee to be met, and no greater than a \$300 maximum service fee to be paid per year, per account. In the event AccessPoint is required to utilize a third party data aggregation provider there is a flat \$150 per year, per account fee charged in lieu of the basis point structure. For Reporting & Full-Billing services, the account that is agreed upon between IAR and client to be charged an advisory fee based upon the asset value of the account will have the quarterly fee debited from another account that is active on the AccessPoint platform and not from the outside account that the advisory fee is being assessed on.

**B. Billing Method** - The specific manner in which fees are charged by Adviser is established in each program specific advisory client services agreement and described in *Item 4 – Advisory Services* of this brochure. In general, Adviser bills program fees on a quarterly basis in advance or in arrears based on the market value of the account on the last business day of the quarter. Clients may also elect to be billed directly for fees or debit fees from a client account. For the AP Client, CAM Client (Design II), Adviser Plus, Adviser Plus II, and Lockwood programs - fees will be prorated for any capital contributions or withdrawals made during the applicable calendar quarter. Advisory accounts initiated or terminated during a calendar quarter will be charged prorated Program fees.

**C. Other Fees and Expenses** - The advisory fees are separate from brokerage transaction fees and other related costs and expenses in non-wrap accounts. IFG receives transaction based compensation in connection with brokerage services in the AP Client, CAM Client (Design II), Adviser Plus, Adviser Plus II, CAM Client TD (Freedom One TD) and CAM Client Schwab (Freedom One Schwab) programs. Clients may also incur charges imposed by third party custodians, brokers, third party money managers and other third parties. Such fees may include custodial fees,

deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund transfer fees and other fees on brokerage accounts and securities transactions. Adviser and IARs do not receive any portion of these fees.

- Mutual Funds and ETFs charge internal management fees which are disclosed in the fund's prospectus. Program advisory fees do not include certain charges paid by mutual funds held in client's account. Notwithstanding the foregoing, no 12b-1 fees may be received by an IAR with respect to any assets in a program account of a client. The 12b-1 fees are included among normal mutual fund expenses and are reflected in the fund prospectus. Clients should understand that the share class offered for a particular mutual fund for the account in many cases will not be the least expensive share class that the mutual fund makes available.
- If a program account invests in mutual funds, client will pay an advisory fee to the fund manager and other expenses as a shareholder in the mutual fund, as well as the advisory fee paid to Adviser and IAR for account management. Many of the mutual funds available within the program may be purchased directly from the mutual fund sponsor. Therefore, client could avoid the additional layer of fees by not using the services of Adviser and making their own investment decisions.
- It is possible for a client to pay a commission on a security or insurance product and then move the investment into a managed account. In these cases, the investment will be ineligible for fee billing, with limited exceptions, for a one year period of time from the date of purchase if the IAR received a commission in his/her capacity as a registered representative.
- Advisory accounts where Pershing serves as the custodian provide an automatic daily cash sweep program into client selected money market funds offered by Federated Financial Services Company and Dreyfus Funds. Adviser will receive compensation of up to 0.15 percent of the assets invest in Dreyfus Insured Deposits and up to 0.35 percent of assets invested in Federated money market funds for non-retirement accounts. IARs do not receive any portion of these fees.
- Adviser may receive distribution allowances, due diligence fees, platform expenses and other payments from certain third party money managers of up to 0.15% annually on assets placed with managers and custodians. These fees are retained by Adviser and are not paid to IARs. As a result, IARs do not receive a greater fee for selecting one adviser or program over another.

**D. Termination** - Advisory accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid unearned fees will be promptly refunded and any earned unpaid fees will be due and payable.

**E. Additional Compensation** - IFG may receive commissions or other fees or compensation in relation to securities or insurance products placed through or with them as a broker-dealer or agent outside this account. IARs in their capacity as registered representatives receive a portion of such fees or compensation. The account services offered by the broker-dealer are separate and distinctly different from the advisory services offered even though the values may be shown on the advisory statement.

- Advisory accounts provide automatic daily cash sweep programs into client selected money market funds offered by Federated Financial Services Company and Dreyfus Funds. Adviser will receive compensation of up to 0.15 percent of the assets invested in Dreyfus Insured Deposits and up to 0.35 percent of the assets invested in Federated money market funds for non-retirement accounts. IARs do not receive any portion of these payments.
- It is possible for a client to pay a commission on a security or insurance product and then move the investment into a managed account. In these cases, the investment will be ineligible for fee billing, with limited exceptions, for a one year period of time from the date of purchase if the IAR received a commission in his/her capacity as a registered representative.

**1. Third Party Arrangements** - Adviser may engage in solicitors' agreements with third party money managers or investment advisory companies and receive compensation for such services based on deposits or assets placed under management. A portion of these fees are paid to IARs. Adviser may receive distribution allowances, due diligence fees, platform expenses and other payments from certain third party money managers of up to 15 basis points (0.15%) annually on assets placed with the managers and custodians. These fees are retained by Adviser and are not paid to any of its IARs. As a result, IARs do not receive a greater or lesser fee for selecting one adviser over another. In all cases, such fees are paid from the money manager's own resources and not from client assets. The following third party money managers currently participate in this payment arrangement: Assetmark, Beacon Capital, BofI Advisor, Brinker Capital, BTS, Dunham & Associates, Envestnet, Equis Capital, FlexPlan, Hanlon Investments, Loring Ward, Measured Risk Portfolios, Ocean Park Asset Management, Trademark Financial, and Weatherstone Capital Management.

**2. Conference Program** - Certain product sponsors contribute additional funds and resources to programs that support Adviser's marketing, education, training, seminars and conferences conducted throughout the year (Conference Program). The amount that product sponsors pay to participate in the Conference Program is based on a tiered platform that ranges from \$10,000 to \$65,000 according to the events and activities the sponsor chooses. This may include conference calls, web-casts, the IFG Top Producer Event, the IFG Investment Symposium, the IFG Technology and Training Symposiums and the IFG National Conference.

These sponsors have greater access to the representatives to provide educational and training opportunities. Not all sponsors participate at the same level and participation is voluntary. For a detailed list of sponsors that are participating in IFG's Conference Program, please consult our website at ifgsd.com.

**3. Training, Due Diligence Trips and Marketing Support** - Product sponsors and other companies may reimburse up to 100% of the cost of training programs, due diligence trips, attendance at seminars, business activities, client events, entertainment and educational joint marketing meetings for IARs, as permitted by industry rules.

Although the product sponsors who contribute these funds may have greater access to the IARs, the client does not pay more to purchase these products through Adviser than they would through another broker-dealer or RIA. The payment of this additional compensation by these product sponsors may pose a financial incentive to promote certain products over other products, although Adviser does not believe that these arrangements compromise the duty and service the IAR owes and provides to the client. IARs are under no obligation to utilize the programs of these product sponsors.



## ITEM 6 – PERFORMANCE FEES

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Adviser does not charge performance based fees or fees based on capital gains or capital appreciation of client assets however third party managers may charge performance based fees as part of their programs.

## ITEM 7 – TYPES OF CLIENTS

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Adviser through its IARs provides portfolio management services to individuals, high net worth individuals, trusts, business owners, corporations, corporate pension and profit sharing plans.

**Account Minimums** - Adviser has established the following account minimums:

- **AP Client, CAM Client (Design II), Adviser Plus and Adviser Plus II (\*Adviser Plus and Adviser Plus II are currently closed to new business with limited exceptions):** The minimum account value for these Programs is \$25,000 however IAR may choose to lower this minimum for certain clients in house-holding situations (not applicable to AP Client). Should the market value of the account fall below the stated minimum, Adviser may require deposits of additional funds/securities or terminate the Program account.
- **Lockwood Investment Strategies (LIS):** The minimum account value to establish an LIS account is \$250,000. Should the market value of the account fall below the stated minimum, Adviser may require deposits of additional funds/securities or terminate the Program account.
- **Lockwood Asset Allocation Portfolios (LAAP):** The minimum account value to establish an LAAP account is \$50,000. Should the market value of the account fall below the stated minimum, Adviser may require deposits of additional funds/securities or terminate the Program account.
- **CAM Client TD (Freedom One TD) and CAM Client Schwab (Freedom One Schwab):** The minimum account value for these Programs is \$25,000 however IAR may choose to lower this minimum to \$5,000 for certain clients in house-holding situations. Should the market value of the account fall below the stated minimum, Adviser may require deposits of additional funds/securities or terminate the Program account.
- **Annuity Direct Advisory:** The minimum account value for these Programs is \$25,000 however IAR may choose to lower this minimum to \$5,000 for certain clients in house-holding situations. Should the market value of the account fall below the stated minimum, Adviser may require deposits of additional funds/securities or terminate the program account.
- **Third Party Asset Manager Programs:** The minimum account value for these Programs is determined by the third party asset manager. Should the market value of the account fall below the stated minimum, the third party asset manager may require deposits of additional funds/securities or terminate the Program account.

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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IARs assist clients to determine appropriate allocation models or investment strategies depending on their overall objectives and needs. IARs may utilize strategies such as asset allocation, trend analysis, fundamental analysis, technical analysis or economic indicators. Each IAR may have their own strategies therefore clients should discuss their objectives with their IAR thoroughly. No assumption can be made that any particular strategy will provide better returns than other investment strategies.

Before participating in any program or investing in any asset class, clients should discuss their tolerance for risk with their IARs and carefully consider the risks associated with the investment by reviewing the prospectus, offering memorandum or disclosure brochure prepared by the issuing company. Equity securities markets experience varying degrees of volatility. Investing in securities involves risk of loss that clients should be prepared to bear. Short term trading strategies may impact performance when transaction costs are incurred. The following describes common characteristics of risk associated with specific types of investments that may be recommended in client accounts.

- **Mutual Funds:** Each mutual fund has different risks and rewards. Generally the higher the potential return, the higher the risk of loss. Investors may have to pay taxes on capital gains distributions received even if the fund goes on to perform poorly after the investor bought shares.
- **Money Market Funds:** Although Money Market Funds have relatively low risks, the NAV may fall below \$1.00 if the fund performs poorly therefore losses are possible.
- **Fixed Income Securities:** Fixed income investments tend to be more conservative than stocks however, clients should be aware that bonds and bond funds do carry some degree of risk including but not limited to interest rate, credit, inflation, pre-payment and reinvestment risks.
- **ETFs:** Exchange-Traded Funds, like stocks and index funds can carry a significant amount of market risk. The appeal of an ETF is that it represents many assets or companies, like an indexed mutual fund, but unlike a mutual fund that prices Net Asset Value on a daily basis, ETFs can be traded at any time during trading hours, like a stock. Investing in ETFs involves volatility and risk of losses that clients should be prepared to withstand.
- **Leveraged ETFs:** Leveraged ETFs, sometimes including labels such as “ultra” or “2x”, seek to deliver multiples of the performance of the index or benchmark they track and to achieve a return that is a multiple of the underlying index. Most leveraged ETFs “reset” daily, meaning that they are designed to achieve their stated objectives on a daily basis. Their performance over longer periods of time (over weeks or months or years) can differ significantly from the performance of their underlying index or benchmark during the same period of time. This effect can be magnified in volatile markets.
- **Leveraged Inverse ETFs:** Leveraged Inverse ETFs, sometimes including labels such as “ultra short” or “2x”, seek to achieve a return that is a multiple of the inverse performance of the underlying index. An inverse ETF that tracks a particular index, for example, seeks to deliver the inverse of the performance of that index, while a 2x (two times) leveraged inverse ETF seeks to deliver double the opposite of that index’s performance. To accomplish their objectives, leveraged and inverse ETFs pursue a range of investment strategies through the use of swaps, futures contracts, and other derivative instruments. Most leveraged inverse ETFs “reset” daily, meaning that they are

designed to achieve their stated objectives on a daily basis. Their performance over longer periods of time (over weeks or months or years) can differ significantly from the inverse of the performance of their underlying index or benchmark during the same period of time. This effect can be magnified in volatile markets.

- **ETNs:** Exchange Traded Notes (ETNs) are senior, unsecured debt securities issued by an underwriting bank. Similar to other debt securities, ETNs have a maturity date and are backed only by the credit of the issuer. ETNs are designed to provide investors access to the returns of various market benchmarks. The returns of ETNs are usually linked to the performance of a market benchmark or strategy, less fees. When a client buys an ETN, the underwriting bank promises to pay the amount reflected in the index, minus fees upon maturity. Thus ETN has an additional risk compared to an ETF, upon any reduction of credit ratings or if the underwriting bank goes bankrupt, the value of the ETN will be eroded.
- **Structured Products:** Structured products are securities derived from or based on a single security, a basket of securities, an index, a commodity, a debt issuance and/or a foreign currency. Structured products have a fixed maturity, but typically contain two components – a note and a derivative (which may be an option). Structured products are issued by financial institutions, such as investment banks, and are senior, unsecured debt of the issuing institution. As such, structured products are subject to the credit worthiness of the issuer even if they are structured to offer principal protection, and any payments due at maturity are dependent on the issuer's ability to make payment. There may be little or no secondary market for the securities and information regarding market pricing for the securities may be limited even if the product has a ticker symbol or has been listed on an exchange. In addition to this credit risk, other risks of investing in structured products include, but are not limited to, liquidity risk, limitations on upside participation, and the tax treatment may be different from other investments in a Program account.
- **Alternative Investments/DPPs/Private Placements:** Direct participation programs typically include limited partnerships, LLCs, and REITs which benefit the investor based on their partial tax shelter. However, these programs also have significant risks associated with them. Direct Participation Programs rely upon the general partner to manage the investment. This type of program is often a blind pool because the investment may not be specifically identified, and as a result you cannot evaluate the risks of, or potential returns from, the investment. DPP's are highly illiquid and there is no guarantee of a secondary market for the investment. All or a substantial portion of the distributions from this type of investment may be a return of capital and not a return on capital, which will not necessarily be indicative of performance. DPPs are speculative investments which could result in the loss of the client's entire investment.
- **Interval Funds:** Interval funds are closed-end funds that may not give investors the right to redeem shares and a secondary market may not exist. While the fund may provide limited liquidity to shareholders by offering to repurchase a limited amount of shares on a periodic basis, there is no guarantee that clients will be able to sell all of their shares in any specific repurchase offer. Also, the offer to repurchase shares may be suspended or postponed by the investment sponsor. An investment in an interval fund involves a considerable amount of risk and it is possible to lose the total investment amount.
- **Options:** Certain types of options strategies are allowed in accounts to generate income or hedge existing positions such as selling covered call options or purchasing put options on securities in the account. The use of options involves additional risks including the potential for the market to rise significantly and having a security called away (covered call writing) or the loss of the premium paid for the purchase of a put option if it is not exercised or sold prior to expiration.

#### **ITEM 9 – DISCIPLINARY ACTION**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to clients' or prospective clients' evaluation and/or selection of an adviser. Adviser has no disciplinary history applicable to this item.

#### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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Adviser's principal business is as a full service general securities broker-dealer (IFG), and also engages in business as an insurance broker. The primary business of its executive officers is the day-to-day management of its broker-dealer activities. This principal business and other non-investment advisory services account for the majority of Adviser's time. Executive officers are licensed as registered representatives of IFG if required. IARs are also licensed as registered representatives of IFG

Typically, Adviser's IARs are also registered representatives of IFG and would likely receive commissions if clients choose to implement recommendations through the broker-dealer. If clients choose to make such purchases through IFG, this may present a conflict of interest to the extent the IAR may have a financial incentive to recommend products and services through IFG in lieu of other financial institutions.

Certain registered representatives of IFG also provide advisory services independently of IFG through separate RIAs. Some of IFG's registered representatives may act as IARs of both the Adviser and a separate RIA. Although IFG may act as broker-dealer for advisory programs offered through separate RIAs, the RIAs are responsible for any advice or advisory services offered through their programs.

#### **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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

Adviser and its IARs may invest in or otherwise own an interest in the same securities that are recommended to clients within program accounts. This creates a potential conflict of interest. All IARs are required to place the interests of clients ahead of their own when making personal investments. In addition, Adviser requires that client transactions be placed before IAR personal transactions. Personal trading by IARs is monitored by the Adviser. IARs may also buy or sell a specific security for their own account based on personal investment considerations, which the IAR does not deem appropriate to buy or sell for clients.

Adviser and IAR may perform advisory and brokerage services for other clients and may give advice or take actions for those clients that differ in timing and nature from the advice given to client.

Adviser does not make a market in any securities and does not buy or sell securities for its own account. No principal transactions with Adviser shall be effected in the accounts by Adviser. No agency-cross transactions as such term is defined in Advisers Act Rule 206(3)-2(b) for client transactions will be executed by Adviser.

## **ITEM 12 – BROKERAGE PRACTICES**

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**Broker-Dealer Selection** - Adviser is also a registered broker-dealer, and in such capacity clears its securities business as an introducing broker-dealer through Pershing, LLC (Pershing). Pershing is a subsidiary of The Bank of New York Mellon. For the AP Client, CAM Client (Design II), Adviser Plus and Adviser Plus II Programs, Adviser requires that client appoint IFG as the broker-dealer for execution of program transactions. Client should understand that not all advisers require their clients to direct brokerage. This presents a conflict of interest because of the clearing relationship between IFG and Pershing. By directing brokerage to IFG, Adviser may be unable to achieve most favorable execution of client transactions, and this practice may increase the client's costs.

Clients should consider whether the appointment of IFG as the exclusive broker-dealer and Adviser's clearing relationship with Pershing results in certain costs or disadvantages to the client as a result of possibly less favorable executions. Adviser carefully considers IFG and Pershing's abilities to execute, clear and settle transactions on behalf of clients. While Adviser attempts to obtain the best execution possible, there is no assurance that best execution will be obtained.

For the CAM Client TD (Freedom One TD) and CAM Client Schwab (Freedom One Schwab) Programs, Adviser requires that client appoint TD Ameritrade and Schwab Institutional, respectively as the broker-dealer for execution of program transactions. As stated above, client should understand that not all advisers require their clients to direct brokerage. By directing brokerage to TD Ameritrade or Schwab, Adviser may be unable to achieve most favorable execution of client transactions, and this practice may cost clients more money.

Adviser does not have an incentive to select or recommend a broker-dealer based on interest in receiving client referrals.

**Trade Aggregation, Allocation or Block Trades** - Adviser may aggregate transactions for a client with other clients where possible and advantageous for clients. When trades are aggregated, the actual prices applicable to the aggregated trades will be averaged, and the client's account will be deemed to have purchased or sold its proportionate share of the securities at the average price obtained. For orders that are only partially filled, Adviser will allocate trades pro-rata or on some other basis consistent with the goal of treating all clients fairly over time.

## **ITEM 13 – REVIEW OF ACCOUNTS**

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IARs are primarily responsible for reviewing client advisory accounts and do so on an intermittent or periodic (monthly, quarterly, etc.) basis. Triggering events may include responses to client requests, market events or specific target dates.

Clients will receive trade confirmations and periodic account statements from the custodian of program accounts. In addition, clients will receive quarterly portfolio performance reports from the custodian on behalf of the Adviser. IAR may also provide additional reporting services to clients. Clients are encouraged to review and compare the account information (e.g., market values, transactions, and advisory fees) in the reports and additional IAR reporting to the account statements received from the custodian.

## **ITEM 14 – CLIENT REFERRALS**

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Adviser does not pay direct or indirect compensation to any persons for client referrals.

## **ITEM 15 – CUSTODY**

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Adviser does not maintain custody of client assets at any time. Pershing acts as qualified custodian for AP Client, CAM Client (Design II) Adviser Plus, Adviser Plus II, and Lockwood programs. In connection with its duties as custodian Pershing will provide clients confirmations for each transaction and account statements. In addition, client will receive quarterly performance reports from Pershing on behalf of Adviser. IAR may also provide additional reporting services to client. Clients are encouraged to review and compare the account information in the performance reports and additional IAR reports to the custodial statements from Pershing.

TD Ameritrade acts as qualified custodian for the CAM Client TD (Freedom-One TD) Program and Charles Schwab Institutional acts as qualified custodian for the CAM Client Schwab (Freedom-One Schwab) Program. TD and Schwab will provide clients with account statements and confirmations for each transaction. Clients will receive quarterly performance reports from TD or Schwab on behalf of Adviser. Clients are encouraged to review and compare the account information in the performance reports and additional IAR reports to the custodial statements.

## **ITEM 16 – INVESTMENT DISCRETION**

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IARs may have the authority to manage investments on a discretionary or non-discretionary basis as set forth in the advisory agreement. Adviser and the IAR do not have the authority to withdraw funds or take custody of client funds or securities.

Clients selecting third party managed programs may grant IAR and/or the third party adviser discretionary authority to determine, the securities and/or amount of securities to be bought or sold as set forth in the account agreement. A description of the limitations on the authority of the third party advisers may be found in the disclosure brochure of the investment manager that is delivered to the client.

**ITEM 17 – VOTING CLIENT SECURITIES**

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Clients retain the right to vote all proxies solicited for securities held in Adviser sponsored program accounts. Adviser and IARs are precluded from voting proxies on behalf of the client. Certain third party advisers may render advice or take action with respect to voting proxies if client authorization is granted in the third party adviser’s agreement.

**ITEM 18 – FINANCIAL INFORMATION**

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