

# Folio Institutional

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*The Right Custodian For Your Investments*



## About Folio Institutional

Folio Institutional is a division of FOLIO*fn* Investments, Inc., the custodian your advisor has chosen to hold and manage your investment assets. With access to innovative, patented online brokerage and investing solutions, advisors can efficiently maintain diversified portfolios of securities, retain hands-on control over investments, manage tax liabilities, efficiently rebalance portfolios, produce reports, promote compliance, and take many other actions for their clients' benefit. We provide you with direct, independent online access to view your investments, receive tax information, monitor performance, vote proxies, or take other actions not assumed by your advisor.

FOLIO*fn* Investments, Inc., founded in 1999 by Steven M.H. Wallman, a former Commissioner of the U.S. Securities and Exchange Commission ("SEC"), has been a self-clearing broker-dealer and a direct member of The Depository Trust & Clearing Corporation ("DTCC") since 2001. Today, we provide custody and brokerage services for billions of dollars of investor assets, and provide services to hundreds of registered investment advisors. We are an ideal match for advisors seeking an established, well-respected custodian for client assets, and a cost-effective portfolio management, trading, investment, and high-end client services platform that provides advisors with powerful tools enabling them to provide diversified strategies to their clients.

FOLIO*fn* Investments, Inc. is a member in good standing of the Financial Industry Regulatory Authority ("FINRA"), an SEC approved Self Regulatory Organization, and is subject to oversight by both the SEC and FINRA. As a clearing broker-dealer, we are also subject to an annual financial audit performed by FINRA. FINRA completed its most recent audit of FOLIO*fn* Investments, Inc. in June 2009 with no comments noted. We are also subject to examination by the SEC and various state securities oversight agencies.

### Custodial Account Services

#### **For Advisors**

FOLIO*fn* Investments, Inc. provides asset custody, low-cost market order, and commission-free window trading of single securities or whole portfolios. We also provide performance, tax, and compliance reporting on our simple-to-use platform. We offer clients and anyone they designate direct, independent, online access to official statements, tax documents, and proxy voting. FOLIO*fn* Investments, Inc. provides custody and trade execution services to advisors whose clients invest in equity securities, mutual funds, ETFs, and fixed income securities. Advisors manage their clients' investments in fixed income securities using a separate, dedicated account.

#### **For Clients**

While your financial advisor remains the primary point of contact for all of your investment accounts, as a custodian, we maintain separate and independent records of all important account information and provide online access to statements, confirmations, tax documents, transaction history, and more. We also offer a feature called Folio Vote that provides you or anyone you designate with information about upcoming corporate actions effecting your investments and allows proxy voting directly online.



## IRA Custodian Relationship

IRA assets at FOLIO*fn* Investments, Inc. are also maintained in a custody account at U.S. Bank, a subsidiary of U.S. Bancorp (NYSE: USB), who provides additional IRA account related services to us. You can learn more about U.S. Bank, one of the nation's largest and strongest banks, from their website at [www.usbank.com](http://www.usbank.com).

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## Account Protection and Security

Our custodianship over your securities and cash are covered for your safety by multiple forms of insurance. Details of our coverages are provided below.

### **Securities Investor Protection Corporation ("SIPC")**

FOLIO*fn* Investments, Inc. is a member of SIPC, which protects the securities of its members' customers up to \$500,000 for each customer (including \$100,000 on claims for cash). SIPC covers against losses stemming from a member broker-dealer's financial failure. A brochure explaining the coverage provided by SIPC is available by clicking "How SIPC Protects Investors" on its website at [www.sipc.org](http://www.sipc.org).

### **Private Excess Insurance Coverage**

In addition to the required SIPC coverage, FOLIO*fn* Investments, Inc. has purchased from Lloyd's of London, Underwriting Member Syndicate 1209, further customer securities insurance with an aggregate limit of \$50 million. This coverage is limited to a combined return to any customer from SIPC and the Lloyd's of London syndicate of \$10 million each. Neither SIPC nor the excess insurance coverage protects against losses from the decline in the market value of securities.

### **Federal Deposit Insurance Corporation ("FDIC")**

FOLIO*fn* Investments, Inc., through a unique FDIC insured cash sweep program administered by Deutsche Bank, automatically distributes cash deposited with us, in excess of investment requirements, across many different banks, pays interest on that money, and provides FDIC insurance at levels not available with a single bank deposit. A list of the banks participating in the program is available to advisors and clients on the "Products and Services" page at [www.folioinstitutional.com](http://www.folioinstitutional.com) and [www.folioclient.com](http://www.folioclient.com), respectively.

Each bank in this program is FDIC insured. The aggregate amount of FDIC insurance available is dependent on the number of banks then participating in the program. You or your advisor can request that cash in your account not be swept to a particular bank if you have other accounts at that bank where the combined total of all your deposits might exceed FDIC coverage at that bank. As of August 2009, this program is providing up to \$5.25 million of total cash deposit coverage from 21 banks (\$10.5 million for joint account holders). For current coverages, visit our website.

The FDIC is an independent agency created by the U.S. Congress in 1933 to help maintain public confidence in the nation's financial system. One of its primary duties is to insure deposits in banks and thrift institutions. The FDIC also examines and supervises member institutions. If you would like more information about FDIC insurance, please visit [www.fdic.gov](http://www.fdic.gov) or call the FDIC Consumer Hotline at 1-877-ASK-FDIC (1-877-275-3342).

### **Blanket Fidelity Bond Coverage**

FOLIO*fn* Investments, Inc. maintains a Blanket Fidelity Bond issued by the Chubb Group of Insurance Companies, as required by FINRA Rule 3020, covering officers and employees. The Blanket Fidelity Bond provides protection against theft or misplacement and covers the events listed below. None of these protect against losses from the decline in the market value of securities.

- Losses due to employee dishonesty
- On premises theft or loss of securities
- In transit loss of securities
- Misplacement of securities
- Forgery and alteration of securities and checks
- Losing securities and acquiring forged securities
- Fraudulent trading by employees



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**FDIC insurance  
of up to \$5.25  
million total cash  
deposit coverage for  
individual accounts  
and \$10.5 million for  
joint accounts.\***

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\* As of August 2009. For current coverages, visit our website.

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## Customer Protection and Conflicts of Interest

### **Protection of Customer Assets**

FOLIO*fn* Investments, Inc. strictly separates your assets from our assets in compliance with SEC Rule 15c3-3, the “Customer Protection Rule.” Your securities and cash are segregated from our assets to ensure that your assets are never used to make loans to us, fund our investments, or cover any of our spending. This ensures that you have access to the full balance of your investments at all times. The Customer Protection Rule does not protect against losses from the decline in the market value of securities. FOLIO*fn* Investments, Inc. is audited by FINRA which specifically tests for compliance with this rule.

### **Conflicts of Interest**

In addition to the protections already described, the FOLIO*fn* Investments, Inc. business model protects custodied assets in other ways.

- We do not engage in derivatives trading or underwriting activities. Both involve the commitment of financial capital in risky trades where potential losses can consume a broker-dealer’s financial resources.
- Our sister firm, PROXY Governance, Inc., provides high-end corporate governance research, voting advisory, and platform services to many of the nation’s largest institutional investors. It does not manage or handle money. It does not compete with your advisor or with orders entered for your account.

## Business Continuity Plan

FINRA rules require broker-dealers to inform their clients of their plans to address possible business disruptions resulting from power outages, natural disasters, or other events. FOLIO*fn* Investments, Inc. has a comprehensive business continuity plan in place that we review, update, and test on a regular basis. The plan provides for the continuation of client service in the event of various types of interruptions to our facilities and services, although obviously we cannot plan for or guarantee against all contingencies. More information is available to advisors and clients by clicking “Business Continuity Plan” at [www.folioinstitutional.com](http://www.folioinstitutional.com) and [www.folioclient.com](http://www.folioclient.com), respectively.

### **The Folio Advantage**

FOLIO*fn* Investments, Inc. provides secure asset custody and a state-of-the-art, patented portfolio management, trading, brokerage, and investing platform. Advisors can use our platform to build and manage integrated investment portfolios called “Folios” that can contain stocks, ETFs, or mutual funds delivering better control and greater transparency for their clients at a lower cost. We believe FOLIO*fn* Investments, Inc. is the most complete solution available for advisors seeking to meet the growing needs of today’s more sophisticated and demanding investors.



### **References and Other Useful Information**

- FOLIO*fn* Investments, Inc. is audited by UHY LLP, a leading business advisory, consulting, and accounting network. They can be found online at [www.uhy.com](http://www.uhy.com).
- Our most recent financial information is available to advisors and clients at [www.folioinstitutional.com](http://www.folioinstitutional.com) and [www.folioclient.com](http://www.folioclient.com), respectively, by clicking “Financial Statement.”
- Detailed information about FOLIO*fn* Investments, Inc. is available through the FINRA BrokerCheck system at [www.finra.org](http://www.finra.org). Our Central Registration Depository (“CRD”) number with FINRA is 48015.
- The SEC required routing of customer orders report for FOLIO*fn* Investments, Inc. may be found by clicking “SEC Disclosure” at [www.folioinstitutional.com](http://www.folioinstitutional.com) and [www.folioclient.com](http://www.folioclient.com).
- The FOLIO*fn* Investments, Inc. Privacy Policy may be found by clicking “Privacy” at [www.folioinstitutional.com](http://www.folioinstitutional.com) and [www.folioclient.com](http://www.folioclient.com).