

## Item 1 – Cover Page

### Founders Capital Management, LLC

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January 24, 2011

This brochure provides information about the qualifications and business practices of Founders Capital Management, LLC [~~%Founders or %Adviser+~~]. If you have any questions regarding the contents of this Brochure, please contact us at 860-308-0061 or via electronic mail, to Jon M. Case at [jonc@foundcapital.com](mailto:jonc@foundcapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (~~%SEC+~~) or by any state securities authority. Founders is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information with which you may determine to hire or retain an adviser. Additional information about Founders is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published ~~%Amendments to Form ADV+~~ which amends the disclosure document (~~%brochure+~~) that we provide to clients as required by SEC rules. This Brochure dated January 24, 2011 is a new document prepared according to the SEC's new requirements and rules. Therefore, this document is materially different from, and requires certain new information, that our previous brochure did not require.

In the future, this item will discuss only specific material changes that are made to the brochure and will provide a summary of such changes. In the past we have offered or delivered or brochure on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our fiscal year. We may also provide other ongoing disclosure information about material changes as necessary and provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Our brochure may be requested by contacting Jon M. Case, Chief Compliance Officer, at 860-308-0061 or [jonc@foundcapital.com](mailto:jonc@foundcapital.com). [Our Brochure is also available on our web site [[www.foundcapital.com](http://www.foundcapital.com)], also free of charge. Additional information about Founders Capital Management, LLC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with the Adviser who are registered, or are required to be registered, as investment adviser representatives of the Adviser, if applicable.

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#### **Item 4 – Advisory Business**

Founders, which has been in business since November 2001, offers the services described below primarily to individuals, pension and profit sharing plans, trusts, estates or charitable organizations and corporations or other business entities. The firm is owned Jon M. Case, who is also Chief Compliance Officer; Howard E. Case and Patrick A. Terrion. As of December 31, 2010, Founders managed discretionary client assets valued at \$134,998,140.34 and non-discretionary assets valued at \$1,653,039.56.

#### **Portfolio Management Services**

Founders provides investment supervisory services, defined as giving continuous advice to a client or making investments for a client based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, Founders develops a client's personal investment policy and creates and manages a portfolio based on that policy. Founders manages advisory accounts on a discretionary and non-discretionary basis. Account supervision is guided by the stated objectives of the client, for example, maximum capital appreciation, growth, income, or growth and income.

Founders classifies client portfolios in several categories, ranging from up to 100% fixed income (Conservative Income Portfolio) to Aggressive Growth (up to 100% Equities). Portfolio categorizations are determined on the basis of a questionnaire completed by clients which addresses issues of risk tolerance, age, when the client will begin making withdrawals from the portfolio and related issues. Founders will create a portfolio consisting of one or all of the following: individual equities, bonds, other investment products, and no-load, load-waived mutual funds. Founders will allocate the client's assets among various investments taking into consideration the overall management style selected by the client. The mutual funds will be selected on the basis of any or all of the following criteria: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy; and the fund's management fee structure. Portfolio weighting between funds and market sectors will be determined by each client's individual needs and circumstances. Clients will retain individual ownership of all securities.

When appropriate to the needs of the client, Founders may recommend the use of trading (securities sold within 30 days), margin transactions or option writing. Because these investment strategies involve

certain additional degrees of risk, they will only be recommended when consistent with the client's stated tolerance for risk.

Clients will have the opportunity to place reasonable restrictions on the types of investments which will be made on the client's behalf. Thus, Founders may accept clients that request restrictions on investing with respect to certain types of securities as a result of religious, ethical, environmental concerns and/or other reasons, for example, no fixed income, %in stocks+or financial services companies.

## **Item 5 – Fees and Compensation**

### **Fee Schedule for Advisory Services**

#### **Portfolio Management Services**

The annual fee for portfolio management services involving equity portfolios will be charged as a percentage of assets under management, ranging from 1.00% to 1.50%. The annual fee for portfolio management services involving fixed income portfolios will range from 0.75% to 1.5% of assets under management. For clients whose investment objective is in some way balanced between fixed income and equity securities, the total fee will be adjusted within the fee ranges above accordingly. Founders will quote an exact fee for each client depending on the size of the client's account (s) and client's individual circumstances. All fees are subject to negotiation.

A minimum of \$100,000 of assets under management is required for portfolio management services. This account size may be negotiable for related accounts and under certain circumstances.

Clients will be invoiced in advance at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value, plus any credit balance or minus any debit balance), of the client's account at the end of the previous calendar quarter.

#### **Termination of Client Accounts**

A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

#### **Payment of Advisory Fees**

Clients may select to have their fees directly debited from their account or select to be billed directly. The specific manner in which fees are charged by Founders is described in a client's written agreement with Founders. If a client elects to have advisory fees directly debited from a client account the following conditions are followed:

1. The client provides written authorization permitting the advisor's fees to be paid directly from the client's account held by an independent custodian.
2. The advisor sends a bill to the client and the custodian at the same time. The client's bill will show the amount of the advisory fee and how it was calculated, while the custodian's bill will only show the amount of the advisory fee.
3. The Adviser informs the client that it is the client's responsibility to verify the accuracy of the fee calculation and that the custodian will not determine whether the fee is properly calculated.

4. The custodian agrees to send to the client a statement, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to the advisor.

Founders urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you.

Founders fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers and other third parties such as fees charged by custodians, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. All fees paid to Founders for investment 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 fund's prospectus and will generally include a management fee, other fund expenses, and a possible distribution fee. A client could invest in a mutual fund directly, without the services of Founders. In that case, the client would not receive the services provided by Founders which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by Founders to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided. Founders shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Founders considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation.

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

Founders does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **Item 7 – Types of Clients**

Founders offers advisory services primarily to individuals, pension and profit sharing plans, trusts, estates or charitable organizations and corporations or other business entities.

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

Investing in securities involves risk of loss that clients should be prepared to bear.

Founders Capital Management assesses equity investments in publicly-traded companies using the same approach we would use to evaluate the purchase of an entire business by looking for understandable, well managed, and competitively advantaged businesses that are selling at prices well below their value to a private owner. Our process is grounded in fundamental, bottom-up analysis. In the recent macroeconomic environment, however, we evaluate all investment opportunities from a top-down perspective as well.

Founders seeks to invest in companies that will provide clients a fair return over a long period of time. Intrinsic value is the cornerstone of Founders Capital Management's investment philosophy. The intrinsic value of a business is equal to the discounted value-free cash flow of a business over a defined time frame. Since estimates of future profits, capital requirements, and growth rates are imperfect, we believe that intrinsic value is a useful tool only when the value of a business can be determined with a high degree of probability. Therefore, Founders focuses on businesses that, in our opinion, have relatively predictable parameters.

Founders builds client portfolios from the bottom up applying the above criteria. We normally invest in 20 to 30 securities for a client, generally limiting investments to common stock holdings that meet our criteria at the time the portfolio is established.

Founders Capital Management invests in fixed-income instruments using a similar approach as with common stocks. Our primary goal is to protect principal; however, as mentioned above, there is a risk that a client may experience losses.

In the current sensitive credit environment, Founders's strategy is to avoid securities that have doubtful future revenue streams or that rely on layered insurance to attract investors. We also endeavor to avoid longer-term, fixed-income investments, which are more sensitive to rising interest rates. Anticipating that interest rates and default rates could rise in the future—perhaps significantly—we endeavor to allocate money to short-duration (one to seven years), fixed-income securities. Although we are mindful of the rating agencies' evaluation of fixed-income credit, we continue to evaluate each fixed-income investment from a business perspective and to complete our own due diligence and credit analysis. We attempt to avoid any speculative investment activity and instead focus on finding what we believe are the best-yielding securities and of understanding the risks we are taking with each individual fixed-income allocation.

#### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Adviser or the integrity of its management. Founders has no applicable disciplinary information.

#### **Item 10 – Other Financial Industry Activities and Affiliations**

Howard Case, a member of Founders, is also the President and Managing Partner of the public accounting firm Case, Corrado, Yazmer & Company, P.C. (CCYC). CCYC may recommend Founders to accounting clients in need of Founders's services. Founders may recommend CCYC to Founders's clients in need of accounting services. Accounting services provided by CCYC are separate and distinct from the advisory services of Founders, and are provided through separate compensation arrangements from those for advisory clients. There are no referral fee arrangements between Founders and CCYC for these recommendations. No Founders's client is obligated to use CCYC for these recommendations. CCYC's accounting services do not include the authority to sign checks or otherwise disburse funds on any Founders's advisory client's behalf.

Jon Case is Director, Business Development, for Axio Research, LLC (Axio), a data management and statistics organization. There are no referral arrangements between Founders and Axio.

Patrick Terrion is a lecturer at the University of Connecticut School of Business.

Jon Case and Patrick Terrion are also members of the Founders Management Group, LLC, (FG), a business advisory firm. FG may recommend Founders to advisory clients in need of Founders's services. Founders may recommend FG to Founders's clients in need of FG's services. Services provided by FG are separate and distinct from the advisory services of Founders, and are provided through separate compensation arrangements from those for advisory clients.

Jon Case may spend as much as 30% of his time on these other activities. Howard Case may spend as much as 80% of his time on these other activities. Patrick Terrion may spend as much as 30% of his time on these other activities.

## Item 11 – Code of Ethics

Founders or individuals associated with Founders may buy or sell securities identical to or different from those recommended to customers for their personal accounts. In addition, any related person(s) may have an interest or position in a certain security or securities which may also be recommended to a client. To address this conflict of interest, it is the policy of Founders that no person employed by Founders may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

Founders has established a Code of Ethics that provides for the following restrictions, among others, in an effort to ensure its fiduciary responsibilities and manage conflicts of interests:

- 1) Members or employees of Founders shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of their employment unless the information is also available to the investing public on reasonable inquiry. No members or employees of Founders shall prefer their own interests to that of the advisory client.
- 2) Founders receives duplicate copies of trade confirmations and monthly custodial statements for all of its members, employees, or individuals associated with the company. This information is reviewed on a regular basis by Jon M. Case and Howard E. Case.
- 3) Founders emphasizes the unrestricted right of the client to decline to implement any advice rendered, except in situations where Founders is granted discretionary authority of the client's accounts.
- 4) Founders requires that all members, employees or individuals associated with the company must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- 5) Any individual not in observance of the above (depending on the severity of the infraction) may be subject to termination.

The Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of the employees and owners of Founders will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee or owner of Founders.

In addition, the Code of Ethics describes Founders's standard of business conduct and fiduciary duty to its clients. It includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, among other things.

Founders will provide a copy of our code of ethics to any client or prospective client upon request. To obtain a copy of Founders's code of ethics, please write to Jon M. Case, Chief Compliance Officer, at 860-308-0061 or [jonc@foundcapital.com](mailto:jonc@foundcapital.com).

It is also the Adviser's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. It will also generally not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. Founders does not have an affiliated broker-dealer.



## **Item 12 – Brokerage Practices**

### **Investment Discretion**

For discretionary clients, Founders requests that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold.

Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change/amend these limitations as required. Such amendments shall be submitted in writing.

### **Directed Brokerage**

### **Portfolio Management**

As Founders does not have the discretionary authority to determine the broker dealer to be used or the commission rates to be paid, clients must direct Founders as to the broker dealer to be used. In directing the use of a particular broker or dealer, it should be understood that Founders will not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to other clients.

### **Schwab Institutional, Divisions of Charles Schwab & Co.**

Founders may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Founders may recommend/require that clients establish accounts at Schwab, it is the clients' decision to custody assets with Schwab. Founders is independently owned and operated and not affiliated with Schwab. Schwab provides Founders with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisors' clients' assets are maintained in accounts at Schwab Advisor Services. These services are not contingent upon Founders committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For Founders' client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Schwab Advisor Services also makes available to Founders other products and services that benefit Founders but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Founders accounts, including accounts not maintained at Schwab.

### **Research Reports and Other Products or Services Received by Founders from Broker-Dealers**

Founders may receive research reports from broker dealers it utilizes to effect client transactions, including Schwab. Such reports have been received during Founders' last fiscal year. The receipt of such reports is not directly connected to the recommendation of brokerage/custody services to advisory clients but does create a possible conflict of interest which clients should be aware in assessing Founders' recommendations. When Founders uses client brokerage commissions to obtain research or other products or services, Founders receive a benefit because it does not have to produce or pay for the research, products or services. Accordingly, Founders may have an incentive to select or recommend a

broker-dealer based on Founders' interest in receiving the research or other products or services, rather than on clients' interest in receiving most favorable execution.

Schwab also makes available to Founders other products and services that benefit Founders but may not benefit its clients' accounts. Some of these other products and services assist Founders in managing and administering clients' accounts. During Founders' last fiscal year these products and services have included software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of Founders' fees from its clients' accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Founders' accounts, including accounts not maintained at Schwab Institutional. Schwab also makes available to Founders other services intended to help Founders manage and further develop its business enterprise. These services may include compliance, legal and business consulting; publications and conferences on practice management and business succession; and access to employee benefits providers, human capital consultants and insurance providers. Schwab may also provide other benefits such as educational events or occasional business entertainment of Founders' personnel. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to Founders. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Founders. In evaluating whether to recommend or require that clients custody their assets at Schwab, Founders may take into account the availability of some of the foregoing products and services and other arrangements from which Founders benefits as part of the total mix of factors it considers and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest. Founders will make recommendations regarding custodians for clients to use in keeping with its fiduciary duty to clients.

## **Best Execution**

As an investment advisory firm, Founders has a fiduciary and fundamental duty to seek best execution for client transactions. While best execution is difficult to define and challenging to measure, there is some consensus that it does not solely mean the achievement of the best price on a given transaction. Rather, it appears to be a collective consideration of factors concerning the trade in question. Such factors include the security being traded, the price of the trade, the speed of the execution, apparent conditions of the market at the time the trade is placed, including the float and efficiency of the market, the need of the particular client or clients and the price of the trade. Founders seeks to obtain best execution for its clients' transactions, which may not necessarily mean the lowest commission available but the best overall qualitative execution in the particular circumstances.

Founders does not engage in soft dollar arrangements with any broker in which it receives research or other benefits from a broker in exchange for paying higher commission costs. All clients are responsible for their own commission rates, as discussed above.

## **Trade Aggregation**

On some occasions a Founders will execute client transactions on a block or aggregate basis. That is, they enter one large trade and allocate the shares among various client accounts. This technique may allow Founders to execute transactions in a more timely, equitable and efficient manner in an attempt to achieve a better overall price execution for a group of clients. Founders' policy is to engage in this technique when it is consistent with client objectives and restrictions. Clients participating in any aggregated transactions will receive an average share price on a pro-rata basis.



## **Trade Allocation**

Founders' trade allocation policies and procedures call for a fair and equitable method of allocating trades among accounts with no particular client(s) or groups of clients being favored or disfavored. Generally Founders must identify a given block trade allocation before that trade is entered. If the trade is filled as entered, Founders must allocate according to the pre-determined block. If issues arise relating to successfully filling such allocation pursuant to the predetermined block, Founders must allocate the shares in a fair and equitable manner and document the rationale for deviating from the pre-determined allocation. Such documentation needs to be retained by Founders.

## **Trade Errors**

From time-to-time Founders may make an error in submitting a trade order on a client's behalf. When this occurs, Founders may place a correcting trade with the broker-dealer which has custody of the client's account. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should have received the gain, it may not be permissible for a client account to retain the gain. In such instances, we confer with the client and the client decides to forego the gain (e.g., due to tax reasons). If the gain does not remain in the client's account and Schwab is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, Founders will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in the client's account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in a client account, they may be netted.

## **Item 13 – Review of Accounts**

### **Portfolio Management Services**

While the underlying securities within Portfolio Management Service accounts are continuously monitored, these accounts are reviewed by Jon M. Case and/or Patrick A. Terrion, Members of Founders, at least quarterly for cash balance and performance reviews, and at least annually for any rebalancing. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment, as well as specific events such as corporate restructuring, changes in a company's core business plan, litigation and risk associated with corporate takeovers.

### **Regular Reports Provided to Clients**

### **Portfolio Management Services**

In addition to the monthly statements and confirmations of transactions that Portfolio Management Service clients receive from their broker dealer, Founders will provide detailed quarterly account reports containing a portfolio appraisal, current versus target asset allocation plan, and account performance information.

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

Founders does not have any client referral or solicitation arrangements. Persons or firms who are not clients do not receive economic benefits for providing investment advice or other advisory services to our clients other than normal and customary brokerage commissions for effecting client transactions, as described above under "Brokerage Practices".

### **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains clients' investment assets. Founders urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

Founders usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Investment guidelines and restrictions must be provided to Founders in writing.

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

Founders, as a matter of policy and as a fiduciary to our clients, has responsibility for voting proxies for portfolio securities consistent with the best economic interests of the clients. Our firm maintains written policies and procedures as to the handling, research, voting and reporting of proxy voting and makes appropriate disclosures about our firm's proxy policies and practices. Our policy and practice includes the responsibility to monitor corporate actions, receive and vote client proxies and disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records.

Founders will identify any conflicts that exist between the interests of the adviser and the client by reviewing the relationship of Founders with the issuer of each security to determine if Founders or any of its employees has any financial, business or personal relationship with the issuer.

Clients may obtain a copy of Founders' complete proxy voting policies and procedures upon request. Clients may also obtain information from Founders about how it voted any proxies on behalf of client account(s).

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

A registered investment adviser is required to provide you with certain financial information or disclosures about its financial condition. Founders 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.