

Ausdal Financial Partners, Inc.

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**FORM ADV PART 2  
BROCHURE  
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**This brochure provides information about the qualifications and business practices of Ausdal Financial Partners, Inc., the advisor. If you have any questions about the contents of this brochure, please contact Ausdal Financial Partners, Inc. at 1-877-722-8732 or [ausdal@ausdal.com](mailto:ausdal@ausdal.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Ausdal Financial Partners, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for the advisor is 7995.**

**Ausdal Financial Partners, Inc. is a Registered Investment Advisor. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

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## Advisory Business

Form ADV Part 2A, Item 4

Ausdal Financial Partners, Inc. AFP was founded in 1979 as a securities broker-dealer firm. Ausdal began investment advisory activities as a registered investment advisor in 1991. As a registered investment advisory firm, AFP supervises personal advisors who provide a variety of services for their clients. AFP is a closely held corporation with no one shareholder owning 25% or more of the corporate stock.

AFP offers a number of different services. These services can be divided into three categories. The first category is investment account management performed by a personal advisor of AFP. This category is called "Private Client Services." The second category is investment account management performed by a third party investment account manager. This category is called, "Separately Managed Account Program." The third category is financial planning services which are performed by a personal advisor of AFP. This category is called "Financial Planning."

### **Private Client Services – Your Personal Advisor Manages Your Account**

Your personal advisor will work with you to gather the information necessary to understand your financial position, goals and risk tolerance. Your personal advisor will then identify and propose an investment strategy to address your specific needs and objectives as identified in the client agreement.

The personal advisor recommends a brokerage/custodial relationship and will open one or more accounts on your behalf. The accounts (collectively referred to as "the account") may include securities held in brokerage accounts and/or investments held directly with financial institutions, such as, mutual funds, variable annuities, banks or trust companies.

If your personal advisor has been granted permission to trade with discretion through the advisory agreement, the personal advisor may execute trades without securing specific authorization from you for each trade. Otherwise, the personal advisor will make recommendations to you and act upon your instructions.

Your personal advisor will contact you periodically to discuss your account, address your questions or concerns, and discuss additional actions that may help you meet your financial goals. AFP will review the account for suitability and monitor transactions.

Account trades may be placed through AFP, a FINRA member broker-dealer. All securities and cash positions are registered in your name and held at separate and independent custodians.

The minimum initial account size for the Private Client Services is \$100,000; exceptions may be permitted with approval by a principal of AFP. Either you or AFP may cancel the advisory services with 30 days written notice.

### **Suitability**

New clients complete an AFP New Account Form questionnaire and, if the assets will be managed by an AFP personal advisor, a Risk Profile on the Investment Advisory Program Agreement. This information is used in conjunction with information gleaned from client discussions with the personal advisor to ascertain the suitability and appropriate investment objectives for each client. AFP will send a letter annually to remind you that you should notify your advisor of any changes in your personal circumstances or financial situation that may affect your investment objectives or risk tolerance.

### **Account Restrictions**

You may impose restrictions on your account to avoid certain specific investments or a particular type of security. These restrictions are noted on your Investment Advisory Program Agreement. In some cases, "socially responsible" mutual funds can be used help a client meet their needs.

### **Ausdal Wrap Fee Program**

AFP offers the AFP Wrap Fee Program to serve clients who want to have the costs of custody, trading and investment advice wrapped into one single fee. These wrapped Private Client Services accounts are custodied

at TD Ameritrade. Accounts available through the wrap fee programs are not managed differently from accounts managed in non-wrap programs.

In the wrap fee program custodied TD Ameritrade AFP does “mark up” the basis point trading costs. The value of this “mark up” is retained by AFP. The maximum amount of this markup is .08% (8/100<sup>th</sup> of one percent) of the account value.

For a complete explanation of the AFP Financial Wrap Fee Program, please review the Wrap Fee Disclosure Brochure.

### **Trading Authority**

The personal advisors of AFP, through the Private Client Services Program, offer to manage client accounts on either a discretionary or non-discretionary basis. The discretionary authority is limited to the buying and selling of securities within your account. All other activities in your account require your additional prior approval. Examples of these other services include withdrawals, distributions, bank wires, etc.

**As of December 31, 2011, AFP’s account authorizations were as follows:**

Table A  
Table of Accounts

| AUTHORITY                  | Number of Accounts | Value of Accounts |
|----------------------------|--------------------|-------------------|
| Discretionary Accounts     | 2498               | \$310,816,670     |
| Non-Discretionary Accounts | 424                | \$75,160,250      |
| Total Accounts             | 2922               | \$385,976,920     |

### **Ausdal Proprietary Investment Programs**

#### **Portfolio Rehabilitation**

Portfolio Rehabilitation is a dynamic managed account strategy developed to meet the needs of investors who would like to try to reduce the wild fluctuations in the value of their investment portfolios and increase the cash generated from their investments without sacrificing the opportunity for long-term growth. This program emphasizes current income and stability through a fundamental, economic-based approach. While the program focuses on income generation, it moves beyond the “buy and hold” approach typically associated with many bond portfolios. Instead, Portfolio Rehabilitation builds a fixed income portfolio in accordance with what AFP believes are fundamental, long-term financial principles intended to control risk and maximize cash flow. Next, AFP complements the fixed income allocation with strategically diversified equity investments to introduce potential for appreciation. Finally, the entire portfolio is actively managed with the goal of maximizing performance in changing economic climates.

Portfolio Rehabilitation is designed to serve as a core portfolio holding and, as such, can be appropriate for all but the most conservative and/or time constrained accounts. The account may utilize many investment vehicles including (but not limited to) mutual funds, closed-end funds, common stocks, ETFs, individual bonds, preferred stocks, and municipal bonds to achieve its objectives.

#### **Q-Core 401 (k) Investment Advisory Service**

AFP offers discretionary 401(k) account management service to participants in certain 401 (k) plans. Participants in these 401 (k) plans may agree to have their personal 401(k) accounts asset allocation managed by AFP. Fees are billed directly to you monthly in arrears.

## **Ausdal Sub-Advised Program**

### **Introduction**

The AFP Sub-Advised Program is comprised of a group of third party managers permitted by AFP to manage client accounts under the Ausdal name. In many cases, a sub-advisor relationship is the only way the managers can be employed. These managers prefer to play the role of strategist and provide only trading instructions, leaving AFP responsible for most of the other duties, especially compliance and regulatory duties. In other cases, employing the managers in this way allows AFP to offer services to clients with lower minimum account sizes.

The Separately Managed Accounts Program will be explained in more detail later in this document. In summary, AFP's compliance and regulatory burden is considerably higher with the Sub-Advised Program than it is with the Separately Managed Accounts.

All accounts managed in the Sub-Advised Program are discretionary accounts. The manager has the authority to place buy and sell orders in your account without securing your permission before each trade. Your personal advisor will obtain the necessary financial data from you; assist you in determining the suitability of the account, and assist you in establishing appropriate investment objectives that are specific to accounts identified via your client agreement. All securities and cash positions are held at a qualified third party brokerage firm/custodian in an account appropriately registered in your name. AFP will monitor the account activity for suitability and compliance.

### **Formula Folios**

The Formula Folios Advisory Account is provided by personal advisors of AFP. Formula Folios uses the model portfolios managed by Retirement Wealth Advisors, Inc. The minimum initial account size for this program is \$25,000; exceptions are permitted with approval by a principal of AFP. Accounts of less than \$25,000 will be valued at a minimum of \$25,000 for purposes of fee calculation.

### **Zacks Sub-Advised Program**

The Zacks Investment Management Advisory Account is provided by personal advisor of AFP. The program uses the model portfolios managed by Zacks Investment Management. The minimum initial account size for this program is \$100,000; exceptions are permitted with approval by a principal of AFP. Accounts of less than \$100,000 will be valued at a minimum of \$100,000 for purposes of fee calculation.

### **SEI Advisory Account**

SEI INVESTMENTS provides various investment programs where AFP can employ the research of investment strategists to direct the investment of client funds. The minimum initial account size for the Tactical program is \$25,000; exceptions are permitted with approval by a principal of AFP. Accounts of less than \$25,000 will be valued at a minimum of \$25,000 for purposes of fee calculation. The minimum initial account size for the Strategic Program is \$100,000; exceptions are permitted with approval by a principal of AFP. Accounts of less than \$100,000 will be valued at a minimum of \$100,000 for purposes of fee calculation.

### **Vestor Advisory Account**

The VESTOR Advisory Account is provided by personal advisors of AFP. VESTOR uses the model portfolios managed by VESTOR Investment Management, Inc. The minimum initial account size for this program is \$150,000; exceptions are permitted with approval by a principal of AFP. Please consult the VESTOR Brochure for more information about VESTOR Investment Management, Inc.

### **QFA Advisory Account**

The QFA Advisory Account is provided by personal advisors of AFP. QFA uses the model portfolios managed by QFA Investment Management, Inc. The minimum initial account size for this program is \$50,000; exceptions are permitted with approval by a principal of AFP. Please consult the QFA Brochure for more information about QFA Investment Management, Inc.

### **FTJ Fundchoice Advisory Account**

FTJ Fundchoice provides a mutual fund program where AFP can employ the research of various investment strategists to direct the investment of client funds. FTJ Fundchoice uses the model portfolios managed by FTJ Fundchoice Investment Management, Inc. The minimum initial account size for this program is \$25,000;

exceptions are permitted with approval by a principal of AFP. Please consult the FTJ Fundchoice Brochure for more information about FTJ Fundchoice Investment Management, Inc.

### **Horizon Advisory Account**

The Horizon Advisory Account is provided by personal advisors of AFP. Horizon uses the model portfolios managed by Horizon Investment Management, Inc. The minimum initial account size for this program is \$100,000; exceptions are permitted with approval by a principal of AFP. Please consult the Horizon Brochure for more information about Horizon Investment Management, Inc.

## **Separately Managed Accounts Program**

The Separately Managed Accounts Program (SMA) is provided by personal advisors of AFP to meet the investment management and asset allocation needs of clients. Your personal advisor will obtain the necessary financial data from you; assist you in determining the suitability of the account; and assist you in establishing appropriate investment objectives that are specific to your account. The personal advisor will then assist you in selecting a third party manager. This is a discretionary program. Buy and sell decisions will be made in these accounts without consulting you for any trades. The maximum fee on any of the third party asset management programs is 3.0% of assets per year. A portion of the fee collected from your account, using any of the third party managers, will be paid to AFP as compensation for its role as a solicitor. Your personal advisor and AFP will monitor the third party managers for suitability, performance, and compliance as it relates to your account. Please consult the third party manager's brochure for more information about their methods, costs, fees, risks, etc. This brochure should be provided by your personal advisor and should be in a similar format to the document you are now reading.

### **Separately Managed Accounts Program - List of Management Firms**

The following list includes third party advisors that are currently available through the SMA program:

- Astor
- Brinker Capital
- BTS Asset Management
- Capital Mgt. Group
- Capstone
- Churchill
- Clark Capital
- CLS Investment
- Curian Capital
- Dimension Investment Group
- Elements Financial
- Envestnet
- F.I.R.M.
- First Mercantile
- Flexible Plan
- Genworth Asset Management
- Global Bridge
- Heritage Capital
- ITS
- LVM Capital
- Manning & Napier
- Morningstar
- MRM
- Pacific Financial Group
- River North
- Strategic Investment Strategies
- Symmetry

- SWAN Wealthcare
- Toews Corporation
- Wealthcare

Please see the section entitled “Fees and Compensation” for more information on fees, billing procedures, compensation and other costs. For more information on trading, brokerage and custodial services please see the “Brokerage Practices” section.

## **INVESTMENT ADVICE THROUGH CONSULTATION**

### **Financial Planning**

AFP provides various financial planning services, as listed below:

- A. A Complete Financial Plan, including recommendations as to the allocation of present financial resources among different types of assets (e.g., investments, savings, and insurance) with a view toward better correlating the assets with your financial planning objectives.
- B. Prepare a Financial Analysis designed to assist you in analyzing one or more personal financial planning goals and to supply analyses and recommendations as to the actions and strategies intended to achieve these goals and meet objectives as indicated in the following areas:
  - Business planning
  - Education funding
  - Retirement planning
  - Life, Health, Disability, and/or Long-Term Care insurance needs
  - Estate planning
  - Tax planning
  - Investment analysis
- C. Prepare an updated Financial Plan or Analysis, reevaluate the previous plan's objectives and goals, and make recommendations for modifications to the previous plan.
- D. Provide specific consulting service and analysis or research as requested and specified by you.
- E. Provide a quarterly portfolio analysis of assets owned by you to review the performance of the portfolio.

## Fees and Compensation

Form ADV Part 2A, Item 5

### Private Client Services - Fees, Billing and Refund Policy:

#### Traditional Percentage Fee Approach

The traditional approach to rendering investment advice as a fiduciary has been to charge a fee based on a percentage of the asset value of the client account. This approach is widely believed to best unite the advisor's interests with client's interest. If the client's account value increases, the compensation for the advisor also increases; if the account value falls the advisor's compensation falls proportionately to the client's account value. This fee arrangement has a strong identity of interest. The vast majority of AFP's advisory clients employ this fee approach, as does the investment advisory industry. Fees are negotiable; fees for Private Client Services shall not exceed the maximum annual fee set forth in Table B.

Table B  
Private Client Services  
Investment Advisory Program Account  
Maximum Fee Schedule - Assets Under Management

| Account Value            | Annual Fee |
|--------------------------|------------|
| \$0 to \$250,000         | 2.50%      |
| \$250,001 to \$500,000   | 2.25%      |
| \$500,001 to \$1,000,000 | 2.00%      |
| > \$1,000,000            | 1.75%      |

#### Flat Fee Approach

In certain circumstances, a flat dollar amount billed and renegotiated periodically may be appropriate for client accounts (e.g., when performing a periodic review of a particular account rather than actual day to day account management). In a few instances, this fee approach has been used at AFP. These fees are still subject to the maximum fee schedule and the billing policy shown in Table B.

#### Commission Only Approach

At the request of the client, AFP personal advisors may agree to provide account management services on a commission only basis. That is, they are compensated via sales charges paid by "loaded" mutual funds or through a mark up the trading commissions. This "commission only" service is not encouraged by AFP because of the potential conflict of interest. The issue of trading solely for profit is clouded by the opportunity to make a commission. This approach throws away the identity of interest between the client and the advisor, one of the strong points of the advisory relationship. These accounts are not governed by the fee schedule shown in Table B and are not subject to the AFP billing policy. Commissions are regulated through FINRA.

### How To Pay For Trading

#### Traditional "Ticket Charge"

There is a cost for buying and selling any security, be it a stock, mutual fund or other security. These costs are referred to as trading costs. The traditional approach to paying for one trading cost is the payment of a trading "ticket charge" or a trading commission. These ticket charges vary by custodian and the particular type of security being traded. In general, the larger the client account and the less frequent the account is traded, the traditional ticket charge approach offers a better value. A list of ticket charges is available for each custodian.

### **The Wrap Fee Approach-All Costs “Wrapped Up” into One Fee**

The wrap fee arrangement has the trading costs bundled into an all inclusive program fee which is so named because it “wraps” the most essential of the costs into one fee. The costs covered by the wrap fee include the management fee, custody fee and trading costs. The total costs of the wrap fee programs are subject to the AFP maximum fee schedule shown in Table B.

For more information about the AFP Wrap Fee Program please review the AFP Wrap Fee Program brochure.

The method of payment for trading that you choose depends on a number of factors that should be discussed with the personal advisor.

See Brokerage Practices for more information on brokerage

### **Other Fees**

Other fees may also be charged by the custodian for non-investment services depending on the custodian selected and the services needed by each client (e.g., wire transfers fees, annual IRA fees, fees for checks or debit cards, etc.). These fees are summarized on fee schedules available from each custodian.

### **Mutual Funds and Exchange Traded Funds (ETFs) Fees**

In many advisory accounts offered through AFP, mutual funds and exchange traded funds may be used. Funds have management fees, distribution and service fees (usually referred to as “12(b)1 fees”) and other expenses. These fees are paid by clients as owners of these funds in addition to fees paid to AFP for investment advisory services. The 12(b)1 fees may in turn be paid out to AFP or to the brokerage/custodian. The payment of these fees to AFP constitutes conflict of interest.

### **“No Transaction Fee” Mutual Fund Trading**

Pershing, Schwab and TD Ameritrade all offer a “no transaction fee” mutual fund list. The funds on these lists, given certain trading constraints, can be bought and sold without paying a ticket charge or trading commission. The trading constraints are typically a \$2500 minimum order and a minimum holding period of three months. If the client holds for less than three months, a fee roughly equivalent to the total cost of a buy and sell commission is charged. Each custodian may have other constraints and these can change at any time. Please refer to brokerage firm materials for the most current and complete information.

The brokerage/custodian receives the 12(b)1 fees for these funds. The overall fee structure in the funds on these lists may be higher than comparable funds that can be bought via the ticket charge method. There are also some programs available for no transaction fee exchange trade funds (ETFs).

## **Fee, Billing and Refund Policy**

Fees are payable monthly or quarterly and may be billed in advance of the advisory services being rendered or in arrears, depending on the advisory program selected by the client. The fee calculation is based on the value of the account under management at the end of the previous applicable period, at either month end or quarter end. The value used to calculate fees is either the value reported online by the custodian(s) or that value plus any additional dividends, interest, etc. due to the clients based on holdings at the end of the period.

### **Fee Calculation:**

$$(\text{Account value}) \times (\text{annual fee rate}) \times (\text{number of days in the billing period}) / (\text{number of days in year})$$

If the account is billed in advance, the first period's pro-rata fee will be due when funds are deposited for management and the advisory agreement is signed, whichever occurs last. Clients who are billed in advance on a quarterly basis will receive a pro-rata refund if written cancellation notice is received. The value of the refund is calculated based on the number of days remaining in the billing period.

**Refund Calculation:**

$$\frac{(\text{Account value}) \times (\text{annual fee rate}) \times (\text{days remaining in the period after cancellation})}{(\text{number of days in the year})}$$

Unless otherwise indicated, fees are deducted directly from client accounts. If a client wishes to pay his or her fee by check, AFP reserves the right to charge a processing fee. As of this writing, there is no charge for payment by check.

**Exceptions to Fee Calculation Method**

For clients of Ted C. Berman, the fee calculation methods differ from the methods detailed above. As agreed to on the IAPA, the advisory fee is calculated annually based upon the account value at the end of the previous year and paid in 4 quarterly installments due at the beginning of each quarter. During periods when account values are rising, clients may pay a lower fee than when using the monthly or quarterly account value calculation methods previously detailed. Conversely, during periods of declining account values, clients using the year-end account value method may pay higher fees than they would under the monthly or quarterly recalculation methods.

**AFP Proprietary Programs****Portfolio Rehabilitation**

The fees and refund policy for Portfolio Rehabilitation are subject to the same fee policies and maximums as Private Client Services.

**QCore 401(k) Investment Management Service**

The annual management fee is calculated based upon the beginning account value and divided into 12 equal monthly payments. The fee is payable monthly in advance. The management fee will be recalculated annually at each contract anniversary. Either the client or AFP may cancel advisory services with 30 days advance written notice.

Table C  
Q-Core 401k Portfolio Models Maximum Fee Schedule:

| Assets Under Management | Monthly Fee | Annual Fee |
|-------------------------|-------------|------------|
| \$0 to \$125,000        | \$75        | \$900      |
| \$125,001 to \$250,000  | \$100       | \$1200     |
| \$250,001 to \$400,000  | \$135       | \$1620     |
| \$400,001 to \$750,000  | \$165       | \$1980     |
| >\$750,001              | \$195       | \$2340     |

The fees and refund policy for QCore 401(k) Investment Management Service are subject to the same fee policies and maximums as Private Client Services.

## **AFP Sub-Advised Program**

### **Formula Folios**

Advisory fees for the program are negotiable, but shall not exceed the maximum annual fee of 2.75%. The advisory fee includes a 1.00% fee paid to RWA for the use of the Formula Folios models. Accounts of less than \$25,000 will be valued at a minimum of \$25,000 for purposes of fee calculation. Advisory fees are payable monthly in advance. The fee calculation is based upon the assets under management at the end of the previous month as reported by the custodian firm. The first month's pro rata fee will be due once funds are deposited for management. If the client terminates the management agreement, the client will pay the pro-rata portion of fees due to AFP at the time the account is closed. Either the client or AFP may cancel advisory services with 30 days written notice.

### **SEI**

Advisory fees for the program are negotiable, but shall not exceed the maximum annual fee of 2.50%. The advisory fee includes a maximum of a .75% fee paid to SEI for the use of the SEI models and a maximum of a .35% fee paid to Trust Company of America for custodial and clearing services. The fee calculation is based upon the assets under management at the end of the previous month as reported by the custodian firm. Either the client or personal advisor may cancel advisory services with 30 days written notice.

## **Separately Managed Account Program (SMA)**

### **Third Party Management Firm Fee, Billing and Refund Policy:**

Each third party management firm recommended in the SMA Program has its own disclosure brochure. In the brochures, all of the billing policies are disclosed. Please refer to that brochure for specific information about that program manager and program.

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

Fees for Financial Planning Services can be billed as an hourly fee or a flat fee, depending on the services rendered and the personal advisor(s) providing the service. AFP's maximum hourly fee is \$250 per hour. No fee deposit exceeding \$500 for a period of six months or more in advance can be collected prior to rendering services. Fees may also be collected as time is expended on the engagement or upon its completion. A maximum fee is typically cited in the Financial Planning Agreement.

## **Financial Planning Services – Conflicts of Interest**

AFP believes that performing financial planning is a distinct and separate service from the placement of investments. Personal advisors will likely recommend the use of securities and insurance products that are offered and sold through AFP in its plans. Such recommendations may constitute a conflict of interest because AFP would receive fees for financial planning and commissions when AFP is used to execute securities or insurance transactions.

Clients are not required to execute any transactions through AFP. Clients are free to execute the recommendations in the plans in any way and anywhere they see fit. As a matter of interest, while not every recommendation in every plan is always followed, most are implemented through the AFP advisory rep and the client becomes a securities or advisory client of AFP.

## **Asset Management – Conflicts of Interest**

### **Private Client Services and the Separately Managed Account Program**

Where Private Client Services and the SMA Program are concerned, securities sales commissions are viewed quite differently from financial planning. AFP has numerous policies in place to prevent personal advisors from “double dipping”. This is the practice of receiving a sales or trading commission while also charging an asset management fee. In this instance, the firm and the advisory rep would be paid twice for similar if not identical services and the client would have over paid. This practice is not tolerated at AFP.

In a limited number of cases, a “load variable annuity” is purchased by a personal advisor with the intent of using the SMA Program. In these cases, the personal advisor and AFP do not charge a fee for a period of three years. This reduced fee reflects the compensation paid via the “load”. The SMA Program manager selected by the client is still paid a fee for their services as they receive none of the “load”.

Most of the new advisory business is conducted with “no load” advisory annuity products. These annuities generally have no sales charge, surrender charge or “load”; these are well suited to advisory arrangements.

### **Additional Conflicts of Interest**

#### **12 (b)1 Fees**

Most mutual funds charge a marketing and service fee to brokerage/custodian or broker-dealers. This fee is called a 12(b)1 fee. This fee is generally about one quarter of one percent per year (0.25%). In some cases, these fees can be passed thru to the broker-dealer and on to the personal advisor. Receipt of 12(b)1 by AFP for using one fund rather than using another fund that does not pay the fee to AFP may constitute a conflict of interest.

Variable annuities also typically charge a fee similar to a 12(b)1 fee. These fees are usually passed on to AFP as well.

While AFP’s advisory services uses a number of custodian/brokerage relationships, AFP’s primary stock trading relationship is with Pershing, LLC. Use of Pershing for advisory clients may generate additional income and may increase the volume of business done with Pershing resulting in further financial and other benefits for AFP. The use of Pershing results in AFP receiving benefits that may not be received from other clearing firms. This is a conflict of interest. While AFP offers other trading relationships to advisors and clients, AFP believes that significant benefits to clients result from the close relationship with Pershing. Extremely responsive service and greater flexibility in resolving problem for clients are just two of these benefits. AFP believes Pershing’s execution is competitive. AFP personal advisors are free to recommend any brokerage/custodian from a very competitive list of trading relationships.

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| <h2><b>Performance-Based Fees and Side-By-Side Management</b></h2> |
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Form ADV Part 2A, Item 6

AFP does not charge or accept performance based fees.

## Types of Clients

Form ADV Part 2A, Item 7

### AFP's Clients

More than seventy percent of AFP's clients are individuals or families. AFP manages their individual, joint, IRA, Roth IRA, IRA Rollover and trust accounts. The remaining AFP clients are corporate, pension, profit sharing, 401(k), government, trust, charity and estate accounts.

Account minimums range from as little as \$25,000 to as much as \$1,000,000. This wide range is a result of AFP's ongoing attempt to provide a variety of third party managers to meet clients' needs.

Accounts managed by AFP personal advisors through the Private Client Services Program have a minimum initial account size of \$100,000. This minimum initial amount can be waived with permission from a principal of AFP.

## Methods of Analysis, Investment Strategies and Risk of Loss

Form ADV Part 2A, Item 8

### Private Client Services - AFP Personal Advisors as Managers

The asset management approach used by most AFP personal advisors is long term and short term investing in diversified investments such as mutual funds and exchange traded funds. These funds may invest in a wide variety of different types of securities; for example, a global asset allocation fund may own many different stocks, bonds and other investments spread out around the world, or a fund can be very focused on one specific type security such as gold stocks. Because of the wide range of alternatives made available in these funds, most AFP personal advisors establish an asset allocation strategy using a number of these funds. This allocation reflects the personal advisor's investment philosophy and the information collected from the client via discussions, a collection of documents and the completion of suitability forms covered earlier in this document. The importance of getting to know the client as an investor cannot be overstated.

Some personal advisors will also include individual stocks and or bonds in client accounts. The use of these securities in client accounts may reflect the specific requests of the client or the investment philosophy of the personal advisor. These securities are also typically held for long term or short term investing. The client can also expect these securities to be used as part of an asset allocation strategy.

As a general policy, options and the use of marginal accounts are not encouraged. In fact, the use of both of these financial strategies requires specific account level permission from a principal of AFP. Furthermore, any client permitting the use of options or margin as a part of their investment strategy must stipulate that they understand that these methods are speculative, that these methods magnify losses and that they are experienced speculators.

### Methods of Analysis

The most common methods of analysis used by personal advisors involve the evaluation of mutual funds and ETFs. The composition of a fund, the underlying philosophy of the fund, the experience and track record of fund management, the fees charged, the diversification of the holdings and other factors are considered by your personal advisor in their analysis. Most of this information is available from public sources, but some personal advisors do pay for research services to aid their efforts. Newspapers, magazines, the internet, government filings, industry websites along with other sources provide a tremendous volume of data for analysis.

Technical analysis, or “charting”, is also used by a number of personal advisors to supplement fundamental and economic information as to the general trends and activities that might influence the course of investments. Most personal advisors regard themselves as long term investors. This long term bias does not preclude personal advisors from taking action to reduce risk through judicious selling if that is part of their mandate with their client. Such arrangements should be very clearly understood by both the client and personal advisor. The best way to manage risk is through proper asset allocation rather than relying on frequent buying and selling based on the short term change in any market.

Fundamental and technical analyses are used by personal advisors in the selection of individual securities. Individual stocks and bonds are not widely used by personal advisors. Those personal advisors who do use such securities each embrace specific philosophical approaches, such as value investing, high quality large cap investing, etc.

### **Risk of Loss - All Investment Management Programs**

No investment can be made without some risk of loss. The most conservative investments risk the loss of purchasing power with virtually any amount of inflation. Most of the investments recommended by our personal advisors will carry market risk of varying degrees. There can be no guarantee of a positive outcome of any kind and neither principal nor a return of any kind is guaranteed. A thorough discussion is an important part of the service provided by the personal advisor.

Stock based investments carry stock market risk. Mutual funds, ETFs and variable annuities may contain stocks. It is important to read prospectuses and discuss these risks with the personal advisor. There are funds today that hold commodities. Commodities purchased on an “all cash” basis (rather than using borrowed money as typically done when trading futures) in funds are used as inflation hedges. While these funds, when broadly diversified, are not as volatile as the leveraged futures used by traders, there is still market risk. It is still reasonable to expect a commodities fund to be more volatile than a stock fund. Even a bond fund can carry market risk, especially when interest rates are rising. Even government or U.S. treasury bonds can fall in value.

The personal advisor can explain the potential impact of a substantial market decline as well as the risks of various asset classes.

|                                 |
|---------------------------------|
| <b>Disciplinary Information</b> |
|---------------------------------|

Form ADV Part 2A, Item 9

AFP has no disciplinary or legal history to report.

## Other Financial Industry Activities and Affiliations

Form ADV Part 2A, Item 10

### Other Financial Industry Activities and Affiliations

The principal business of AFP is that of a securities broker-dealer. As such, the company is actively engaged in the business of selling securities and is compensated for these sales through the payment of commissions. AFP is a member in good standing of FINRA and has been since 1979.

The financial planning services of AFP may recommend the use of securities and insurance products offered and sold through AFP in its plans. Such recommendations constitute a conflict of interest because AFP may receive both advisory fees and commissions when AFP is used to execute securities or insurance transactions.

Pershing, LLC, Schwab, TD Ameritrade, and Folio Institutional are all separately owned, independent from and unaffiliated with AFP.

AFP's primary stock trading relationship is with Pershing, LLC. Use of Pershing for advisory clients may generate additional income and may increase the volume of business done with Pershing resulting in further benefits for AFP. The use of Pershing results in AFP receiving benefits that may not be received from other clearing firms. This is a conflict of interest. While AFP offers other trading relationships to personal advisors and clients, AFP believes that other benefits to clients result from the close relationship with Pershing. Extremely responsive service and greater flexibility in resolving problem for clients are just two of these benefits. AFP believes Pershing's execution is competitive and personal advisors are free to recommend any trading relationship to clients.

AFP also maintains a custody relationship with TD Ameritrade. Given a certain volume of business, TD Ameritrade may generate additional income for AFP through the use of certain specific services. The use of TD Ameritrade results in AFP receiving benefits that may not be received with other clearing firms. This is a conflict of interest. While AFP offers other trading relationships to advisors and clients, AFP believes that other benefits to clients result from the close relationship with TD Ameritrade. Extremely responsive service and greater flexibility in resolving problem for clients are just two of these benefits. AFP believes TD Ameritrade's execution is competitive and personal advisors are free to recommend any trading relationship to clients.

Should a client wish to place a trade with another firm or change the trading relationship to another organization that is technologically and otherwise compatible with AFP, AFP will facilitate these actions to the fullest extent possible.

AFP and its personal advisors are engaged in selling various insurance products through a number of different life insurance companies. The arrangements between the insurance companies and AFP are governed by standard agency contracts.

### Ausdal Financial Partners – Strategic Partners Program

AFP participates in joint educational and marketing efforts with select mutual funds, insurance companies, brokerage firms, investment management firms and other financial service providers. The Ausdal "Strategic Alliance Program" offers these firms exposure to AFP advisors via educational sessions and other meetings. Expenses associated with these events are funded through a fixed fee paid by partner firms. In 2010 there were 9 "Strategic Alliance" firms participating in the program with contributions ranging from \$3,500 to \$7,500 per firm. During the course of the year, partner firms were allowed:

- Business contact information for all AFP registered representatives
- Speaking Time at one AFP Quarterly Educational Meeting
- Participation in AFP's National Sales Conference (exhibition space and speaking time)
- Booth space at various other AFP functions

In general, these partners are selected based on the popularity of the products and services with AFP's registered representatives and advisors. In some cases, new "partners" are selected for inclusion based on AFP's assessment of the firms' potential value to AFP, its representatives and its clients. Strategic Alliance firms are not the sole participants in Ausdal meetings and events. Many other products and services are included in Ausdal meetings and events irrespective of financial support. However, the access granted to the Strategic Alliance partners may constitute a conflict of interest. The inclusion of a firm in the program does not necessarily benefit any client and may serve only to benefit AFP and its advisors.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

**Form ADV Part 2A, Item 11**

The AFP Code of Ethics is a statement provided to all covered employees and personal advisors that spells out specific rules of conduct, procedures and general principles to which all are expected to conform. These rules are more specifically related to the trading activity of AFP personnel and how that relates to the trading activity of the client. The purpose of these rules is to protect the clients' interests and place the clients' interests ahead of those of AFP and the personal advisors whenever securities trading is involved. In short, client trade execution comes first.

One of the issues that AFP must monitor and the client must understand is a practice called "front running". This is the illegal practice of an employee or personal advisor placing a trade in their personal account that benefits because of client trading in the same security. Firms who trade large blocks of stocks or ETFs may move the market price of those securities up if the block is a buy order and down if it is a sell. (Front running does not apply to open end mutual fund trades because all trades get the same daily price)

While AFP does not often trade in very large blocks, every trade has the potential to move the price of a security, so AFP monitors all trading activity in the following way:

The AFP code of ethics and its procedures require those who may have the possibility of improperly using client trading information to their benefit to submit reports to the AFP compliance department. These people are referred to as "access persons" because they may have access to this kind of sensitive trading information. When first joining our firm, access persons are required to make sure that all of their personal investment account statements are turned into AFP Compliance staff. This makes AFP aware of the securities positions owned by each person at their time of hire. In addition, copies of all securities statements containing all transactions and holdings are sent to AFP by the brokerage firms/custodians (usually AFP) to AFP for regular review by compliance officials at AFP. Failure to arrange for copies of outside brokerage accounts to be sent can result in various sanctions. These sanctions range from administrative warnings to dismissal.

If any trading irregularity is found, the event is immediately investigated. Should a violation of the code of ethics appear to have taken place, any profit from the trade would be immediately disgorged and further sanctions will be evaluated. Including dismissal and referral to regulatory authorities.

## Brokerage Practices

Form ADV Part 2A, Item 12

### How AFP Selects Brokerage/Custodial Firms

AFP employs brokerage or custody firms to hold investment accounts and execute trades on behalf of clients. The selection of a brokerage/custody firm follows conventional business logic with several factors being of primary concern. It is imperative that any firm AFP employs consistently executes trades with precision and reliability. To that end, any brokerage/custodian employed by AFP must meet recognized industry "best execution" standards. Technological capabilities are also very important to many aspects of the clearing process. Consequently, the firms that AFP partner with must have the acumen, resources and long-term commitment necessary to keep pace with technological innovation. As in almost any business, customer service is important as well. It is important that AFP business partners provide accessible, responsive support. Finally, pricing is a consideration. Any firm that AFP partners with must be able to offer their services competitively. However, it is also important to understand that poor execution, inconsistent service or inadequate systems may quickly erode any benefit that may be realized from low trading costs.

If a client requests a brokerage firm not currently on AFP's menu of firms, AFP will investigate its ability to work with that broker. Should an arrangement be economically feasible, have sufficient compatibility for technology and adequate opportunity to comply with regulations, AFP may add that brokerage to its list of firms for client use.

### Private Client Services

When working with the Private Client Service program where the personal advisor acts as the account manager, three custodians/brokerage firms are available. These choices include Pershing, TD Ameritrade and Schwab. The client selects a broker to be used for his/her account from the choices offered by the personal advisor. Two of the costs involved with investing are custody and trading. The trading commission/ticket charges and custody costs can be billed as either a percentage of account value or as a per transaction charge at most broker/custody firms.

Some of the products and services made available by custodian firms may benefit AFP but not directly or indirectly benefit client accounts. For example, these products or services may assist AFP in managing and administering client accounts or to help AFP manage and further develop its business. Clients should be aware that the receipt of economic benefits by AFP in and of itself creates a conflict of interest and may indirectly influence AFP's choice of custodian firms for custody and brokerage services.

AFP and custodian firms enter into separate agreements to govern the terms of the provision of some special services. Services received by AFP may or may not be received by or offered to any other independent investment advisory firms. Custodian firms provide services to AFP in its sole discretion and at its own expense. The receipt of these services by AFP may constitute a conflict of interest between the client and AFP.

Custodian firms consider the amount and profitability to their firms of the assets in, and trades placed for AFP's client accounts maintained with their respective firms. Custodian firms have the right to terminate some special services with AFP, at their sole discretion. Consequently, in order to continue to obtain the special services from custodian firms, AFP may have an incentive to recommend to its clients that their accounts be held with a particular custodian firm versus another firm. AFP's receipt of any services does not diminish its duty to act in the client's best interests, including the duty to seek best execution of trades for client accounts.

Only AFP's relationship with Pershing results in a portion of the trading commission/ticket charge being paid to AFP. The personal advisor will set a commission schedule as a part of their initial agreement with the client, which must be pre-approved by AFP. AFP may not increase trading commission rates without notifying the client at least 30 days in advance of any commission increase. This additional compensation constitutes a conflict of interest.

AFP has entered into an arrangement with Pershing whereby Pershing pays AFP a fee based on the value of client assets invested in the Pershing FundVest funds. This is a list of approximately 3000 funds from approximately 200 fund families. Investments can be made in the Fundvest funds without paying a load or a trading commission. These funds are called no transaction fee funds. This approach is possible because the funds participating in FundVest pay Pershing fees to be on the FundVest list. The payment of this compensation constitutes a conflict of interest. Consequently, in order to continue to participate in the FundVest arrangement, AFP may have an incentive to recommend to its clients that the assets under management by AFP be held in custody with Pershing and to recommend that clients place transactions for client accounts in the FundVest funds. However, the FundVest fees are not shared with personal advisors. While AFP may have a competitive or other incentive to encourage reps to buy and hold FundVest funds over other investments for its clients' accounts, personal advisors have no incentive beyond the attraction of a no transaction fee option for their clients. Other brokerage firms/custodians (TD Ameritrade and Schwab) offer "No Transaction Fee" fund programs but do not pay AFP any fee for client participation in such programs. The payment of compensation by Pershing does not diminish AFP's duty to act in the best interests of its clients, including seeking best execution of trades for client accounts.

At TD Ameritrade and Schwab, the ticket charge/trading commission is fixed based on negotiations between AFP and the firms. However, at TD Ameritrade the asset based trading fee is "marked up" by AFP and, as a result, AFP receives additional compensation when this method is selected by the client. This additional compensation constitutes a conflict of interest. For more information on the asset based trading fee please see the Wrap Fee Brochure.

#### **Disclaimer for TD Ameritrade Institutional Program**

AFP participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC/NFA. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. AFP receives some benefits from TD Ameritrade through its participation in the program.

AFP participates in TD Ameritrade's institutional customer program and AFP may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between AFP's participation in the program and the investment advice it gives to its clients, although AFP receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to AFP by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by AFP's related persons.

Some of the products and services made available by TD Ameritrade through the program may benefit AFP but may not benefit its client accounts. These products or services may assist AFP in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help AFP manage and further develop its business enterprise. The benefits received by AFP or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, TD Ameritrade endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by AFP or its related persons in and of itself creates a conflict of interest and may indirectly influence AFP's choice of TD Ameritrade for custody and brokerage services.

Two of AFP's personal advisors also receive from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other personal advisors participating in the program. Specifically, the Additional Services include the Dorsey Wright and the Morningstar Advisor Workstation which encompasses research, sales, diagnostic, reporting, and portfolio tools.

TD Ameritrade provides the Additional Services to AFP in its sole discretion and at its own expense, and AFP does not pay any fees to TD Ameritrade for the Additional Services. AFP and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

#### Sub-Advised Account Custodians/Brokerage Firms

Folio Institutional, Huntington Bank and Trust, SEI Trust Company and Trust Company of America all have pre-set trading cost schedules. These costs are fixed and cannot be changed by the personal advisor or AFP. These custodians are the only choices available for certain sub-advised asset management programs.

AFP is also a FINRA member broker-dealer. All personal advisors are licensed to sell securities through AFP.

## Review of Accounts

Form ADV Part 2A, Item 13

The review of accounts is performed via a sampling of personal advisor managed accounts. All reviews take into consideration performance, diversification, benchmark comparison and overall suitability. Triggering events may include economic factors or regularly scheduled sampling reviews. The reviews may be conducted by any combination of the following on an annual basis: Rick Prunty, Director, Managed Accounts; Robert B. Ausdal, Jr., CEO, CCO; and other staff supervised by the afore-named individuals.

## Client Referrals and Other Compensation

Form ADV Part 2A, Item 14

AFP compensates its personal advisors with a portion of the advisory fee paid by the client. Some portion of this compensation is paid for bringing the client to AFP. The balance is to compensate for all of the other services described in section 1 Advisory Services and section 5 Methods of Analysis.

In addition, AFP may pay a portion of advisory fees to non-affiliated third parties who appropriately licensed or qualified so that they can receive such fees. Any time this takes place, a full disclosure of the payment of the solicitation fees will take place via written disclosure documents over a client signature as required under SEC rule 206(4)-3.

## Custody

Form ADV Part 2A, Item 15

AFP always uses non-affiliated independent third party brokerage/custodian firms. AFP is deemed to have custody under SEC rules only because clients authorize the withdrawal of fees from their accounts. Our ability to make withdrawal is limited to the amount of client fees. The client's account is always held by a qualified third party custodian.

AFP may provide statements of value depending on the program the client participates in. In any case, the client will always receive a monthly or quarterly statement from the custodian. The client should always compare any correspondence or statement received from AFP to the statement received from the custodian. The account statement provided by the custodian should always be correct and be relied upon as accurate

## Investment Discretion

Form ADV Part 2A, Item 16

### **Private Client Services- AFP Personal Advisor as Manager**

The personal advisors of AFP, through the Private Client Services Program, manage client accounts on either a discretionary or non-discretionary basis. A non-discretionary arrangement requires the client's specific permission to place each buy or sell order. Limited discretionary authority is the only discretionary authority permitted by AFP.

The discretionary authority is limited to the buying and selling of securities. This discretionary trading authority includes discretion over which securities are bought and sold and in what quantities. This trading takes place at the custodian/brokerage firm previously selected by the client at trading costs negotiated in advance when the advisory agreement was established. All other activities (e.g., withdrawals, distributions, etc.) require the approval of the client for each occurrence. The client grants limited discretionary trading authority by completing a limited power of attorney with the custodian/brokerage selected by the client and by specifically selecting limited discretion in the advisory agreement with AFP.

### **Sub-Advisors and Third Party Strategists**

Limited discretionary trading authority is always granted when using a Sub-Advisor or a Third Party Strategist. The discretionary authority is granted in the same way as above but the client is giving the discretion to AFP to follow the trading instructions provided by specific Sub-Advisor or Strategist. In all other ways, the trading authority is the same as above with the same limitations.

### **AFP Separately Management Account (SMA) Program - Third Party Managers**

In the SMA Program, as discussed previously, a third party asset manager serves as the investment advisor. AFP serves as the solicitor. The personal advisor assists the client in selecting both the manager and the investment strategy. Subsequently the personal advisor monitors the ongoing performance and continuing suitability of the third party manager and the selected investment strategy on behalf of the client. Limited discretionary authority is always granted when using the SMA Program. The discretionary authority is granted to the third party manager in that firm's advisory agreement. A power of attorney with the custodian/brokerage is also given by the client. The limited discretionary trading authority granted to the third party manager includes discretion over which securities are bought and sold and in what quantities. This trading takes place at the custodian/brokerage firm previously selected by the client at trading costs negotiated in advance when the advisory agreement was established. All other activities (e.g., withdrawals, distributions, etc.) require the approval of the client for each occurrence.

## **Voting Client Securities**

Form ADV Part 2A, Item 17

AFP does not vote on client securities. Clients receive all proxy materials and other solicitations from their custodian/brokerage firms or transfer agent. If the client has a question about a particular solicitation, they can contact their personal advisor. The personal advisor can then direct the client to appropriate service teams at the firms issuing the solicitations.

## **Financial Information**

Form ADV Part 2A, Item 18

AFP does not accept or solicit the prepayment of fees in an amount greater than \$1,200 for periods of six months or more in advance.

## **Requirements for State-Registered Advisers**

AFP is registered with the Securities Exchange Commission. This registration relieves AFP of the obligation to register in the states where AFP currently does business.

## **Additional Information**