

## **Firm Brochure**

(Part 2A of Form ADV)



### **Foundations Investment Advisors, LLC**

**10575 N. 114<sup>th</sup> Street, Suite 107**

**Scottsdale, AZ 85259**

**PHONE: 480-626-2979**

**FAX: 480-747-9661**

**Website: [www.fiwealth.com](http://www.fiwealth.com)**

This brochure provides information about the qualifications and business practices of Foundations Investment Advisors, LLC ("FIA" or the "Firm"). Being registered as a registered investment adviser does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at 480-626-2979 or by email at [ernest@fiwealth.com](mailto:ernest@fiwealth.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 Foundations Investment Advisors, LLC (IARD # 175083) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

**April 8, 2019**

## **Item 2: Material Changes**

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### **Annual Update**

The Material Changes section of this brochure will be updated annually or when material changes occur since the previous release of the Firm Brochure. Each year, we will ensure that you receive a summary of any material changes to this and subsequent brochures by April 30<sup>th</sup>. We will further provide you with our most recent brochure at any time at your request, without charge. You may request a copy of our most recent brochure by contacting us at (480) 626-2979 or [ernest@fiwealth.com](mailto:ernest@fiwealth.com).

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### **Material Changes since the Last Update**

Since the Annual Update of our Form ADV Part 2A, dated January 14, 2019, FIA has made the following material changes to this brochure:

- The Firm has reorganized its leadership structure: Effective April 5, 2019, Ryan D. Wheless is no longer the President of FIA. Bryon Rice, as CEO, has assumed all of Mr. Wheless' responsibilities.
- The Firm has amended Item 4 to update our Assets Under Management.
- The Firm amended Item 10 to remove disclosure regarding the former affiliation with AWM Financial Services, Inc.
- The Firm amended Item 12 to add Charles Schwab & Co., Inc. ("Schwab") as a qualified Custodian of the Firm and to add disclosure regarding Schwab's services and to clarify the disclosure regarding Best Execution, Research and Soft Dollar Benefits.
- The Firm amended Item 14 to add disclosure regarding additional product, services and benefits that may be received from Schwab.

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### **Full Brochure Available**

This Firm Brochure being delivered is the complete brochure for the Firm.

## Item 3: Table of Contents

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## Item 4: Advisory Business

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### Firm Description

Foundations Investment Advisors, LLC, (“FIA” or “Advisor”) is a registered investment adviser based in Scottsdale, Arizona. The firm was formed as a limited liability company under the laws of the State of Arizona. Founded in 2015, FIA provides investment advisory services through a network of affiliated offices that provide advisory services under local “doing business as” or “dba” names. A complete list of approved affiliated dba names can be found in the information filed by FIA, IARD# 175083, on its Form ADV Part 1B on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Investment advisory services may include, but are not limited to, determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning. Our investment advice is tailored to work with our clients’ financial goals, investment objectives and risk tolerances.

The investment advisory services of FIA are provided to you through an appropriately licensed and qualified individual who is an investment adviser representative of FIA (referred to as your “Investment Adviser Representative” or “IAR” throughout this brochure). Your IAR may either be an employee of FIA or an independent contractor.

IAR’s are free to negotiate the fees to be charged for the services provided within the parameters set by FIA, as disclosed in ***Item 5 – Fees and Compensation*** of this brochure. It is possible that different IAR’s may charge different fees for providing the same service to clients. The specific level of services you will receive and the fees you will be charged will be specified in your investment advisory agreement.

As used in this brochure, the words, “we,” “our,” and “us” refer to FIA and the words “you,” “your,” and “client” refer to you as either a client or prospective client of our firm. In addition, you may see the term “Associated Person” throughout this brochure. As used in this brochure, our Associated Persons are our firm’s officers, employees and all individuals providing investment advice on behalf of our firm.

Foundations Investment Advisors, LLC’s principal owner is Bryon Rice.

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### Types of Advisory Services

#### **Asset Management Services**

FIA provides investment advisory and portfolio management services on a continuing basis, which may include the review of client investment objectives and goals, recommending asset allocation strategies of managed assets among investment products such as cash, stocks, ETF’s, mutual funds, bonds, and annuities. Although we generally provide advice only on the products previously listed, we reserve the right to offer advice

on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives. It is not our typical investment strategy to attempt to time the market, but we may increase cash holdings as deemed appropriate based on your risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations. Our investment advice is tailored to meet our clients' unique needs, investment objectives and risk tolerance.

During your initial meeting with your advisor, you're asked to complete a confidential client profile to help us understand your risk tolerance and long-term financial goals. A specific asset allocation strategy and suitability profile is crafted to focus on your specific goals and objectives. The confidential client profile defines your risk tolerance and investment objectives. Your information should be updated regularly, but at a minimum every 2 years.

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

FIA provides discretionary and non-discretionary investment advisory services to its clients through various managed account programs. With discretionary authority, we make all decisions to buy, sell or hold securities, cash or other investments in the managed account in our sole discretion without consulting with you before implementing any transactions. You must provide us with written authorization to exercise this discretionary authority. Discretionary authority is limited. We do not have access to your funds and/or securities with the exception of having advisory fees deducted from your account and paid to us by the account custodian. Any fee deduction is done pursuant to your prior written authorization provided to the account custodian. You have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. You may also place reasonable limitations on the discretionary power granted to us so long as the limitations are specifically set forth or included as an attachment to the client agreement. However, FIA retains the right to decline to enter into a management agreement with any client whose investment restrictions are contrary to the firm's investment strategies. *(Please see **Item 16 - Investment Discretion** for additional information concerning discretionary authority.)*

As more fully described in **Item 5 – Fees and Compensation** below, the annual fee is assessed on a monthly or quarterly schedule, in arrears, and calculated based upon the client's average daily balance calculated by the Custodian for the period, either monthly or quarterly.

Before we assess any fees or provide formal advice, we will provide you with an Investment Advisory Agreement (“Agreement”) for your review, understanding and signature. The Agreement includes the terms and conditions under which your assets will be managed. Your execution of the Agreement authorizes our firm to determine the specific securities, and the amount of securities to be purchased or sold for your account without your approval prior to each transaction. The Agreement will remain in effect between you and us until terminated by either party in writing according to the terms contained in the Agreement. In the event a conflict exists between the Agreement and our Form ADV, the Form ADV shall prevail.

The Agreement will include schedules of the investment accounts you wish us to manage, the specific fees we propose to charge and how we propose to bill and collect those fees. Agreements may not be assigned without written client consent.

Advisory accounts will be held primarily by TD Ameritrade Institutional, Fidelity Investments, Charles Schwab & Co., Inc., or other qualified custodians as approved by FIA (each individually, a “Custodian”). The client must designate FIA as its Investment Adviser on their accounts. The client’s qualified Custodian will maintain actual custody of all client funds and securities.

Custodians are also broker/dealers, and they may have different account fees, execution charges and capacities. Custodial services are based on several factors, which may include, but are not limited to: cost, expected level of asset safety, client confidentiality, communication and reporting requirements.

In certain circumstances the account Custodian can offer the option of charging execution fees based upon the level of assets maintained in the managed account (asset-based pricing) versus implementing a fee for each transaction executed. If asset-based pricing is provided as an option, we will conduct a cost/benefit analysis to determine which pricing method would be in the long-term best interest of our clients. Whether transaction-based pricing or asset-based pricing is in the best interest of an individual client may vary over the span of a client relationship in response to possible service provider contractual changes and/or overall market condition adjustments to our pricing structure.

#### **Participation in Wrap Fee Programs**

FIA has the ability to offer asset management services through both wrap fee programs and non-wrap fee programs. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client’s account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions. Whenever a fee is charged to a client for services described in this brochure (whether wrap fee or non-wrap fee), we will receive all or a portion of the fee charged.

#### **Important Disclosure Regarding Fee Based Asset Management Accounts**



When making the determination of whether one of the advisory programs available through FIA is appropriate for your needs, you should bear in mind that fee-based accounts, when compared with commission-based accounts, often result in lower costs during periods when trading activity is heavier, such as the year an account is established. However, during periods when trading activity is lower, the fee-based account arrangements may result in a higher annual cost for transactions. Thus, depending on a number of factors, the total cost for transactions under a fee account versus a commission account can vary significantly. Factors which affect the total cost include account size, amount of turnover, type and quantities of securities purchased or sold, commission rates and your tax situation. It should also be noted that lower fees for comparable service may be available from other sources. You should discuss the advantages and disadvantages of fee-based and commission-based accounts with your IAR.

#### **Sub-Advisory Investment Management Services for Advisers**

FIA offers investment sub-advisory services to unaffiliated registered investment advisers (“RIA’s”). Unaffiliated RIAs may choose to engage FIA for investment management of some or all of their clients' assets. FIA shall have day-to-day responsibility for the active discretionary management of the allocated assets through a limited power of attorney from the unaffiliated advisor's client. The unaffiliated adviser RIA shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. The unaffiliated RIA’s may receive compensation for referring clients to FIA under a written solicitation agreement, as required by applicable regulations.

#### **Use of Unaffiliated Investment Advisory Firms as Sub-Advisers**

At its discretion, FIA may utilize unaffiliated investment advisory firms as sub-advisers to assist us with the development and recommendation of appropriate investment options for your Account. In such cases the Agreement will designate both FIA and the unaffiliated sub-adviser as managers of the Account and the Client will receive required disclosures about both firms.

#### **Educational Seminars/Workshops**

FIA occasionally provides seminars/workshops in areas such as financial planning, retirement planning, estate planning, college planning and charitable planning or other relevant financial topics. Seminars/workshops are always offered on an impersonal basis and do not focus on the individual needs of participants. No fees are charged for seminars.

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### **Client Tailored Services and Client Imposed Restrictions**

The goals, objectives, risk tolerance and client-imposed restrictions for each client are documented in our client files. Investment strategies are created that seek to reflect the stated unique needs and investment objectives of the client. Clients may impose reasonable restrictions on investing in certain securities or types of securities with written notification. However, FIA retains the right to decline to enter into a management

agreement with any client whose investment restrictions are contrary to the firm's investment strategies.

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### **Wrap Fee Programs**

FIA sponsors a Wrap Fee Program, and the Wrap Fee Program may or may not be managed similarly to the non-Wrap Fee Program accounts. A "wrap fee program" for purposes of the SEC is a program under which investment advisory and brokerage execution services are provided for a single "wrapped" fee that is not based on the transactions in a client account. FIA offers some of its clients wrap accounts through third party money managers ("Sub-Advisers") through a managed account program, or through its own sponsored program. FIA will assist clients in determining the suitability of the FIA Wrap Fee Program for the client.

A separate Wrap Fee Program brochure is provided to those clients interested in the Wrap Fee Programs.

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### **Client Assets Under Management**

As of March 31, 2018, FIA had the following Assets Under Management ("AUM"):

Discretionary: \$671,067,342  
Non-Discretionary: \$24,081,649  
Total AUM: \$695,148,991

## Item 5: Fees and Compensation

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### Method of Compensation and Fee Schedule

The total annual advisory fees charged to the client are based on a percentage of AUM as follows:

Assets Under Management	Maximum Annual Advisory Fee *
\$0 - \$5,000,000	2.00%
Over \$5,000,000	1.00%

- \*A \$150 annual minimum management fee will be assessed on all accounts with values below \$5,000. For account values of less than \$5,000, this may equate to be more than the maximum stated 2% as stated in this Form ADV and the Agreement.
- The fee schedule may not be the actual fee charged, but the maximum fee charged. Sub-Adviser fees, including wrap account fees, are included in the fee schedule above.
- Non-discretionary accounts are assessed a \$150 per year administration fee.
- All accounts will also be assessed a \$50 annual administrative and technology fee at the end of the January billing cycle. New Accounts opened after the January billing cycle will be charged a prorated fee upon account opening. This \$50 fee also applies to non-discretionary and/or non-managed accounts.

FIA, in its discretion, may negotiate fees based upon individual account criteria such as anticipated future assets, client's unique circumstances, and additional services performed. Our fees may be higher or lower than fees charged by other financial professionals offering similar services. FIA reserves the right to modify its fee schedule in the future by providing you with 30 days advance notice of any modification.

Fees are collected and charged either: (1) monthly in arrears or (2) quarterly in arrears. Fees for any partial period (month or quarter) will be prorated based upon the number of calendar days in the period (month or quarter) that the advisory agreement is in effect.

**Monthly or Quarterly Billing Cycle.** Fees are based on the average daily value of the assets of the period (month or quarter) just ended. The fee is calculated as follows: The Custodian will calculate the average daily value of the AUM of the period (month or quarter) just ended and will multiply that amount by the respective fraction of the annual advisory fee (ie., 1/12 for monthly or 1/4 for quarterly.)

We directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities for regulatory purposes. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. Clients may also elect to have advisory fees billed directly. You will receive account statements from the independent,

qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will reflect the credits and debits to your account, including the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. Clients are urged to compare the account statements received directly from the custodian to any performance report statements prepared by any Sub-Adviser.

Discounts, not generally available to our advisory clients, may be offered to family members and associated persons of our firm.

The minimum account value is \$5,000 for investment advisory services.

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**Client Payment of Fees**

With written authorization, the independent, qualified Custodian holding your funds and securities, will automatically deduct our fee from your account. These fees will be deducted monthly or quarterly in arrears, as applicable. The authorization and method of payment will be documented in the Agreement.

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**Financial Planning**

Financial planning services are charged through an hourly arrangement as agreed upon between the client and Investment Advisor Representative.

Financial Planning fees are negotiable and vary depending upon the complexity of the client situation and services to be provided. Hourly fees range from \$100-\$500 per hour. Similar financial planning services may be available elsewhere for a lower cost to the client.

Fixed fees may be charged for asset management or financial planning services. If asset management services are charged fixed fees, the fees will never be greater than the fees stated in the above fee schedule. Fixed fees typically range from \$100 - \$5,000 depending on the type of service, complexity and duration of the service provided.

Clients may be invoiced monthly for all time spent by FIA as agreed upon by client or upon completion of the services if more than a month. Clients who wish to terminate the planning process prior to completion may do so with written notice. Upon receipt of written notification, any earned fee will immediately become due and payable.

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**Additional Client Fees Charged**

In addition to advisory fees paid to FIA as explained above, clients may pay custodial service, account maintenance, transaction, and other fees associated with maintaining the account. These fees vary by broker and/or custodian. Clients should ask FIA for details on transaction fees or other custodial fees specific to their account, as these fees are not included in the annual advisory fee. FIA does not share in any portion of such transaction or custodian fees.

Additionally, mutual fund companies impose internal fees and expenses on clients. Clients may pay their proportionate share of the funds' distribution, internal management, investment advisory and administrative fees. These fees are in addition to

the costs associated with the investment advisory services as described above. Such fees are not shared with FIA and are compensation to the fund manager. Complete details of such internal expenses are specified and disclosed in each mutual fund company's prospectus. Clients are strongly advised to review the prospectus(es) prior to investing in such securities.

Mutual funds purchased or sold in broker-dealer accounts may generate transaction fees that would not exist if the purchase or sale were made directly with the mutual fund company. Mutual funds held in broker-dealer accounts also charge management fees. These mutual fund management fees may be more or less than the mutual fund management fees charged if the client held the mutual fund directly with the mutual fund company.

Clients may purchase shares of mutual funds directly from the mutual fund issuer, its principal underwriter, or a distributor without purchasing the services of FIA or paying the advisory fee on such shares (but subject to any applicable sales charges). Certain mutual funds are offered to the public without a sales charge. In the case of mutual funds offered with a sales charge, the prevailing sales charge (as described in the mutual fund prospectus) may be more or less than the applicable advisory fee. However, clients would not receive FIA's assistance in developing an investment strategy, selecting securities, monitoring performance of the account, and making changes as necessary.

Please refer to ***Item 12 – Brokerage Practices*** of this brochure for additional information.

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### **Prepayment of Client Fees**

FIA does not require prepayment of more than \$1,200 in fees per client, six months or more in advance.

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### **External Compensation for the Sale of Securities to Clients**

FIA does not receive any external compensation for the sale of securities to clients, nor do any of the Investment Adviser Representatives of FIA.

## **Item 6: Performance-Based Fees**

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### **Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed assets.

FIA does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## **Item 7: Types of Clients**

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### **Description**

We offer investment advisory services to a wide variety of clients including, but not limited to, individuals including those with high net worth, pension and profit-sharing plans, including plan participants, trusts, estates, 401(k) sponsor plans and Individual Retirement Accounts (IRA, SEP, ROTH IRA,) charitable organizations, corporations and other business entities, including sole proprietorships.

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### **Account Minimums**

The minimum account value is \$5,000.

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

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### **Methods of Analysis and Investment Strategies**

Security analysis methods used by FIA may include fundamental analysis, technical analysis, and cyclical analysis. Investing in securities involves risk of loss that clients should be prepared to bear.

Fundamental analysis involves evaluating a stock using real data such as company revenues, earnings, return on equity, and profits margins to determine underlying value and potential growth. Technical analysis involves evaluating securities based on past prices and volume. Cyclical analysis involves analyzing the cycles of the market.

Fundamental analysis may involve interest rate risk, market risk, business risk, and financial risk. Risks involved in technical analysis are inflation risk, reinvestment risk, and market risk. Cyclical analysis involves inflation risk, market risk, and currency risk. Other strategies may include long-term purchases, short-term purchases and trading.

The main sources of information may include financial newspapers and magazines, inspection of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses and filings with the SEC, and company press releases.

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### **Investment Strategy and Method of Analysis Material Risks**

The investment strategy for a specific client is based upon the objectives stated by the client during consultations and documented in the Agreement. The client may change these objectives at any time. Each client's Agreement contains information related to the client's risk tolerance and any investment restrictions. Any other documentation as required by FIA that documents the client's objectives and their desired investment strategy will be retained as part of the client's file.

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### **Security Specific Material Risks**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- *Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Market Risk:* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.



- *Inflation Risk:* When any type of inflation is present, a dollar today will buy more than a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- *Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- *ETF and Mutual Fund Risk:* When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- *Equity (stock) Risk:* Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- *Company Risk:* When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- *Fixed Income Risk:* When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

- *Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- *Management Risk:* Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

Our strategies and investments may have unique and significant tax implications. Regardless of your account size or other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Investing in securities involves risk of loss that clients should be prepared to bear. Although we manage your portfolio with strategies and in a manner consistent with your risk tolerances, there can be no guarantee that our efforts will be successful. You should be prepared to bear the risk of loss.

All investments involve the risk of loss, including (among other things) loss of principal, a reduction in earnings (including interest, dividends, and other distributions), and the loss of future earnings. These risks include the risks stated above. Regardless of the methods of analysis or strategies suggested for your particular investment goals, you should carefully consider these risks, as the client should be able to bear all risks.

## **Item 9: Disciplinary Information**

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### **Criminal or Civil Actions**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of FIA's business or the integrity of FIA's management.

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### **Administrative Enforcement Proceedings**

The firm and its management have not been involved in any administrative enforcement proceedings.

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### **Self-Regulatory Organization Enforcement Proceedings**

The firm and its management have not been involved in any Self-Regulatory Organization enforcement proceedings related to past or present investment clients.

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

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### **Broker-Dealer or Representative Registration**

Neither FIA nor any of its employees are registered representatives of a broker-dealer.

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### **Futures or Commodity Registration**

Neither FIA nor its employees are registered or have an application pending to register as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

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### **Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

We are an independent registered investment adviser and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than investment advice, our representatives may sell other products or provide services outside of their role as investment adviser representatives with us.

Darren Leavitt, FIA's Portfolio Manager, is also the Founder and sole owner of Ventana Investment Advisors, LLC ("Ventana")(CRD# 289246). This results in an affiliation between FIA and Ventana through common control and Mr. Leavitt is dually registered as an IAR of both firms. It is not expected that clients of Ventana will be clients of FIA and any such client is not required to utilize the services of the other firm. The potential for dual compensation presents a conflict of interest due to a financial incentive to recommend the services of an affiliated firm. In order to address this conflict, Ventana and FIA have adopted codes of ethics that require all associated persons to deal fairly with all clients when making investment decisions, to uphold their fiduciary duty at all times, and to put the clients' interests first.

Ernest J. C'DeBaca, FIA's CCO and an IAR registered with FIA, is also a licensed attorney with Budagher & Associates, LLC, a law practice with offices in Albuquerque, NM. Mr. C'DeBaca's legal practice is independent from and unrelated to FIA's operations or investment advisory services. No clients of FIA are clients of his legal practice.

### **Dually Registered Investment Adviser Representatives**

Certain IAR's of FIA are also registered as an IAR of an independent registered investment adviser. This arrangement represents a conflict of interest due to the potential receipt of compensation from both advisers by such persons and the use of one particular adviser over the other may present a conflict of interest with respect to similar services being available for differing compensation at either adviser. These conflicts are mitigated by the fact that all such firms have adopted a code of ethics that requires all associated persons to place the interests of clients first.

### **Insurance Agents**

In addition, Investment Advisor Representatives of FIA may be independent insurance agents for various companies not affiliated with FIA. These practices represent conflicts

of interest because it gives FIA an incentive to recommend products based on the compensation amount received. This conflict is mitigated by the fact that FIA has adopted a code of ethics that requires all associated persons to place the interests of clients first and clients are not required to purchase any insurance products. Clients have the option to purchase these products through another insurance agent of their choosing.

### **Service Agreement**

FIA has a Service Agreement with Orion Advisor Services to provide trading, billing, data aggregation, reporting and operations solutions, as well as other advisor solutions, and our custodians, TD Ameritrade Institutional, Fidelity Investments and other qualified custodians as approved by FIA. This agreement allows Orion to perform certain trading, operational, data aggregation and other administrative duties with these custodians on our behalf.

### **Affiliation with Magellan Financial & Insurance Services Inc.**

Magellan Financial & Insurance Services Inc. ("Magellan") and FIA are under common ownership of Bryon Rice. Magellan provides coaching, consulting, training and insurance contracting services to financial advisers. Magellan's focus is on client service and new business growth solutions. Magellan is not a registered investment adviser or broker-dealer. Magellan offers services to individuals that work within the financial services industry. Magellan has an insurance agency through which FIA advisers offer life insurance, annuities and other insurance products.

Magellan may sponsor FIA events (i.e., workshops, seminars, etc.) FIA may market our advisory services and investments at Magellan events. Magellan may provide referrals to FIA and may refer FIA's platforms, investment strategies and products to financial professionals using Magellan's services. FIA may compensate Magellan for these non-client referral activities.

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## **Recommendations or Selections of Other Investment Advisors and Conflicts of Interest**

FIA, in providing the services agreed upon with the client, may retain an investment adviser registered under applicable securities laws, as a Sub-Adviser to manage all or a portion of the managed assets in the client's account (hereafter, the "Sub-Adviser.") If this occurs, FIA will be responsible for the continuing supervision of the client's account, and the actions of the Sub-Adviser in connection with the client's account and the managed assets. FIA also will be responsible for the payment of any advisory fee or other charges of the Sub-Adviser with respect to the managed assets unless or except as specifically authorized in advance by the client. FIA agrees that upon proper notice by the client, FIA will refrain from the appointment of, or terminate as permitted under applicable contracts, any Sub-Adviser appointed pursuant to this authority.

We have a conflict of interest when we utilize third-party Sub-Advisers that have agreed to share a portion of their advisory fee with us and have met the conditions of our due diligence review. There may be other third-party Sub-Advisers that may be suitable for

you that may be more or less costly. No guarantees can be made that your financial goals or objectives will be achieved. Further, no guarantees of performance can be offered. This conflict of interest is primarily mitigated by our ongoing due diligence of our third-party Sub-Advisers and our limits on advisory compensation to the schedule set forth in ***Item 5 – Fees and Compensation.***

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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### **Code of Ethics Description**

The employees of FIA have committed to a Code of Ethics ("Code"). The purpose of our Code is to set forth guidelines and standards of conduct expected of our Associated Persons and addresses potential conflicts that may arise. The Code defines acceptable behavior for our Associated Persons and reflects our goal to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith and fair dealing with you. All of our Associated Persons are expected to understand and strictly follow these guidelines.

Our Code of Ethics also requires that our Associated Persons submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations the Code. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our firm or persons associated with our firm may buy or sell securities or hold a position identical to clients. It is our policy that no Associated Person will put his/her interests before a client's interest. Associated Persons may not trade ahead of any client and cannot trade for a better price than the price a client would obtain. It is the Associated Person's responsibility to know which securities we are trading. Associated Persons are required to consult with the Compliance Department to determine whether a security is an acceptable purchase or sale.

We prohibit all Associated Persons from trading on non-public information and from sharing such information. Associated Persons may not invest in an initial public offering (IPO) for their own accounts or those of related household members. Associated Persons are required to obtain approval from the Compliance Department prior to investing in a private placement or other limited offerings. We do not allow "short-swing" trading or market timing. Short-Swing trading, better known as the Short-Swing Profit rule, requires company insiders to return any profits made from the purchase and sale of company stock if both transactions occur within a six-month period. A company insider, as determined by the rule, is any officer, director or holder of more than 10% of the company's membership interests.

Every Associated Person who has access to client accounts must submit a report of all personal securities holdings at the time of affiliation with us and annually thereafter. Such reports must contain current information (not older than 45 days). Holding reports must contain the following information:

- The title and type of security;
- The security symbol or CUSIP number;

- The number of shares and the principal amount of each reportable security;
- The name of any broker, dealer, or bank with which the Associated Person maintains an account;
- The date the report was submitted.

The Code applies to “access” persons. “Access” persons are Associated Persons of the firm including persons who have access to non-public information regarding any client’s purchase or sale of securities, or non-public information regarding the portfolio holdings of any reportable fund, who are involved in making securities recommendations to clients, or who have access to such recommendations that are non-public.

The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

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**Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

FIA does not maintain a firm proprietary trading account and does not have a material financial interest in any securities being recommended and therefore no conflicts of interest exist.



## Item 12: Brokerage Practices

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### Factors Used to Select Broker-Dealers for Client Transactions

FIA primarily recommends Fidelity Investments ("Fidelity"), TD Ameritrade Institutional and Schwab Advisor Services as Custodians. TD Ameritrade Institutional is a division of TD Ameritrade, Inc., member SIPC ("TD Ameritrade"). Schwab Advisor Services is a division of Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC. TD Ameritrade, Fidelity and Schwab are each an unaffiliated SEC-registered broker-dealer and FINRA member. Each Custodian offers services to independent investment advisors which include custody of securities, trade execution, clearance and settlement of transactions.

#### *Directed Brokerage*

FIA does not accept directed brokerage arrangements. Clients participating in our asset management programs are required to use one of our approved Custodians.

#### *Best Execution*

Investment advisers who manage or supervise client portfolios on a discretionary basis have a fiduciary obligation of best execution. The Custodian maintains custody of all funds and securities. We believe that the Custodian selected by FIA will provide quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by the Custodian, including the value of research provided, the firm's reputation, execution capabilities, commission rates, reporting capabilities, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services each Custodian provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

FIA participates in the institutional advisor program (the "Program") offered by TD Ameritrade. FIA receives some benefits from TD Ameritrade through its participation in the Program. (Please see the disclosure under **Item 14 – Client Referrals and Other Compensation** below.)

FIA may also recommend/require that clients establish brokerage accounts with the Schwab to maintain custody of clients' assets and to effect trades for their accounts. The final decision to custody assets with Schwab is at the discretion of the Advisor's clients, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. FIA is independently owned and operated and not affiliated with Schwab. Schwab provides FIA 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 advisor's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, 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 FIA client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to FIA other products and services that benefit FIA but may not benefit its clients' accounts. (Please see the disclosure under ***Item 14 – Client Referrals and Other Compensation*** below.)

#### *Research and Other Soft Dollar Benefits*

FIA recommends our Custodians based on the proven integrity and financial responsibility of these firms, best execution of orders at reasonable commission rates, and quality of client service. We are independently owned and operated and do not receive fees or commissions from any custodian or broker-dealer, although FIA may receive additional benefits from our Custodians such as electronic delivery of client information, electronic trading platforms, institutional trading support, proprietary and/or third party research, continuing education, practice management advice, and other services provided by custodians for the benefit of investment advisory clients. (Please see the disclosure under Item 14 below.)

The receipt of additional benefits may give us an incentive to require that you maintain your account with our Custodians based on our interest in receiving these services rather than your interest in receiving the best value and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that our selection of custodians and brokers is in the best interests of our clients. Our belief is primarily supported by the scope and quality of services our Custodians provide to our clients and not services that benefit only us. Additionally, these benefits are offered to all investment advisers that use our Custodians for brokerage and execution services and not just our firm.

To mitigate the existence of this conflict, we remain aware of current charges levied by custodians and we conduct, at minimum on an annual basis, a best execution review considering the full range and quality of our Custodians' services, including execution quality, commission rate, the value of research provided, financial strength and responsiveness to our requests for trade data and other information. Our obligation is not necessarily to get the lowest price but to obtain the best qualitative execution. FIA may receive similar benefits and services from other custodians with which it has a contractual relationship.

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## **Aggregating Securities Transactions for Client Accounts**

When FIA buys or sells the same security for two or more clients (including our personal accounts), we may place concurrent orders to be executed together as a single “block” in order to facilitate orderly and efficient execution. Each client account will be charged or credited with the average price per unit. We receive no additional compensation or remuneration of any kind because we aggregate client transactions, and no client is favored over any other client.

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## **Trade Errors**

Even with our best efforts and controls, trade errors may happen. All trade errors will be brought to the attention of the CIO and the CCO immediately upon discovery. We will work to formulate the best resolution for the client. In the event of a trade error, errors will be corrected before the current day market close (if possible) and no later than next market close date and with the intent to make the client whole. Ideally, when possible, trade errors will be moved from the client’s account to either our trade error account with the broker/dealer that executed the trade or that broker/dealer’s trade error account, depending upon which party is responsible for the error. In cases in which we are responsible for the error, all losses will be paid by us and all gains will be retained by the custodian. In cases in which the broker/dealer is responsible for the error, we will follow the procedures of the broker/dealer with respect to any gains or losses in the trade error account. Please be advised that any trade errors that result from inaccurate instructions provided by the client remain the financial responsibility of the client.

## **Item 13: Review of Accounts**

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### **Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Account reviews are performed at least annually by the Investment Adviser Representative assigned to the account. Account reviews are performed more frequently when market conditions dictate.

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### **Review of Client Accounts on Non-Periodic Basis**

Other conditions that may trigger a review of clients' accounts are changes in the tax laws, new investment information, and changes in a client's own situation.

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### **Content of Client Provided Reports and Frequency**

Clients receive account statements no less than quarterly for managed accounts from the Custodian. Account reports may be issued by FIA. Clients receive confirmations of each transaction in their account from the Custodian and an additional statement during any month in which a transaction occurs.

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

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### **Economic benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

As disclosed under Item 12 above, FIA participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between FIA's participation in the program and the investment advice it gives to its Clients, although FIA 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 FIA 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 FIA by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by FIA's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit FIA but may not benefit its Client accounts. These products or services may assist FIA in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help FIA manage and further develop its business enterprise. The benefits received by FIA 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, FIA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence FIA's choice of TD Ameritrade for custody and brokerage services.

As disclosed under Item 12 above, FIA may recommend/require clients establish brokerage accounts with Schwab. Schwab also makes available to FIA other products and services that benefit FIA but may not benefit its clients' accounts. These benefits may include national, regional or FIA-specific educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may include occasional business entertainment of personnel of FIA by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist FIA in managing and administering clients' accounts. These include software and other technology (and related technological training) 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 FIA fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of FIA accounts, including accounts not maintained at Schwab Advisor Services. Schwab Advisor Services also makes available to FIA other services intended to help FIA manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to FIA by independent third parties. Schwab Advisor Services 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 FIA. While, as a fiduciary, FIA endeavors to act in its clients' best interests, FIA's recommendation/requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to FIA of the availability of some of the foregoing products and services and other arrangements 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.

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### **Advisory Firm Payments for Client Referrals**

FIA may enter into "Solicitor/Finder" relationships. These solicitors refer prospective clients to FIA. FIA pays a referral fee to the solicitor or finder typically based on a portion of the management fees charged by FIA and memorialized in a written agreement ("Solicitor Agreement"). In all cases, FIA will comply with the cash solicitation rules established by the SEC, state regulators and the client disclosure requirements. When a client is referred to us by a referring party, the referring party provides the client with a copy of our Disclosure Brochure as required by the *Investment Advisers Act of 1940*. If a referred prospective client enters into an investment advisory agreement with FIA, a referral fee is paid to the referring party. The referral relationship will not result in clients being charged any fees over and above the normal advisory fees charged for the advisory services provided. FIA will pay the solicitor/finder their share of the total fee. The Solicitor Agreement requires that the solicitor/finder be appropriately registered under federal and state securities laws where applicable. Clients receive all related agreements and disclosures prior to or at the time of entering into an Investment Advisory Agreement with FIA.

## **Item 15: Custody**

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### **Account Statements**

We directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. Clients are urged to compare the account statements received directly from their custodians to any performance report statements prepared by FIA.

### **Standing Letters of Authorization**

Some clients may execute limited powers of attorney or other standing letters of authorization that permit FIA to transfer money from their account with the client's independent qualified Custodian to third-parties. This authorization to direct the Custodian may be deemed to cause our firm to exercise limited custody over your funds or securities and for regulatory reporting purposes, we are required to keep track of the number of clients and accounts for which we may have this ability. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate any transfers that may have taken place within your account(s) each billing period. You should carefully review account statements for accuracy.

## **Item 16: Investment Discretion**

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### **Discretionary Authority for Trading**

The Agreement grants us the authority to decide what securities are bought or sold in your account(s) and the authority to implement those decisions without being required to obtain your approval.

You have the right to place reasonable restrictions on your accounts. You may also place reasonable limitations on the discretionary power granted to us so long as the limitations are specifically set forth or included as an attachment to the client agreement. However, FIA retains the right to decline to enter into a management agreement with any client whose investment restrictions are contrary to the firm's investment strategies. Please refer to ***Item 4 – Advisory Business*** of this Brochure for more information.



## **Item 17: Voting Client Securities**

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### **Proxy Votes**

FIA does not vote proxies on securities. Clients are expected to vote their own proxies. The client will receive their proxies directly from the Custodian of their account or from a transfer agent.

## **Item 18: Financial Information**

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### **Balance Sheet**

A balance sheet is not required to be provided because FIA does not serve as a Custodian for client funds or securities and FIA does not require prepayment of fees of more than \$1,200 per client and six months or more in advance.

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### **Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

FIA is not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

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### **Bankruptcy Petitions during the Past Ten Years**

FIA has not been the subject of a bankruptcy petition at any time.

**Item 19: Requirements for State Registered Advisers**

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**This section is not applicable because the firm is registered with the SEC.**

## **Item 20: Miscellaneous**

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### **Class Action Suits**

A class action is a procedural device used in litigation to determine the rights of and remedies, if any, for large numbers of people whose cases involve common questions of law and/or fact. Class action suits frequently arise against companies that publicly issue securities, including securities recommended by investment advisers to clients.

With respect to class action suits and claims, you (or your agent) will have the responsibility for class actions or bankruptcies, involving securities purchased for or held in your account. We do not provide such services and are not obligated to forward copies of class action notices we may receive to you or your agents.

### **Consent to Electronic Delivery**

FIA supports the execution and delivery of electronic records as much as possible and pursuant to applicable law. We believe that doing so will provide a faster and more reliable vehicle for document retention, delivery of disclosure documents (including this brochure), and customer service. Therefore, we have begun to seek consent from our clients, institutional relationships, and vendors for electronic delivery.

### **Confidentiality and Privacy Notice**

FIA views protecting its customers' private information as a top priority and, pursuant to the requirements of the Gramm-Leach-Bliley Act, the firm has instituted policies and procedures to ensure that customer information is kept private and secure.

FIA does not disclose any nonpublic personal information about its customers or former customers to any nonaffiliated third parties. In the course of servicing a client account, FIA may share some information with its service providers, such as sub-advisers, transfer agents, custodians, broker-dealers, accountants, and lawyers.

FIA restricts internal access to nonpublic personal information about its clients to those employees who need to know that information to provide products or services to the client. FIA maintains physical and procedural safeguards that comply with state and federal standards to guard a client's nonpublic personal information and ensure its integrity and confidentiality. As emphasized above, it has always been and will always be the firm's policy never to sell information about current or former customers or their accounts to anyone. It is also the firm's policy not to share information unless required to process a transaction, at the request of the client, or as required by law.

The form of FIA's privacy policy notice is as follows and is provided to each of FIA's clients prior to, or contemporaneously with, the execution of the Advisory Agreement:

## Foundations Investment Advisors, LLC Privacy Policy

Investment Advisers are required by law to inform their clients of their policies regarding privacy of client information. We are bound by professional standards of confidentiality that are even more stringent than those required by law. This notice is being provided to you in accordance with the Securities and Exchange Commission's rule regarding the privacy of consumer financial information ("Regulation S-P"). Please take the time to read and understand the privacy policies and procedures that we have implemented to safeguard your nonpublic personal information.

### **INFORMATION WE COLLECT**

Foundations Investment Advisors LLC (FIA) must collect certain personally identifiable financial information about its customers to provide financial services and products. The personally identifiable financial information that we gather during the normal course of doing business with you may include:

- information we receive from you on applications or other forms;
- information about your transactions with us, our affiliates, or others;
- information we receive from a consumer reporting agency.

### **INFORMATION WE DISCLOSE**

We do not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted or required by law, or as necessary to provide services to you. In accordance with Section 248.13 of Regulation S-P, we may disclose all of the information we collect, as described above, to certain nonaffiliated third parties such as our attorneys, accountants, auditors and persons or entities that are assessing our compliance with industry standards. We enter into contractual agreements with all nonaffiliated third parties that prohibit such third parties from disclosing or using the information other than to carry out the purposes for which we disclose the information.

### **CONFIDENTIALITY AND SECURITY**

We restrict access to nonpublic personal information about you to those Employees who need to know that information to provide financial products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

### **ACCURACY**

FIA strives to maintain accurate personal information in our client files at all times. However, as personal situations, facts and data change over time; we encourage our clients to provide feedback and updated information to help us meet our goals.