

**FOUNDERS FINANCIAL SECURITIES, LLC**

**FORM ADV – PART 2A**

October 30, 2019

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This Brochure provides information about the qualifications and business practices of Founders Financial Securities, LLC (“FFS” or “the Firm”). If you have any questions about the contents of this Brochure, please call us at 888-523-1162. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

The Firm offers and delivers information about our qualifications and business practices to clients at least annually. Pursuant to SEC Rules, FFS will notify clients of material changes to this brochure within 120 days of the close of the fiscal year. Further, FFS will disclose material changes to clients as necessary throughout the fiscal year.

FFS is a Registered Investment Adviser. Registration of an investment adviser does not imply a certain level of skill or training.

## Item 2 - Material Changes

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With this Brochure, the Firm offers and delivers information about its qualifications and business practices to clients at least annually. FFS will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of the Firm's fiscal year. FFS will provide other ongoing disclosure information about material changes as necessary.

The following is a summary of the material changes made to this Brochure since the last update that FFS made on July 19, 2019:

- FFS has updated Item 9. Disciplinary Information to reflect the following:

On September 30, 2019, FFS consented to the entry of an SEC administrative order regarding adequate disclosure of mutual fund share class selection practices. In the order the SEC found that FFS violated Sections 206(2) and 206(4) of the Advisers Act.

The SEC found that FFS breached its fiduciary duty to advisory clients relating to mutual fund shares held by clients where lower cost share classes of the same fund were available. The SEC determined that FFS had inadequate disclosures addressing the conflicts of interest related to the receipt of 12b-1 fees and the selection of mutual fund share classes that pay such fees and that it failed to adopt policies and procedures reasonably designed to prevent these deficiencies. Therefore, without admitting or denying these allegations, FFS has agreed to a censure, payment of a civil penalty and a monetary payment plus interest to affected investors and has corrected relevant disclosure documents concerning mutual fund share class selection and the conflicts of interest with the receipt of 12b-1 fees. Additional information can be found by visiting the SEC's Investment Advisor Public Disclosure site found here (<http://www.adviserinfo.sec.gov/IAPD/Default.aspx> ) and providing the requested information.

This Brochure can be requested by contacting the Firm at 888-523-1162.

Additional information about FFS is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with FFS who are registered, or are required to be registered, as Investment Adviser Representatives of FFS.

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## Item 4 - Advisory Business

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### About FFS

FFS was founded in 2004 and became registered with the SEC as an Investment Advisor in 2006. FFS is a wholly-owned subsidiary of Founders Financial, Inc. FFS is an SEC Registered Investment Adviser. Listed below is a description of the various investment advisory services offered by FFS through registered individuals associated with FFS as Investment Adviser Representatives ("IARs"). IARs are independent contractors of FFS and not employees. Consequently, IARs hold themselves out to the public using business names other than FFS. These are known as "doing business as" names or, more commonly, "DBAs." IARs must disclose on their advertising and correspondence materials that they are an IAR of FFS and that securities are offered through FFS on their advertising and correspondence materials. As independent contractors, IARs of FFS will be compensated in a different manner than an employee of FFS would be compensated.

### Description of Services Available

FFS' IARs provide investment advisory services on both a discretionary and non-discretionary basis. These services include, but are not limited to, providing ongoing investment advice, management of investment advisory accounts, and access to third-party money managers. IARs also provide advice to clients on matters not directly involving securities, such as financial planning, retirement planning and estate planning.

FFS does not determine investment philosophies and strategies for IARs. Investment philosophies and strategies will vary by IAR and how they understand individual client investment needs. IARs are responsible for recommending and implementing investment advice under the supervision of FFS. Clients are advised that there is no guarantee, stated or implied, that the client's investment goals or objectives will be achieved.

The following is a list of our advisory programs:

- Independence Advisory Accounts Custodied at Pershing
- Independence Advisory Accounts Custodied at E\*TRADE Advisor Services
- Third-Party Money Managers
- Freedom Capital Management Strategies®
- Freedom Portfolios
- Freedom Independence Plan™
- Managed Portfolio Program
- Jefferson National Variable Annuity
- Independence Manager Exchange
- TheFreedomStrategies.com

Each of the above programs has its own independent set of agreements and documents that will be provided to the client for review and execution. Each agreement outlines specific roles of the IAR and program fees, charges, and risks. Clients should refer to the specific program documents for a full description of their products and services and all related terms, conditions, fees and expenses.

### Financial Planning and Consulting

FFS IARs offer financial planning and consulting. Financial planning typically involves providing a variety of services to individuals or entities regarding the management of their financial resources based upon an analysis of their individual needs. Generally, financial planning services involve preparing a financial analysis for a client based on the client's stated life-goals, income and financial needs, and could also include a review of the client's investment objectives and risk tolerance. The information provided as part of this service would normally cover present and anticipated assets and liabilities, including insurance, savings, investments, and

anticipated retirement benefit or other employee benefits. Traditional financial planning involves meeting with the client to determine financial goals and objectives and then developing and delivering a financial plan.

The financial planning advice that is provided by the IAR will include general recommendations for a course of activity or specific actions to be taken. Typical financial planning and consulting will include the following:

#### *Initial Client Meeting*

The purpose of an initial meeting is to discuss specific areas of concern and potential planning areas. During this meeting, the IAR will work with the client to determine whether or not a financial plan is appropriate or whether the client seeks investment advice only.

As part of the initial meeting, or as a separate meeting, the IAR will review all necessary documents to develop a financial plan. These documents can include, but are not limited to, brokerage statements, insurance policies, income tax statements, estate documents, previously completed financial plans, business agreements and retirement information.

#### *Developing a Financial Plan, Investment Analysis, or Both*

Based on the information the IAR gathers, a financial plan or investment analysis will be developed. The IAR can use various computer software tools to assist in creating the financial plan or investment analysis. While the IAR will not provide tax or legal advice, with client permission the IAR can speak with the client's attorney or tax professional.

Financial plans typically consist of a combination of one or more of the following services:

- Financial Position

Financial position review encompasses a review of current financial position, including a review of current cash flow. This type of review typically involves reviewing client net worth, cash flow, budget, debt, and investment accounts.

- Retirement Planning

Retirement planning typically consists of analyzing current or expected future retirement needs. Based on the current level of retirement savings, additional retirement accounts (such as an IRA or Roth IRA) could be recommended, or additional contributions to existing company retirement plan could be recommended.

If the client has an account in a company retirement plan that falls under ERISA (such as a 401(k), defined benefit plan, etc.), the IAR can provide education on the company's retirement account or recommendations for the investment allocation based on the client's risk tolerance for their consideration.

- Insurance Analysis

Insurance analysis typically consists of analyzing current or expected insurance needs. Based on the client's specific circumstances, such as, number of dependents and the age of the members in a household, the IAR could suggest the need to increase or decrease the amount of insurance or modify or change the type of policy. The types of policies that the analysis covers could include, but are not limited to, life insurance, long-term care insurance, disability insurance, health insurance, and property and casualty insurance.

- Education Planning

The IAR can review current or future needs as it relates to paying for education expenses for the client or their dependents. This type of review typically analyzes the amount of money being saved for education expenses in addition to what might be needed based on client's goals. Further, the review could include recommendations on how to invest funds that are earmarked for education needs.

- Estate and Wealth Transfer

The IAR can review the goals of the client as it relates to the client's financial legacy. This type of review typically assesses account ownership structure, beneficiary designations, and whether the client has appropriate legal documentation. The IAR is not involved in providing any legal or tax advice and will commonly recommend the client seek appropriate counsel from legal or tax professionals.

Investment Analysis involves the IAR interviewing the client to understand the client's goals and objectives of current portfolio(s) and investable assets. This analysis typically consists of the client completing a risk tolerance interview and/or assessment. Upon completion the IAR will typically compare the client's current portfolio to the client's determined risk tolerance. The investment analysis can include, but is not required to contain, security and/or product analysis of client positions, broad asset allocation review, and a review of the tax efficiency of the client's overall investment portfolio. As part of the consulting services, the IAR will not provide tax advice. Upon completion of the analysis, the IAR can provide the client recommendations regarding the client's investment portfolio that will take into consideration the financial planning objectives, accumulation goals, time frame, and investment experience.

### *Recommendations*

The client is under no obligation to implement financial planning or investment recommendations provided by the IAR. If the client chooses to act on any of the advice given, client is under no obligation to open any accounts with FFS or the IAR, and could, in fact, open accounts with firms that are not affiliated with FFS. If the client implements any investment recommendations through an IAR, this will create a conflict of interest for the IAR and the Firm because the IAR and the Firm will receive compensation for recommendations that are implemented through the IAR. If the Client implements such recommendations directly, by using another broker-dealer or dealing directly with an issuer of mutual funds, neither FFS nor the IAR will be compensated.

### *Individualized Services and Client-Imposed Restrictions*

The investment advisory services provided by FFS' IARs depend largely on the personal information the client provides to the IAR. For FFS IARs to provide appropriate investment advice to, or, in the case of discretionary accounts, make appropriate investment decisions for, the client, it is very important that clients provide accurate and complete responses to their IAR's questions about their financial condition, needs and objectives, and any reasonable restrictions they wish to apply to the securities or types of securities to be bought, sold, or held in their account(s). It is also important that clients promptly inform their IAR of any changes in their financial condition, investment objectives, personal circumstances, and reasonable investment restrictions if any, that could affect the client's overall investment goals and strategies.

### *Wrap Fee Programs*

FFS does not directly sponsor wrap fee programs. IARs are permitted to recommend the use of third-party money managers that offer wrap fee programs. The third-party money managers recommended by IARs that offer wrap fee programs include, but are not limited to, AssetMark, SEI Asset Management, and FTJ FundChoice. These are considered "wrap fee" programs because the client pays a specified fee for the overall portfolio management services and trade execution. Wrap fee programs differ from other programs in that the asset management fee structure for wrap fee programs is intended to be largely all-inclusive, whereas non-wrap fee programs assess trade execution costs or separate administrative fees that are typically in addition to the asset management fee. For example, the Freedom Capital Management Strategies® and the FFS Independence Advisory programs are not considered wrap fee programs because clients generally pay trade-by-trade transaction costs and a separate administrative fee that are in addition to the asset management fee. Third-party portfolio wrap fee programs available through FFS are managed in accordance with the investment methodology and philosophy used by the respective third-party portfolio managers, investment advisers, or strategists. Client should refer to the specific program documents and the third-party manager's wrap fee brochure for a full description of their services and all related terms, conditions, fees and expenses.

### *Assets Under Management*

As of October 31, 2019, FFS manages \$1,320,220,260 assets. FFS manages \$1,130,792,030 on a discretionary basis, and \$189,428,230 is managed on a non-discretionary basis.

### *Program Choice Conflicts of Interest*

FFS and the IAR have a fiduciary duty to act in the best interest of the client. A conflict of interest arises when FFS and/or the IAR have competing interests between the professional obligation of doing what is best for the client, and the self-interest of the IAR or of FFS, and that self-interest influences the professional obligation. For example, the IAR has a certain level of discretion regarding the fee he/she charges a client. An IAR has a financial incentive to charge a higher fee, which creates a conflict of interest for the IAR. Another example involves compensation to FFS and the IAR, compensation will differ according to the specific advisory program or services chosen. The compensation to FFS and the IAR could be more than the amounts that would otherwise be received if a client participated in another program, purchased a different mutual fund, or paid for investment advice, brokerage, and/or other relevant services separately. For example, FFS and its IARs receive a higher level of compensation for participating in Freedom Capital Management Strategies® than other programs. Also, FFS receives compensation for assets held by E\*TRADE Advisor Services that is not received for assets held by Pershing. As a result of the differences in fee schedules and sources of compensation that exist among the various advisory programs, custodial relationships, and services offered, FFS and the IAR have a financial incentive to recommend one program or service over another program or services available through FFS, which creates a conflict of interest for the IAR and the Firm. The results of such a recommendation cannot be determined in advance, but only with the benefit of hindsight. If a client does not want to receive recommendations or permit investment decisions to be made that will result in greater compensation to FFS and/or the IAR, the client should inform FFS and the IAR in writing.

## **Item 5 - Fees and Compensation**

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### *How FFS and IAR are Compensated Investment Advisory Fees*

All fees are determined separately for each account. The fee rates applied by the IAR depend on, but are not limited to, the type of assets under management, the composition or structure of the account, the size of the account, and the services rendered to the client. These fees are negotiable, which will result in different clients paying different fees for similar services. Other investment advisors could offer programs that charge similar fees that will not charge separately for brokerage and transaction costs.

Generally, fees are based on the application of a percentage rate to the value of assets under management. Depending on the program and as outlined in detail later in this document, fees will be charged quarterly or monthly, in advance or in arrears. IARs can also charge a flat dollar rate or percentage for managing multiple accounts held away or can receive a combination of percentage of assets under management and commissions, if the IAR is also a registered representative.

Complete information regarding fees and charges assessed is described in applicable prospectuses and client executed account opening documents. Clients are advised to review these documents thoroughly prior to opening any account.

### *Financial Planning*

An IAR can be engaged to create a financial plan and provide guidance on an on-going basis, at specified intervals, or as a one-time event. The IAR can request a deposit prior to the delivery of the financial plan and recommendations. IAR's have the choice of charging fees at a flat rate or a certain fee per hour. In the case of ongoing plan management, the fee can be based on a percentage of the asset value of client's accounts for the plan provided. Financial plans are priced according to the degree of complexity associated with the client's situation. Financial planning fees shall generally not exceed a flat rate of \$10,000, \$500 per hour, or \$5,000 per

year. However, based upon individual circumstances, IAR's are authorized to negotiate a higher fee. Financial planning fees are negotiable, which will result in different clients paying different fees for similar services.

Plans must be delivered no later than six months from the date of the financial planning agreement. If a financial planning fee is in excess of \$1,200 and a plan is not delivered within six months from the date of the agreement, the IAR is required to return the funds received or be granted an extension by the client for the plan delivery. A client can terminate a financial planning agreement without penalty by providing written notice within five (5) business days of receiving the agreement. Client is required to make payments for financial planning to FFS. FFS will receive a portion of the fee and remit the balance payment to the IAR.

#### *Independence Advisory Accounts Custodied with Pershing*

Clients will pay FFS an annual fee to participate in the account, as negotiated by the IAR and the client. These fees are negotiable, which will result in different clients paying different fees for similar services. The annual fee is prorated monthly and will be assessed at the beginning of each month based on the account value as of the close of business on the last business day of the preceding month. The fee shall be paid monthly in advance and FFS will deduct the fee from the account. The breakdown of the total fee is provided in detail in the client's executed Independence Advisory Agreement. Information on all fees and charges will also be provided to the client via confirmations and/or statements.

Independence Advisory accounts typically require a minimum account balance of \$25,000. For accounts that are opened with less than \$25,000 with the expectation of additional funding to occur, or if account value falls below \$25,000, the fee is not to exceed 2.50% or the \$125 minimum annual fee, prorated monthly, whichever is greater. Accordingly, under some circumstances, a client might pay an effective rate greater than 2.50%.

Client will also incur certain charges imposed by investment companies, mutual funds, or third parties other than FFS and the IAR in connection with investments made through the account, including, but not limited to, the following types of charges: 12b-1 fees, shareholder services fees, management fees, administrative servicing fees, other transaction charges and service fees, and IRA and Qualified Retirement Plan fees. FFS will receive a portion of some of these third-party fees, which creates a conflict of interest for the IAR and the firm. For more information about how account charges could lead to conflicts of interest, see Program Choice Conflicts of Interest at page 6, above. All fees are fully disclosed in the Independence Advisory Agreement or in the applicable prospectus. The Firm's clearing/custodial firm has been instructed to credit any 12b-1 fees or shareholder services fees they receive from the client's account holdings to the client's account.

Neither FFS nor IAR will be compensated by sharing in capital gains or capital appreciation of the funds/securities maintained in the account. Account fees and transaction charges shall continue until 30 business days after FFS has notified the client in writing of any change in the amount of the fees and charges. At the expiration of the 30-day period, the new fees and charges will become effective unless the client notifies FFS in writing that the account is to be closed.

Either the client or FFS can terminate the account for any reason. Client can terminate effective upon written notice to FFS and/or the IAR. FFS and IAR can terminate for any reason, including client's failure to promptly pay fees and charges, or for any conduct or situation that in FFS' judgment impairs an effective relationship between the parties effective upon written notice to client.

For terminating accounts, FFS will refund the prorated fee received for the calendar month to the extent that such fee exceeds the execution charges that are owed by the client to FFS based upon FFS' regular transaction charges and service fees. If the client terminates the relationship within five (5) business days of signing the Independence Advisory agreement, the client will receive a full refund of fees paid. The annual fee received by FFS and the IAR does not include transaction charges and other account related fees, which are described fully in the agreement provided to the client at, or before, establishing an account. The initial fee is



due upon account funding and will be calculated at a prorated amount.

#### *Independence Advisory Accounts Custodied at E\*TRADE Advisor Services*

Client will pay FFS an annual fee to participate in the account, as negotiated by the IAR and the client. These fees are negotiable, which will result in different clients paying different fees for similar services. The annual fee is prorated monthly and will be assessed at the beginning of each month based on the account value as of the close of business on the last business day of the preceding month. The fee shall be paid monthly in arrears. A pro-rated charge will be assessed at the end of the month for the client's initial investment. FFS will deduct the fee from the account. The breakdown of the total fee is provided in detail in the client's executed Independence Advisory Agreement. All fees and charges will also be provided to the client via confirmations and/or statements.

Independence Advisory accounts typically require a minimum account balance of \$5,000. For accounts that are opened with less than \$5,000 with the expectation of additional funding to occur, or if account value falls below \$5,000, the fee is not to exceed 2.50% or the \$50 minimum annual fee, whichever is greater. Accordingly, under some circumstances, a client might pay an effective rate greater than 2.50%.

Client will also incur certain charges imposed by investment companies, mutual funds, or third parties other than FFS and the IAR in connection with investments made through the account, including, but not limited to, the following types of charges: 12b-1 fees, shareholder service fees, management fees, administrative servicing fees, other transaction charges and service fees, and IRA and Qualified Retirement Plan fees. FFS will receive a portion of some of these third-party fees, which creates a conflict of interest for the IAR and the Firm. For more information about how account charges could lead to conflicts of interest, see Program Choice Conflicts of Interest located in Item 4 of this document. All fees are fully disclosed in the Independence Advisory Agreement or in the applicable prospectus. The Firm's clearing/custodial firms has been instructed to offset custodial fees or annual administrative fees assessed to a client's account with any 12b-1 and shareholder services fees received from the client's account holdings.

Neither FFS nor the IAR will be compensated on the basis of a share of capital gains or capital appreciation of the funds and/or securities maintained in the account. Client is required to maintain at least 2.0% of the account value in the custodian's cash sweep account as a reserve for fees and charges to be paid. This requirement could result in a lower investment return than that which might be obtained if the 2.0% were otherwise invested. Fees and charges shall continue until 30 business days after FFS has notified the client in writing of any change in the amount of the Fees and charges. At the expiration of the 30-day period, the new fees and charges will become effective unless the client notifies FFS in writing that the account is to be closed.

Either the client or FFS can terminate the account for any reason. Client can terminate effective upon written notice to FFS and/or the IAR. FFS and/or IAR can terminate upon written notice to the client.

In the event of termination, FFS reserves the right to advise the custodian to deliver securities and funds held in the account to the client address of record, unless client requests that the account be liquidated. All fees and charges will remain in effect for 30 business days from the termination date. Should client not provide delivery instructions upon termination, FFS reserves the right to register securities in the client's name and ship such securities to the client, all at the expense of the client.

Termination of an account will not affect the liabilities or obligations of the client as to transactions initiated prior to termination. In the event of a termination, FFS reserves the right to apply the pro-rata fees and execution charges for the month that are owed based upon custodian's regular transaction charges and service fees. If the client terminates the relationship within five (5) business days of signing the Independence Advisory agreement, the client will receive a full refund of fees paid.

### *Third-Party Money Managers*

Third-party money manager programs are also available. These programs offer the client access to a variety of portfolio managers that create and implement model portfolios with varying levels of risk from which the client can choose. The client accounts are not managed by FFS or the IAR. Rather, the client's accounts are managed by one or more unaffiliated third-party money managers on a discretionary basis, and they can consist of a variety of different securities types, including stocks, bonds, ETFs, mutual funds, and derivatives.

FFS' IARs can act in either a "solicitor" or "sub-adviser" capacity when making third-party money manager programs available to the client. When FFS' IARs act as a solicitor for the third-party money manager, neither FFS nor the IAR are appointed by the client as an investment adviser in relation to the account. Instead, the IAR will assist the client in selecting one or more third party money managers believed to be suitable based on the client's stated financial situation, investment objectives, and financial goals. When FFS and the IAR act as a "solicitor," FFS and the IAR are compensated for referring the client to the ongoing advisory services provided to the client within the selected third-party money manager program. FFS and the IAR receive compensation via the third-party money manager by sharing in a portion of the fee that the client pays to the third party money manager program sponsor as stated in the client's signed agreement with the third party money manager and the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the FFS and the solicitor, including the compensation to be received by the solicitor.

When FFS' IARs act as a "sub-adviser," the client will be provided with portfolio management supervisory services with respect to the sub-adviser third party money manager program(s) the client selects. This means the IAR will periodically monitor the third-party money manager's performance, investment selection, and continued suitability for the client portfolio and will advise the client accordingly. The IAR will help determine the client's risk tolerance, investment goals, and other relevant guidelines to help choose a third-party money manager program designed to help the client satisfy their investment needs. The specific third-party money manager program selected by the client may cost the client more or less than purchasing third party money manager program services separately. Factors that bear upon the cost of a particular third party money manager program in relation to the cost of the same services purchased separately include, but may not be limited to, the type and size of the account; the historical or expected size or number of trades for the account; the types of securities and strategies involved; the amount of fees, commissions, and other charges that apply at the account or transaction level; and the number and range of supplementary advisory and client-related services provided to the account. Lower fees for comparable services may be available from other sources.

Whether FFS' IARs act as a solicitor or as a sub-advisor, client will pay an annual fee to the third-party money manager as negotiated by IAR and client. The fees for client's accounts managed directly by third party money managers will be billed to the account maintained with the third-party money manager or its designated custodian. These fees are negotiable, which will result in different clients paying different fees for similar services. The client authorizes the third-party money manager under the third-party money manager's client agreement to charge the client's account directly for investment services rendered and directly remit the fees owed to FFS and IAR on a periodic basis as called for in the third-party money manager's client agreement as FFS and IAR are acting as a "solicitor" or "sub-adviser."

Fees and transaction charges differ between each third-party money manager. The client is notified via the third-party money manager's separate client agreements and Forms ADV of the specific terms and conditions governing the relationship between the client and the third-party money manager.

In the event of termination, FFS will not advise the third-party money manager to deliver securities and funds held in the account. Client must provide termination instructions directly to third-party money manager. Client must also contact the third-party money manager directly regarding all fees and charges that will remain in effect from the termination date.

### *Freedom Capital Management Strategies®*

Client will pay FFS an annual fee to participate in the program, as negotiated by IAR and client. These fees are negotiable, which will result in different clients paying different fees for similar services. The fee is paid in quarterly installments, in advance and will be deducted from the account.

The amount of the fee will vary depending on the strategy selected and client's assets invested within the program but will not exceed 2.75% annually. The initial fee is due at the beginning of the quarter following execution of the agreement and will include the prorated fee for the initial quarter in addition to the standard quarterly fee for the upcoming quarter. Fees are due in advance and deducted directly from the client account. A client can terminate the account for any reason and FFS will refund the pro-rata fee received for the calendar quarter to the extent that such fee exceeds the charges that are owed based upon the custodian's transaction charges and service fees.

Client will also incur certain charges imposed by investment company, mutual fund, or third-parties other than FFS and the IAR in connection with investments made through the account, including, but not limited to, the following types of charges: 12b-1 fees, shareholder service fees, management fees, administrative servicing fees, other transaction charges and service fees, and IRA and Qualified Retirement Plan fees. FFS will receive a portion of some of these third-party fees, which creates a conflict of interest for the IAR and the Firm. For more information about how account charges could lead to conflicts of interest, see Program Choice Conflicts of Interest located in Item 4 of this document. All fees are fully disclosed in the client agreement or in the applicable prospectus. The Firm's clearing/custodial firm has been instructed to offset custodial fees or administrative fees applied to a client's account with any 12b-1 or shareholder services fees received by clearing/custodial firm from the clients account holdings.

Neither FFS nor the IAR will be compensated on the basis of a share of capital gains or capital appreciation of the funds and/or securities maintained in the account. Client is required to maintain at least 4.0% of the account value in custodian's cash sweep account as a reserve for fees and charges to be paid. This requirement could result in a lower investment return than that which might be obtained if the 4.0% were otherwise invested. Fees and charges shall continue until 30 business days after FFS has notified the client in writing of any change in the amount of the fees and charges. At the expiration of the 30-day period, the new fees and charges will become effective unless the client notifies FFS in writing that the account is to be closed.

Either the client or FFS can terminate the account for any reason. Client can terminate effective upon written notice to FFS and/or the IAR. FFS and/or IAR can terminate upon written notice to the client.

In the event of termination, FFS will advise the custodian to deliver securities and funds held in the account as directed by the client, unless client requests that the account be liquidated. All fees and charges will remain in effect for 30 business days from the termination date. Should a client not provide delivery instructions upon termination, FFS reserves the right to register securities in the client's name and ship such securities to the client, all at the expense of the client.

Termination of an account will not affect the liabilities or obligations of the client as to transactions initiated prior to termination. If the client terminates the relationship within five (5) business days of signing the Freedom Capital Management Strategies® agreement, the client will receive a full refund of fees paid.

### *Freedom Portfolios*

FFS established a relationship with Horizon Investments, LLC ("Horizon") to jointly sponsor and manage five (5) Freedom Portfolios exclusively for distribution by FFS IARs. The portfolios primarily invest in mutual funds and/or ETFs. Horizon serves as the Registered Investment Advisor and FFS serves as the sub-advisor on the Freedom Portfolios and the IAR serves as a solicitor to Horizon. Fees are paid by the client to Horizon to participate in the program, as negotiated by IAR and client. These fees are negotiable, which will result in

different clients paying different fees for similar service. The fee is paid in quarterly installments, in arrears and will be deducted from the account. The fees will be billed directly to the client if so requested in writing by the client.

The amount of the fee will vary depending on the strategy selected and assets within the program but will not exceed 2.75% annually. FFS, Horizon, and the IAR share in the fees and charges as compensation for the services performed.

The Freedom Portfolios can be terminated at any time by either the client or FFS upon 30 days prior written notice of such termination.

Further information regarding the Freedom Portfolios can be found in Horizon's Form ADV2A.

#### *Freedom Independence Plan™*

Client will pay FFS an annual fee to participate in the program, as negotiated by IAR and client. These fees are negotiable, which will result in different clients paying different fees for similar services. The fee is paid in quarterly installments, in arrears, and the client authorizes the plan to remit the fees to be paid directly to FFS from the plan assets to be deducted from the participants accounts by the plan's record keeper.

The amount of the fee will vary depending on the amount of assets within the plan but will not exceed 2.00% annually. The client will pay the fees to FFS, the IAR, and the record keeper for services provided. The client will pay these fees through their plan's record keeper (or other custodian of the plan's assets) directly to FFS and/or IAR from the plan assets. Notwithstanding the obligation to pay the fees, a client can elect within their sole discretion to pay any or all fees to FFS and/or the IAR in lieu of payment through the plan by remitting a check payable to the record keeper. Any fees remaining unpaid after 30 business days from date of invoice will be due, payable, and collected immediately through the plan.

Client acknowledges that FFS and/or its affiliates are prohibited from receiving fees from mutual funds, or their distributors, that are offered as investment alternatives under the plan. These fees consist of, but are not limited to, 12b-1 fees, shareholder service fees, sub-transfer agency fees, and/or other similar fees, and are in addition to the fees charged for investment advisory services. All 12b-1 fees, shareholder service fees, sub-transfer agency fees, and/or other similar fees received by record keeper from mutual funds, or their distributors, shall be used to offset plan expenses or remitted to the plan.

Client shall be entitled to terminate the plan agreement within five (5) business days of the execution of the agreement without incurring a penalty or charge. Otherwise, either party can terminate upon 30 days prior written notice to the other party. FFS and the IAR shall be entitled to a pro-rata amount of compensation. Such termination will not, however, affect the liabilities or obligations arising from transactions initiated prior to such termination, and such liabilities and obligations shall survive any expiration or termination of the account.

#### *Managed Portfolio Program*

Client will pay FFS an annual fee to participate in the program. The fee is paid in quarterly installments, in arrears, and will be deducted from the account. The amount of the administrative and advisor fee for Managed Portfolio Program for all dollar amounts invested is 1.65%. The amount of the Administrative Servicing fee will vary depending on the assets within the program but will not exceed 0.20%.

Client will also incur certain charges imposed by investment companies, mutual funds, or the third-parties other than FFS and the IAR in connection with investments made through the account, including, but not limited to, the following types of charges: 12b-1 fees, shareholder service fees, management fees, administrative servicing fees, other transaction charges and service fees, and IRA and Qualified Retirement Plan fees. FFS will receive a portion of some of these fees, which creates a conflict of interest for the IAR and the Firm. For

more information about how account charges could lead to conflicts of interest, see Program Choice Conflicts of Interest located in Item 4 of this document. All fees are fully disclosed in the client agreement or in the applicable prospectus. The Firm's clearing/custodial firm has been instructed to offset custodial fees applied to a client's account with any 12b-1 or shareholder service fees received by the clearing/custodial firm from the client account holdings.

FFS and the IAR share in the Administrative and Advisor fee as compensation for the services performed. Neither FFS nor the IAR will be compensated on the basis of a share of capital gains or capital appreciation of the funds and/or securities maintained in the account. Fees and charges shall continue until 30 business days after FFS has notified the client in writing of any change in the amount of the fees and charges. At the expiration of the 30-day period, the new fees and charges will become effective unless the client notifies FFS in writing that the account is to be closed.

Either the client or FFS can terminate the account for any reason. Client can terminate effective upon written notice to FFS and/or the IAR. FFS and/or IAR can terminate upon written notice to the client.

In the event of termination, FFS will advise the clearing/custodian firm to deliver securities and funds held in the account as directed by the client, unless client requests that the account be liquidated. All fees and charges will remain in effect for 30 business days from the termination date. Should a client not provide delivery instructions upon termination, FFS reserves the right to register securities in the client's name and ship such securities to the client, all at the expense of the client.

Termination of an account will not affect the liabilities or obligations of the client as to transactions initiated prior to termination. If the client terminates the relationship within five (5) business days of signing the agreement, the client will receive a full refund of fees paid.

#### *Jefferson National Variable Annuity*

Client will pay FFS an annual fee to participate in the program, as negotiated by IAR and the client. These fees are negotiable, which will result in different clients paying different fees for similar services. The fee is paid in quarterly installments, in arrears. The amount of the advisory fee will vary depending on the strategy selected and assets within the program but will not exceed 1.50% annually.

Client fees for accounts held directly with Jefferson National will be billed to the account designated by the client. These fees could come directly from the client's Jefferson National Variable Annuity or an account held with another custodian. Through the account agreement, the client authorizes these fees to be directly remitted to FFS on a periodic basis. FFS will provide a portion of these fees to the IAR for services provided. If client fees are deducted from client's Jefferson National Variable Annuity, it could create a taxable event for the client. Client should review any tax implications regarding fees paid from their Jefferson National Variable Annuity with their tax professional. Further, if securities are liquidated from other accounts to pay client fees it could also have tax implications that should be reviewed with the client's tax professional.

The investment selections for the variable annuity are limited to the choices offered through the specific product. Specifics regarding the annuity are found in the annuity prospectus and application documents. The IAR builds an appropriate asset allocation for each client based on their risk tolerance, using sub-accounts available within the Jefferson National Variable Annuity. On-going monitoring of the account is performed by the IAR and recommendations for changes to asset allocations or sub-accounts must be approved by the client.

Client authorizes FFS to act upon instruction from client to pay the advisory fees charged by IAR from the account pursuant to the written advisory agreement between client and IAR. The payment of such fees will be treated as a withdrawal under the terms of the account agreement. Client acknowledges that a withdrawal from the account to pay such fees could incur a withdrawal charge, if applicable, during the surrender charge period

and thus could require FFS to liquidate a larger dollar amount than the advisory fees due. Client further acknowledges that withdrawals could negatively impact any guarantees associated with certain optional benefit riders.

Fees will be deducted pro rata as the default. Systematic fees will be executed on the last calendar day of each month- end. Any recurring systematic fees billed in arrears will be prorated and paid upon surrender or annuitization of the account, or termination of IAR from the account.

In the event the client terminates that account, FFS will not advise Jefferson National to deliver funds held in the account. Client must provide instructions directly to Jefferson National. Client is to contact Jefferson National directly regarding all fees and charges that will remain in effect from the termination date.

### *Independence Manager Exchange*

Independence Manager Exchange is the Firm's marketing label for the third-party money manager program offered through FTJ FundChoice, LLC ("FTJ FundChoice"). The terms and conditions under which the client shall engage FTJ FundChoice will be set forth in separate written agreements between (1) the client and FFS and (2) the client and FTJ FundChoice. Client will pay FTJ FundChoice an annual fee to participate in the program, as negotiated by IAR and client. The administration fees charged by FTJ FundChoice are exclusive of, and in addition to, FFS' IAR investment advisory fee. FFS receives a portion of the administration fees from FTJ FundChoice. All fees will be assessed monthly, in arrears, and will be collected from client's TD Ameritrade account by FTJ FundChoice. Complete disclosures regarding the fees, expenses and other charges for participation in this program are set forth in FTJ FundChoice's Application Addendum, FTJ FundChoice's Form ADV2A, and FTJ FundChoice's Wrap Fee brochure which is provided to the client prior to establishing the account.

The amount of the fee will vary depending on the strategies selected and client's assets invested within the program but will not exceed 2.75% annually. In addition, these fees are negotiable, which will result in different clients paying different fees for similar services FTJ FundChoice can change the fees at any time and will inform the client by posting changes on its websites or by other means. FFS and the IAR will receive a portion of the fees and charges as compensation for the services performed.

Client will also incur certain charges associated with securities transactions in the clients' accounts, including: (a) dealer markups, markdowns or spreads charged on transactions in over the counter securities; (b) costs relating to trading in certain foreign securities; (c) the internal charges and fees that are imposed by any funds, such as fund operating expenses, management fees, redemption fees, 12b-1 fees, shareholder services fees, and other fees and expenses; (d) brokerage commissions or other charges imposed by broker-dealers or entities other than the custodian if and when trades are cleared by another broker-dealer; and the charge to carry tax lot information on transferred mutual funds or other investment vehicles, postage and handling charges, returned check charges, transfer taxes; stock exchange fees or other fees mandated by law. Further information regarding charges and fees assessed by funds can be found in the appropriate prospectus or offering document. For more information about how account charges could lead to conflicts of interest, see Program Choice Conflicts of Interest located in Item 4 of this document.

Investment strategists available through FTJ FundChoice make all investment decisions and will, from time to time, own share classes that charge 12b-1 fees when lower cost share classes are available. Neither these payments nor other payments received by the custodian with respect to the client's assets invested, will be credited back to client in calculating the above-described fees. FFS and IAR do not receive any portion of such 12b-1 fees.

Clients can terminate the account effective upon written notice to FFS and/or the IAR. FFS can terminate for any reason, including client's failure to promptly pay fees and charges, or for any conduct or situation that in



FFS' judgment impairs an effective relationship between the parties effective upon written notice to client.

Termination of an account will not affect the liabilities or obligations of the client as to transactions initiated prior to termination. If the client terminates the relationship within five (5) business days of signing the agreement, the client will receive a full refund of fees paid.

FTJ FundChoice's services can be terminated by the client, FTJ FundChoice or the Firm in accordance with FTJ FundChoice's Terms of Services and Use Agreement. Client is responsible to pay for services rendered until the termination of the agreement.

## Additional Information

### *Breakpoints*

FFS and the IAR offer breakpoint schedules at the discretion of the IAR. A breakpoint schedule looks at the account value and compares it to a set fee schedule. Based upon the value of the account at the end of the billing period, the account's billable fee rate could decline as the value of the account reaches the next fee rate, or "breakpoint." The account's billable fee rate could also increase if an account value declines. The total value of the account is compared against the fee rate for the respective value range that corresponds with the account value to determine the total account fee for that period. Breakpoint schedules and availability vary for each program. There is no requirement that FFS or IAR offer a client a breakpoint structure, which creates a conflict of interest for the IAR and the Firm, which could negatively impact the client.

All fees and arrangements are negotiable and FFS and/or the IAR are allowed to waive a particular fee whether on an ongoing or a one-time basis, in its sole discretion. The Firm could also allow for the aggregation of assets among a client's "related" managed accounts for purposes of determining the total value and the applicable advisory fee to be paid by a client. FFS reserves the right to determine whether client accounts are "related" for purposes of aggregating a client's accounts together for a reduction in the percentage fee amount. FFS does not automatically aggregate assets from "related" accounts for purposes of providing a breakpoint. This is determined by IAR and the client as they negotiate the overall client fee structure. The absence of such automation creates a conflict of interest.

Client can request that FFS and IAR consider the size of the total household relationship, for purposes of achieving a fee reduction through breakpoints. An example of a household could include, but is not necessarily, the main account holder, spouse, parents, grandparents, children, and grandchildren. It is the client's responsibility to inform the IAR of the potential opportunity to household accounts.

### *Other Termination Considerations*

Upon receipt of written notice from the client to terminate any advisory account from any of the listed services above that does not provide specific transfer instructions, FFS and the IAR reserves the right to, in an orderly and efficient manner, proceed with the liquidation of the client's account. This could result in negative tax implications for the client. The client should be aware that certain custodians and mutual funds impose redemption or account closing fees as stated in the custodian's agreement or mutual fund prospectus. Each custodian used by FFS will charge a fee to close an account; in addition, transaction fees and/or transfer fees will apply.

Factors that will affect the orderly and efficient termination of an account would be size and types of issues or securities, liquidity of the markets, and market makers' abilities. Should the necessary securities' markets be unavailable, or should trading in any security be suspended, efforts to liquidate will be done as soon as possible. Due to the administrative processing time needed to terminate the client's investment advisory service, it could take several business days under normal market conditions to process the client's request. During this time, the client's account is subject to market risk. FFS and the IAR are not responsible for market fluctuations of the client's account from time of written notice until complete liquidation. All efforts will be made

to process the termination in an efficient and timely manner.

### *Mutual Fund Share Class Selection*

Mutual funds offer many different share classes for purchase by clients. In determining which share class to purchase for a client's account, it is the IAR's intention to select the share class with the lowest total expenses that are available for purchase through the Firm's custodians that also meet any required purchase guidelines of the mutual fund and the client investment objective.

The Firm and IAR do not have a financial incentive to select and recommend share classes with 12b-1 fees or shareholder service fees, because when an account holds mutual funds that charge 12b-1 or shareholder service fees, the Firm has instructed the Firm's custodians to return the cost of the 12b-1 or shareholder service fees to the client by rebating the amounts to the client's accounts through credits, offsets, or similar adjustments that benefit the client. FFS will work with the custodian to perform a share class conversion when instructed by the client. FFS and IARs do not receive any 12b-1 or shareholder service fees from client account holdings.

FFS maintains guidelines on share class selection that generally prohibit IARs from selecting or recommending share classes that pay 12b-1 or shareholder service fees when a lower-cost share class is available. There are circumstances where a client account will purchase or continue to hold a fund that pays 12b-1 or shareholder service fees. These circumstances include, but are not limited to, the following examples:

- The mutual fund company does not provide any other share class for the purchase of the fund.
- The client already owned the mutual fund and transfers the mutual fund into an account managed by IAR and does not provide instructions to convert to a lower cost share class.
- Client account is invested with a third-party manager through which the Firm and IAR have no control over the share class selected by third-party manager.
- Not meeting minimum investment amounts required for an institutional share class.

As stated previously, in these cases, as well as any others where the client account holds a mutual fund that pays 12b-1 or shareholder service fees in an advisory account through FFS and not managed by a third-party manager, FFS has implemented policies to ensure that the client receives the financial benefit of those fees. The Firm has a designated supervisor who is responsible for overseeing and managing that process.

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

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FFS and its IARs do not accept performance-based fees.

## **Item 7 - Types of Clients**

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FFS provides and offers investment advisory services to a broad array of clients, including individuals, high net worth individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, and corporations or other businesses. The majority of FFS clients are retail clients that fall under the "Individuals (other than high-net-worth individuals)" category. This category includes, but is not limited to, individual, joint, trust, IRA, 401(k) participant, and custodial accounts.

The minimum account size varies by the advisory service:

- Independence Advisory Accounts Custodied at Pershing – \$25,000
- Independence Advisory Accounts Custodied at E\*TRADE Advisor Services – \$5,000
- Third-Party Money Managers – will vary based upon sponsoring company standards
- Freedom Capital Management Strategies® – will vary based upon investment strategy selected



- Freedom Portfolios – \$25,000
- Freedom Independence Plan™ – no minimum
- Managed Portfolio Program – \$10,000
- Jefferson National Variable Annuity – \$15,000
- Independence Manager Exchange – will vary based upon sponsoring company standards
- TheFreedomStrategies.com – no minimum

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

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IARs are responsible for determining and implementing investment advice under the supervision of the Firm. The IAR can perform various techniques in analyzing investments for advisory clients which could include, but are not limited to, fundamental analysis, technical analysis, and cyclical analysis. There is no guarantee, stated or implied, that the client's investment goals or objectives will be achieved. Investing in securities involves risk of loss that clients should be prepared to bear. As a result of this inherent risk, FFS and its IARs cannot represent, guarantee or even imply that the methods of analysis used can accurately forecast future returns, accurately identify market highs and lows, or protect clients from investment losses as a result of economic conditions, market downturns and other market conditions.

All methods of analysis and investment strategies involve investment risks, including the risk of loss. Some of the material risks involved in technical analysis includes the potential for a lack of consideration given to the intrinsic value of specific investments. Technical analysis focuses primarily on economic factors and market conditions, which could overlook variables specific to a particular investment. Conversely, fundamental analysis generally focuses on more specific variables, such as a public companies financials, sales, earnings, debt, management, and assets. As a result, there is a risk that fundamental analysis omits the overall state of the economy and markets as a factor. Cyclical analysis is also subject to material risks, which include uncertainty over how long cycles will last, when they will peak and when they will reach a bottom.

The majority of investment recommendations made by IARs through the Firm's advisory services programs involve investment risks, including the risk of loss. Many of the investment recommendations made by IAR's through the Firm's advisory services programs involve the potential for tax implications as a result of income and capital gains distributions. Clients could have to pay taxes on these distributions even if the fund performed poorly or lost value after shares were purchased. Lack of control is also a risk that clients encounter, clients and IARs typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of the manager's purchase and sale transactions. Another risk is price uncertainty. Mutual fund investors face this risk because the price at which shares are purchased and sold is based on the fund's net asset value, which will not be calculated until several hours after the transaction has already been processed. Clients should read the mutual fund's prospectus and shareholder reports to learn about its investment strategy and risks.

Investment strategies utilized by IARs could involve frequent trading of securities. If the IAR strategy utilizes frequent trading, this will negatively affect the client's investment performance through increased brokerage and transaction costs.

Some of the common risks clients should consider prior to investing include, but are not limited to:

- **Market Risk**  
Even a long-term investment approach cannot guarantee a profit. Economic, political and issuer- specific events will cause the value of securities to rise or fall. Because the value of investment portfolios will fluctuate, there is the risk that a client will lose money and investments could be worth more or less upon

liquidation.

- **Interest Rate Risk**

When interest rates increase, the value of the account's fixed income investments will generally decline and the account's share value could be reduced. This effect is typically more pronounced for intermediate and longer-term obligations. This effect is also typically more pronounced for mortgage- and other asset-backed securities, the value of which could fluctuate more significantly in response to interest rate changes. When interest rates decrease, the account's current income could also decline.

- **Inflation Risk**

Inflation will erode the buying-power of your investment portfolio, even if the dollar value of your investments remains the same.

- **Reinvestment Risk**

This is the risk that future proceeds from investments might have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

- **Business Risk**

These risks are associated with a particular industry or a particular company within an 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 the economic environment.

- **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 could result in bankruptcy or a declining market value of the business.

## **Item 9 - Disciplinary Information**

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As a Registered Investment Adviser, FFS is required to disclose all material facts regarding any legal or disciplinary events that are material to a client's evaluation of FFS or the integrity of its management.

On September 30, 2019 FFS agreed to a settlement with the SEC in which the SEC found that FFS failed to meet best execution requirements, made inadequate disclosure to advisory clients about conflicts of interest related to the receipt of 12b-1 fees and/or its selection of mutual fund share classes that pay such fees and that it failed to adopt policies and procedures reasonably designed to prevent these deficiencies.

During the period January 1, 2014, through September 30, 2016 for investment advisory accounts held at Trust Company of America and January 1, 2014, through January 31, 2017 for Investment Advisory accounts held at Pershing FFS purchased mutual fund share classes that charged 12b-1 fees instead of lower-cost share classes of the same mutual funds for which the clients were eligible.

Without admitting or denying the findings, FFS consented to a cease and desist order, a censure, reimbursement of \$1,246,133.60, prejudgment interest of \$229,332.28, and a civil penalty of \$140,000.00.

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

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FFS is also a broker-dealer registered with the Securities Exchange Commission ("SEC") and a member of

Financial Industry Regulatory Authority ("FINRA"). FFS uses Pershing, LLC as its clearing firm for brokerage business. In an IAR's separate capacity as a Registered Representative of the broker-dealer, they are able to implement securities transactions for advisory clients for separate and typical commission compensation. This means that IAR's of FFS will also receive commissions for the sale of investment products through the registered broker-dealer, if a client purchases a commissionable product through an IAR who is also a registered representative. Commissions received by a registered representative for the sale of these investment products will be in addition to advisory fees received for services rendered as an IAR of FFS. All fees earned by an IAR of FFS will be fully disclosed and agreed to in writing by all clients prior to the execution of an advisory account or transaction. Commissions charged by FFS will be higher than commissions charged by some other broker-dealers. Recommending that such transactions be executed with FFS is a conflict of interest. Which creates a conflict of interest for the IAR and the firm that could result in additional cost to the client. For more information about how account charges could lead to conflicts of interest, see *Program Choice Conflicts of Interest* located in Item 4 of this document.

For broker-dealer services, FFS or the IAR will receive compensation for such transactions, which compensation is separate and distinct from the IAR's compensation related to its providing investment advisory services. From time to time, IAR's of the Firm will recommend that clients buy or sell securities or investment products that the IAR also owns. In such circumstances, the IAR shall adhere to the Firm's Code of Ethics.

FFS has executed a tri-party agreement with ProEquities, LLC and Pershing, LLC. In addition to being a conduit to Pershing custodial services, ProEquities also assist FFS' back-office functions. These include, but are not limited to, account transfers, cashiering, and establishing new accounts on the Pershing platform.

FFS representatives have access to insurance products through Founders Financial Securities Insurance Agency ("FFS Ins. Agency"). As such, FFS Ins. Agency distributes products and does not open or maintain customer accounts or hold customer funds or securities.

Some IARs are also licensed independent insurance agents and will recommend or sell clients insurance products. Clients are under no obligation to purchase these products from the IAR. In their separate capacities as an independent insurance agent, the IAR will be able to implement insurance transactions for advisory clients for separate and typical commission compensation.

All clients are advised that broker-dealer services (and insurance) are separate from advisory services offered pursuant to this brochure, and IARs will be compensated for making recommendations under the broker-dealer, including a share of commissions.

Some IARs are also Certified Public Accountants ("CPA") and will recommend or offer accounting and tax advice and/or services. Clients are under no obligation to purchase these services from the IAR. In their separate capacities as CPA, these individuals will be able to provide accounting and tax services for advisory clients for separate and typical compensation.

Item 12 includes additional details regarding brokerage practices and related disclosures.

FFS offers certain persons, including issuers of securities and/or sponsors of insurance products, the opportunity to communicate and otherwise engage with IARs via the Firm's electronic platforms and, in some cases, in person. The purpose is to educate IARs on financial products and resources and make IAR aware of how these financial products could potentially help a client achieve their investment goals. These companies pay the Firm a fee for these opportunities. The opportunity that companies have to communicate with the Firm and its investment adviser representatives, could influence investment decisions or investment recommendations and may constitute a conflict of interest because the company has an opportunity to communicate directly with IARs that other service providers and investment managers may not have. There are

no requirements that IAR's recommend the investment products or services of these companies. There are no additional financial incentives, bonuses, or additional compensation to an advisor to recommend these companies products.

As of the date of this brochure, sponsors include:

Brokers' Service Marketing Group	Lincoln Financial Distributors
Brighthouse Financial	Jackson National
Cantor Fitzgerald	Franklin Templeton Distributors

In addition, some firms that FFS partners with will provide contributions toward annual Firm events. Current sponsors to these events include:

Horizon Investments, LLC	Legg Mason
E*TRADE Advisor Services	LT Trust

FFS will add or eliminate sponsors from time-to-time without prior notice.

As stated above, FFS Registered Representatives and IARs do not receive additional compensation for selling securities offered by a sponsor. Furthermore, they are not required to achieve a sales quota with respect to investments or services offered by any sponsor. The Firm also has a policy against accepting reimbursement through brokerage transactions directed to FFS by sponsors. However, the opportunity that sponsors have to communicate with FFS and the IARs could influence investment decisions or investment recommendations.

The Firm believes that, in general, these firms offer investment and advisory products and services of a high quality. However, FFS does not guarantee that these products and services will perform better than others that are available, and encourages its Registered Representatives, IARs, and clients to consider any company whose products and services might be suitable for the customer.

## Item 11 - Code of Ethics

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FFS has adopted a Code of Ethics ("the Code") for the Firm's supervised persons to comply with SEC Rule 204A. The Code describes our standards of business conduct and our fiduciary duty to our clients. The Code includes, but is not limited to, provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All supervised persons must acknowledge the terms of the Code annually, or as the Code is amended from time to time. FFS employees and persons associated with FFS are required to follow the Code.

FFS supervised persons are allowed to buy or sell securities recommended to clients. Subject to satisfying this policy and applicable laws, employees and persons associated with FFS and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for clients. The Code is designed to ensure that the personal securities transactions, activities, and interests of FFS IARs and employees will not interfere with making and implementing decisions in the best interest of advisory clients, while, at the same time, allowing IARs and employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of clients. In addition, the Code requires pre-approval of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client. FFS employees and persons associated with FFS are monitored under the Code to reasonably prevent conflicts of interest between employees and clients.

Certain affiliated accounts are allowed to trade in the same securities with client accounts on an aggregated basis when consistent with our obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. FFS will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

It is FFS policy not to affect any principal or agency cross-securities transactions for client accounts. FFS will not affect cross trades between client accounts. Principal transactions are generally defined as transactions where an advisor, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction could also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

Clients or prospective clients can request a copy of our Code of Ethics by contacting us at 888-523-1162.

## **Item 12 - Brokerage Practices**

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FFS does not engage in any soft dollar practice. The Firm does not receive benefits from any broker-dealer as a result of commissions generated from financial transaction executed in client accounts by that broker-dealer.

FFS utilizes E\*TRADE Advisor Services, Pershing, LLC, and LT Trust to custody/record-keep advisory assets and to execute advisory account transactions in connection with investment advisory programs the Firm offers to clients. Transactions executed through any of these firms are subject to FFS duty to obtain "best execution," i.e., a price that is as favorable to the client as possible under the prevailing market conditions. While FFS will make every attempt to obtain the best execution possible, there is no assurance that it will be obtained.

FFS will act in the best interests of the client to seek to obtain the best price and execution for transactions. The Firm will seek the best price in the marketplace as well as ensure that, in executing client transactions, clients do not incur unnecessary costs and charges. This could mean that FFS does not get the lowest possible commission cost if a transaction represents the best qualitative value for a client. In addition, whenever trading can create a conflicting interest between FFS and clients, the Firm will obtain consent from the client before engaging in the activity after providing full and fair disclosure of all material facts.

In connection with all third-party money managers, the third-party money managers choice of custodian and executing broker will be limited to those choices offered by the third-party money managers.

The Firm is permitted to aggregate client orders with those of other clients in a bunched trade or trades when securities are purchased or sold. For each account included in the bunched trade, FFS must reasonably believe that the bunched order is consistent with the Firm's duty to seek best execution and benefit each client participating in the aggregated order. The average price per share of each bunched trade is allocated to each account that participates in the bunched trade. Accounts that participate bunched trades are charged transaction costs, if applicable, in accordance with their advisory contracts.

If a bunched order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated in a manner that is consistent with the initial pre-allocation. Partial fills will be allocated in a way that does not consistently advantage or disadvantage particular client accounts and are generally filled pro-rata among participating accounts.

The aggregation and allocation practices of mutual funds and third-party money managers that the Firm's IARs

recommend to a client are disclosed in the respective mutual fund prospectuses and third-party money manager disclosure documents which are provided to the client at, or before, account opening.

## **Item 13 - Review of Accounts**

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A portion of all accounts will be reviewed on a quarterly basis by FFS' Chief Compliance Officer ("CCO"), or designated individual(s) under the supervision of the CCO. FFS will consider several factors to determine which accounts should be reviewed, including but not limited to: investment objectives versus management style, targeted allocation versus current allocation, suitability, performance, number of trades, and concentrated positions/diversification.

Further, each advisory program has its own unique characteristics that FFS will also consider when assessing how many accounts make an appropriate representative sample and what factors should be considered in said review.

Supervisory review of advisory accounts will include a review of account activity and other triggering factors such as fees charged, account performance and performance reports, customer complaints, products used, best execution, security concentration and other triggering factors as determined by the reviewer(s).

Financial planning services and/or fee-based insurance plans can include some of the above but the review will mainly focus on fees charged in relation to a financial and/or insurance plan, documents in support of the financial and/or insurance plan which could include worksheets, schedules, diagrams, and other pertinent information.

Examples of situations that could prompt FFS to conduct more frequent reviews include the following: performance is not in line with the client's risk tolerance, there is change in investment objectives, a significant addition or withdrawal of capital is made, rebalancing of the portfolio if current allocation and targeted allocation are not consistent, frequency of trades is not in line with objectives and current account type, or a concentrated position that leads to account volatility.

For all accounts FFS will contact the client at least annually to request current information to determine whether there have been any changes in the information provided about client risk tolerance or objectives. The client must inform FFS in writing of any material changes to their account information or financial circumstances that might affect the manner in which their assets should be invested. Clients can contact FFS during normal business hours to consult regarding the management of their account(s).

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

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The Firm will occasionally enter into solicitor's agreements that comply with SEC rule 206(4)-3 promulgated under the Investment Advisors Act of 1940. If a client is introduced to FFS by a solicitor, FFS will pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisors Act of 1940, and any corresponding state securities law requirements. Any such referral fee will be paid solely from advisory fees and will not result in any additional charge to the client. The solicitor, at the time of the solicitation, will disclose the nature of his/her/its solicitor relationship, and provide each prospective client with a copy of the Firm's Part 2A and Part 2B of Form ADV, together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Firm and the solicitor, including the compensation to be received by the solicitor from FFS.

## **Item 15 - Custody**

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Client assets will be maintained by an unaffiliated, qualified custodian (e.g. E\*TRADE Advisor Services), bank, broker/dealer (e.g. Pershing, LLC), mutual fund companies or transfer agent. Client assets are not held by FFS

or any of its affiliates. The client should receive statements at least quarterly from the custodian that holds and maintains their investment assets. Client understands that the custodian will charge a fee such as, but not limited to: custodial fees, deferred sales charges, odd-lot differentials, transfer fees, transfer taxes, lost certificate fees, wire transfer and electronic fund fees, postage and handling for paper delivery of statement and trade confirmations, margin and pre-payment fees, and other fees and taxes on brokerage accounts and securities transactions. FFS and IARs advises the client to carefully review the official custodial records provided to them by the custodian(s) and compare them to all account documents and agreements held by the client. FFS urges the client to carefully review their official custodial records and compare them to any additional account documents that the Firm provides to the client.

Further, each custody firm for any of the aforementioned investment advisory platforms charges a fee for custody services. The payment of such fee is the responsibility of the client. This fee is expressed as a custody, administrative or record keeping fee on the client fee and billing agreement for each account/plan. FFS does not pay the custody and administrative fees on any platform sponsored by FFS as they are the agreed upon responsibility of the account holder/client.

## **Item 16 - Investment Discretion**

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FFS services client accounts on a discretionary or non-discretionary basis, as set forth in the Investment Advisory Agreement. Investment discretion allows FFS and/or the IAR to select the identity and amount of securities to be bought or sold. Discretion is to be exercised in a manner consistent with the stated investment objectives of the client account. When FFS and/or IAR select securities and determine amounts, they observe the investment policies, limitations, and restrictions of the client. Investment guidelines and restrictions must be provided by the client to FFS in writing. Client may request that restrictions or limitations be placed on the purchase of specified securities. All such requests must be in writing and approved by FFS prior to adoption.

However, for certain advisory programs (refer to investment advisory agreement for details) some Clients authorize FFS and/or IAR to act with discretion to purchase/reallocate account holdings that are suitable for the Client's risk profile, or a Client's risk profile that is more conservative, when in FFS and/or IARs sole discretion thinks it appropriate to do so. Client acknowledges that the exercise of such discretion may result in different investment performance than would result from not exercising such discretion.

## **Item 17 - Voting Client Securities**

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For all the advisory services and programs offered through the Firm, neither FFS nor IARs have any authority to vote proxies on the client's behalf. Clients are solely responsible for receiving and voting proxies for the securities maintained within accounts. Client will receive proxies or other solicitations directly from the custodian and/or transfer agent.

For accounts held with third-party money managers and depending on the third-party money manager's proxy voting policies and procedures, the third-party money manager could require the client to appoint them as agent and attorney-in-fact with discretion to vote proxies on the client's behalf. Clients should review the third-party money manager's disclosure brochure to understand their proxy voting policies and procedures.

## **Item 18 - Financial Information**

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As a Registered Investment Adviser, FFS does not allow IARs to take prepayment of more than \$1,200 in fees six months or more in advance. FFS does not have a financial condition that could impair our ability to meet contractual obligations. Therefore, FFS is not required to provide audited balance sheets.



## Additional Information

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### Privacy Policy

The Firm collects non-public personal information about clients from information received on applications or other forms and information about client transactions with Firm affiliates, others, or the Firm itself. FFS does not disclose any non- public personal information about current or former clients, except as permitted by law or in order to provide the current services. Firm employees have limited access to client personal information based on their responsibilities to provide

products or services to clients. The Firm maintains physical, electronic and procedural safeguards in compliance with federal standards to protect client information. If the IAR servicing a client account leaves FFS to join another firm, the IAR is permitted to retain copies of certain client information so that the IAR can assist with the transfer of the client account and continue to serve the client at their new firm.

### “Opting-out” of Third-Party Disclosures

If a client does not want an IAR to retain copies of client sensitive information when the IAR leaves FFS to join another firm, the client can contact the FFS Compliance Department by calling 888-523-1162.

### Business Continuity Plan

FFS has developed a Business Continuity Plan to address how FFS will respond to events that significantly disrupt the operation of our business. Since the timing and impact of disasters and disruptions are unpredictable, FFS will be flexible in responding to actual events as they occur.

Within 24 hours after a significant business disruption, FFS plans to quickly recover and resume business operations and respond by safeguarding employees and property, making a financial and operational assessment, protecting the Firm’s books and records, and allowing clients to transact business. FFS’ business continuity plan is designed to permit the Firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption.

The Firm’s business continuity plan addresses: data back-up and recovery; all mission critical systems; financial and operational assessments; alternative communications with customers, employees, and regulators; alternate physical location of employees; critical supplier, contractor, bank and counter-party impact; regulatory reporting; and assuring clients’ prompt access to their funds and securities if FFS is unable to continue as a business.

The Firm’s sub-clearing firm, ProEquities, backs up important records in a geographically separate area. While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, FFS has been advised by ProEquities that its objective is to restore operations and be able to complete existing transactions and accept new transactions and payments within four hours of the disruptive event. Client orders and requests for funds and securities could be delayed during this period.

### Contacting Us

If, after a significant business disruption, a client is unable to contact FFS at 888-523-1162, please visit the website at [www.foundersfinancial.com](http://www.foundersfinancial.com) to review updated contact information.

### Varying Disruptions

Significant business disruptions can vary in their scope, such as disruption that affects only FFS, a single building housing the Firm, the business district where the Firm is located, the city where FFS is located, or the whole region. Within each of these areas, the severity of the disruption can also vary from minimal to severe. In a disruption to only the Firm or a building housing the Firm, FFS will transfer operations to a local site when



needed and expect to recover and resume business within 24 hours. In a disruption affecting the Firm's business district, city, or region, FFS will transfer operations to a site outside of the affected area and recover and resume business within three (3) days. In either situation, FFS plans to continue in business, transfer operations to its clearing firm if necessary, and provide clients with instructions on how to contact FFS through its parent company's web site: [www.foundersfinancial.com](http://www.foundersfinancial.com). If the significant business disruption is so severe that it prevents FFS from remaining in business, FFS will assure client's prompt access to their funds and securities.

This information is provided solely to clients of FFS and no further distribution or disclosure is permitted without the prior written consent of FFS. No person other than FFS clients can rely on any statement herein. The FFS Business Continuity Plan is reviewed and updated regularly and is subject to change.

Please visit the web site at [www.foundersfinancial.com](http://www.foundersfinancial.com) for the most current copy of this disclosure. You can request an updated copy by contacting FFS at 888-523-1162, or writing FFS at the following address:

Founders Financial Securities, LLC  
ATTN: Compliance Department  
1020 Cromwell Bridge Road  
Towson, Maryland 21286