

## ITEM 1 – COVER PAGE



### Founders Financial Securities, LLC

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## Form ADV Part 2A February 21, 2018

This brochure provides information about the qualifications and business practices of Founders Financial Securities, LLC ("FFS", "we", or "the Firm"). If you have any questions about the contents of this brochure, please contact us at 888-523-1162. 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.

We are a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. This brochure is intended, in part, to provide information which can be used to make a determination to hire or retain an Investment Advisor Representative ("IAR" or "advisor"). It also provides information about the relationship between you ("you" or "the client"), your current or potential IAR, and FFS.

Additional information about Founders Financial Securities, LLC also is available on the Securities and Exchange Commission's ("SEC") website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2 - MATERIAL CHANGES

In the past we have offered or delivered information about our qualifications and business practices to clients at least annually. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will provide you with a new brochure as necessary based on changes or new information, at any time, without charge. Currently, our brochure may be requested by contacting us at 888-523-1162.

Additional information about FFS is also 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 us who are registered, or are required to be registered, as Investment Adviser Representatives.

### **Material Changes**

Since the last annual update dated March 1, 2018, the following has been added/changed:

- The availability of money managers through the IMX (FTJ FundChoice, LLC) platform has been added. Please see Item 4 below for more details.
- Please note that a correction in naming has been made: Money Manager Exchange was changed to Managed Portfolio Platform.
- During 2018 the Firm established an Ambassador Program. Participants of the program include issuers of securities and/or sponsors of insurance products. Please see Item 10 below for more details.

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## ITEM 4 – ADVISORY BUSINESS

FFS was founded in 2004, and became registered with the SEC in 2006. FFS is a wholly owned subsidiary of Founders Financial, Inc. FFS is a Registered Investment Adviser with the SEC. Listed below is a description of the various investment advisory services offered by FFS through registered individuals associated with FFS as Investment Adviser Representatives (“IAR”).

### **Types of Advisory Services**

FFS’ IARs provide investment management 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. On occasion, IARs provide advice to clients on matters not involving securities, such as financial planning, retirement planning and estate planning. An additional advisory service offered by the IAR is the implementation of a portfolio plan, which includes trading and rebalancing of funds necessary to meet a client’s plan objectives, both personal and financial, and while remaining within a stated risk tolerance. IARs will provide continual review of client’s portfolio plan to ensure the plan remains consistent with the client’s financial and personal objectives and risk tolerance.

As of February 5, 2018, FFS manages \$980,526,034 in assets. FFS manages \$723,936,401 on a discretionary basis, and \$256,589,632 is managed on a non-discretionary basis.

### **Types of Advisory Programs**

FFS advisory services are varied and are tailored specifically to each client relationship. Clients work in conjunction with the IAR to define their desired goals and objectives for their financial assets. The client and IAR also work together to identify the advisory service that is best suited for the client’s stated goals and objectives.

Clients are advised to promptly notify FFS if there are changes in their financial situation, investment objectives, or if they wish to impose any reasonable restrictions upon FFS’ management services. Clients may impose reasonable restrictions or mandates on the management of their account if, in FFS’ sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

FFS makes available the following advisory programs:

- Independence Advisory Accounts
- Third-Party Money Managers
- Freedom Portfolios
- Freedom Capital Management Strategies®
- Freedom Independence Plan™
- Managed Portfolio Program
- Financial Planning
- Jefferson National Fee Based Variable Annuity
- Independence Manager Exchange (IMX)

**Independence Advisory Accounts (Discretionary or Non-Discretionary)**

These fee-based accounts offer load-waived and no-load mutual funds that may be combined with other securities products. Independence Advisory Accounts are managed by the IAR in accordance with the clients' goals, objectives and risk tolerance. Fees charged to clients are charged as a percentage based on assets under management, and are not directly based upon transactions in a client's account.

For more information about discretionary accounts, please refer to Item 16.

**Third-Party Money Managers**

FFS has entered into agreements with various non-affiliated investment advisors ("third-party money manager") to offer asset allocation and asset management services to FFS' advisory clients. Each IAR shall assist their client in formulating a strategic investment portfolio based on the client's investment objectives. Once formulated, a suitable third-party money manager is selected to implement and manage the portfolio. The IAR will set restrictions or limitations on the management of the account and explain the third-party managers ongoing activity. FFS will periodically review the current and historical performance record of each third-party money manager.

The relationship between FFS with the third-party money manager will be clearly communicated to all clients in the third-party money manager's Client Services Agreement and/or similar documentation. Each third-party money manager is required to provide FFS and the IAR with a disclosure document, typically a copy of their Form ADV 2A. The third-party money manager's Form ADV 2A will be provided to the client by the IAR.

**Freedom Portfolios**

FFS established a relationship with Horizon Investments, LLC ("Horizon") to jointly sponsor and manage five Freedom Portfolios exclusively for distribution by FFS IARs. The portfolios can purchase mutual funds bought at NAV or ETF's. FFS serves as the sub-advisor on the Freedom Portfolios. The minimum investment in a Freedom Portfolio account is \$25,000 and the management fee will not exceed 2.75%.

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

**Freedom Capital Management Strategies®**

Freedom Capital Management Strategies® ("FCMS") is a comprehensive fee-based investment platform offering a wide range of investment models. These models are composed of three differentiated investment methods. Within the platform, FFS refers to these methods as elements. Specifically, the platform provides access to the following elements: Foundation, Dynamic, and Alternative. In addition to these elements the platform makes available certain risk management tools in an attempt to reduce risk in volatile market environments.

The Foundation element of FCMS is based on modern portfolio theory. The Firm's investment committee constructs these models using mutual funds and/or ETFs and diversifies the portfolios across asset classes, geographies, and investment styles. The models are globally diverse and are offered in a range of risk tolerance categories.

The Dynamic element of FCMS utilizes tactical asset allocation. The Firm's sub-advisors deploy a strategy that considers economic, quantitative, and fundamental analysis to implement an actively

traded tactical strategy. Like the Foundation element, these models are offered in a range of risk tolerance categories, utilizing primarily ETFs.

The Alternative element of FCMS offers models that invest in asset classes or investment styles that are generally complementary to a traditional portfolio. These models generally provide return opportunities that are non-correlated to the Foundation and Dynamic elements.

Assets in the models custodied at Trust Company of America are traded on a discretionary basis. The selection of which investment model to own is made by the IAR and the client with consideration for the client's specific financial conditions and goals and risk tolerance.

Portfolio management decisions are made by the FCMS Investment and Economic Committee as well as, selected sub-advisors.

FCMS also has an additional service available for clients who want their assets that are held away from the firm managed under the same Foundation management style of FCMS. This service is accessed through the [www.thefreedomstrategies.com](http://www.thefreedomstrategies.com) website and provides active asset allocation services for an annual flat fee of \$500/year.

### **Freedom Independence Plan™ (Full Service or Recordkeeping Only)**

FFS offers the Freedom Independence Plan™ ("FIP") as a comprehensive retirement plan solution. IARs provide in-depth retirement plan consultation to business owners. Through this consultation, employers are able to determine the optimal design of the retirement/profit sharing plan given the unique need of their businesses and are offered guidance on developing a strategy for implementation.

Additionally, the IAR offers education and advice to support employees in planning for retirement.

FFS provides fiduciary oversight for the selection and monitoring of the investment options available through FIP. By acting in this capacity, FFS serves as a fiduciary and "investment manager" as defined in section 3(38) of ERISA and takes responsibility for ensuring the plan's investment options are prudent and in compliance with ERISA. FCMS' experienced Investment Committee constructs and monitors the investment line up of FIP, which includes the selection of Qualified Default Investment Alternatives (QDIAs), in accordance with ERISA guidance. Further, we will provide the client support in drafting an Investment Policy Statement (IPS) that outlines the important investment objectives of the retirement plan.

### **Managed Portfolio Program**

Managed Portfolio Program is a fee based platform through which FFS constructs risk tolerance based investment models utilizing a combination of third-party money managers and/or mutual funds in an effort to meet the stated investment objectives of each client. Based on the information provided by the Client, the IAR will determine which model(s) of the Program are appropriate for each Client.

FFS will monitor the Third-Party Money Managers and mutual funds selected for Managed Portfolio Program and will assume discretionary authority, via the Investment Advisory Agreement, to utilize or replace the Third-Party Money Managers or mutual fund where such action is deemed appropriate and in the best interest of the client. Fees will differ between each mutual fund and each Third-Party Money Manager selected in a model. As a result, there may be a conflict and FFS may receive more or less compensation for their role depending on which mutual fund or Third-Party Money Manager is

selected. To mitigate this conflict, FFS will always select a mutual fund or Third-Party Money Manager that meets the model's overall investment objective and risk profile. Additionally, the fee charged to Clients invested in Managed Portfolio Program does not vary based on these decisions.

### **Financial Planning**

Financial Planning may include an overall review of a client's needs in relation to: retirement, estate planning, investment planning, education, survivor income, disability income, long term care, business planning, charitable planning, or other needs. Fees charged to clients are negotiated prior to the execution of the financial planning agreement. An IAR can be engaged to create a financial plan on an on-going basis, at specified intervals, or as a one-time event. The IAR may request a deposit prior to the delivery of the financial plan and recommendations. Fees may be charged at a flat rate or a certain fee per hour or in the case of ongoing plan management the fee can be based as a percentage of the asset value in each particular plan provided. Plans must be delivered no later than six months from the date of the agreement. If a plan is not delivered within six months from the date of the agreement, the IAR is required to return any funds received or be granted an extension for the plan delivery. A client may terminate a financial planning agreement without penalty by providing written notice within five business days.

### **Jefferson National Fee Based Variable Annuity**

FFS offers a variable annuity platform through Jefferson National. The investment selections for the variable annuity may be 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 unique risk tolerance, using sub-accounts available within Jefferson National Variable Annuities. On-going monitoring is done by the IAR and recommendations for changes to asset allocations or sub-accounts must be approved by the client. The IAR does not have discretionary authority over Jefferson National Variable Annuities.

### **Independence Manager Exchange (IMX)**

The terms and conditions under which the client shall engage FTJ FundChoice shall be set forth in separate written agreements between (1) the client and FFS and (2) the client and FTJ FundChoice. FFS shall continue to render advisory services to the client relative to the ongoing monitoring and review of account performance, for which FFS shall receive an annual advisory fee which is based upon a percentage of the market value of the assets in the FTJ FundChoice program. The administration fees charged by FTJ FundChoice are exclusive of, and in addition to, FFS's investment advisory fee set forth above. In addition to FFS's written disclosure statement, the client shall also receive the written disclosure statement of FTJ FundChoice. Clients should review the applicable FTJ FundChoice ADV brochure or Terms of Services & Use for additional details regarding FTJ FundChoice services.

#### **Non-Portfolio Target users:**

FFS may recommend that certain clients authorize the management of a portion of their assets by and/or among certain independent investment manager(s) either directly or through a program made available by FTJ FundChoice. The terms and conditions under which the client shall engage FTJ FundChoice shall be set forth in separate written agreements between

#### **Portfolio Target users:**

FFS may recommend that certain clients authorize the management of a portion of their assets by and/or among certain independent investment manager(s) ("Strategists") through a program made available by FTJ FundChoice. In the FTJ FundChoice program, FFS may make recommendations to clients either directly or via FTJ FundChoice's digital advice tool, Portfolio Target. Portfolio Target

matches a client's investment and savings goals with a model portfolio allocation designed by FFS.

**Wrap-Fee Program:**

The firm's policy does not permit the use of wrap-fee programs; therefore, no FTJ FundChoice accounts will be approved under the wrap-fee structure.

All IMX accounts are managed by the third-party advisors and FFS has no discretionary trading authority with respect to such accounts.

## **ITEM 5 – FEES AND COMPENSATION**

### **General Fee Information**

Fees for Independence Advisory Accounts, Freedom Portfolios, Managed Portfolio Program, Third-Party Money Manager services, Freedom Independence Plan™, and Freedom Capital Management Strategies® are based on the application of a percentage rate to the amount of assets under management. Typically, this rate will not exceed 2.75%. IARs may also charge a flat dollar rate or percentage for managing multiple accounts held away or may receive a combination of percentage of assets under management and commissions. IARs using this combination method must obtain prior written approval from the FFS Compliance Department and must fully disclose the total fee calculations in the fee addendum of the Financial Planning Agreement. These fees are determined separately for each account.

Furthermore, the rates to be applied 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 required by the client. Fees, including flat dollar rates and combination method will generally be calculated at a total rate equal to or less than 2.75% and are negotiable at the account opening. Fees in excess of 3% are higher than industry norms. Other investment advisors may offer programs that charge similar fees may not charge separately for brokerage and transaction costs.

### **Independence Advisory Accounts**

Independence Advisory Accounts require a minimum account balance of \$25,000 before fee billing is initiated. Once account assets reach \$25,000 it will be billed from that time forward. The account will be charged the applicable tier rate as stated on the FFS Independence Advisory Fee Billing Form, not to exceed 2.75%. For accounts that are opened at less than \$25,000, or if account value falls below \$25,000, the fee is not to exceed 2.75% or the \$125 minimum annual fee, prorated monthly, whichever is greater. Accordingly, a client might pay an effective rate greater than the rate specified in the fee schedule on their Advisory Agreement. FFS, in its sole discretion, can waive its minimum fee and/or charge a lesser investment advisory fee based on certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.). Accounts that are covered under ERISA rules and accounts that have not yet reached the \$25,000 minimum will not be included in household assets when determining the tier levels for fees. Independence Advisory accounts have separate "ticket charges" for trade execution that are incurred by the client. Clients will be billed an administrative fee as a part of the investment management fee. The breakdown of the total fee is spelled out in the client's Investment Advisory Agreement. Any of these fees that are collected will be refunded to the client by Pershing directly upon account termination as defined in the Termination of Agreement section below.

In connection with the services provided, FFS may receive fees from mutual funds, or their



distributors, that are held as investment selections within Independence Advisory Accounts. These fees may consist of 12b-1 fees, sub-transfer agency fees, and/or other similar fees, and are in addition to the fees charged for Investment Advisory Services.

### **Third-Party Money Managers**

By agreement, the combined total fee charged to each client by the IAR and third-party money manager shall not exceed 3% of the client's assets under management. IARs are compensated by adding their fee schedule for their services to the management fee for the third-party manager. The breakdown of the total investment management fee is spelled out in the client's Investment Advisory Agreement.

FFS monitors the use of money managers and ensures clients are placed with managers that are appropriate for the client's risk tolerance and goals. The services provided by an IAR when recommending a third-party manager include the following: manager due diligence, risk tolerance assessment, asset allocation, financial planning, client servicing.

The relationship of FFS with the third-party money manager will be clearly communicated to all clients in the third-party money manager's Client Services Agreement and/or other similar documentation. Each IAR is required to provide clients with a disclosure document statement from the third-party money manager, typically a copy of their Form ADV 2A ("Firm Brochure").

### **Freedom Capital Management Strategies®**

Fees for FCMS are based on a percentage of assets under management, not to exceed 2.75%. Specifically, FFS charges a flat 0.20% custodian fee for costs associated with the third party custodial services. A portion of the custodian fee is retained by FFS, this amount may vary depending on the total amount of assets under custody at the respective third-party custodian(s). FFS also charges "ticket charges" for trade execution of certain securities held within the models of FCMS which shall be incurred by the client.

In connection with the services provided, FFS may receive fees from mutual funds, or their distributors, that are held as investment selections within FCMS. It is our current policy to purchase institutional and investor share classes that reduce or eliminate 12b-1 fees, sub-transfer agency fees, and/or other similar fees of the mutual funds we select for inclusion in the FCMS model portfolios. It is possible that a mutual fund selected for inclusion into an FCMS model portfolio only has a share class available with a 12b-1 fees, sub-transfer agency fees, and/or other similar fees. Certain mutual funds and exchange traded funds (ETFs) held in FCMS investment strategies may charge fees including 12b-1 fees and sub transfer fees. FFS does not receive these fees and to the extent that they are paid by a client, the third-party custodian will use these fees to offset the custodian fee paid by the client. Please note that these fees are in addition to the fees charged for Investment Advisory Services.

### **Freedom Independence Plan™**

Fees for the Freedom Independence Plan™ are based on the application of a percentage rate to the amount of assets under management. Typically, this rate will not exceed 2.00%. Per the advisory agreement, the client authorizes the Plan's record-keeper or custodian to remit the fees to be paid directly to FFS from the plan assets. Notwithstanding the Plan's obligation to pay fees, the client may elect within its sole discretion to pay any or all fees to FFS in lieu of payment by the Plan, provided that any fees remaining unpaid after thirty days from the date of invoice shall be due and payable immediately by the Plan.

Any 12b-1 fees, sub-transfer agency fees, and/or other similar fees received by FFS or its affiliates

from mutual funds, or their distributors, shall be used to offset the investment expenses of the Plan or remitted to the Plan by the record keeper or custodian.

### **Managed Portfolio Program**

The investment advisory fee for Managed Portfolio Program for all clients and all dollar amounts invested is a level 1.65%. In connection with the services provided, FFS may receive fees from mutual funds, or their distributors, that are held as investment selections within Managed Portfolio Program. These fees may consist of 12b-1 fees, sub-transfer agency fees, and/or other similar fees, and are in addition to the fees charged for Investment Advisory Services. Managed Portfolio Program also charges “ticket charges” for trade execution of certain securities held within the models of Managed Portfolio Program.

### **Financial Planning**

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, a higher fee may be negotiated. In such instances, the IAR must receive written approval from the FFS Compliance Department prior to enacting said higher fees.

IARs may be compensated for ongoing engagements and the investment management of accounts held away from FFS under a Financial Plan Agreement with the client.

### **Jefferson National Fee Based Variable Annuity**

The IAR management fee for the variable annuity management program will be no more than 1.5% annually. Other fees charged by Jefferson National are described in the prospectus and account opening documents. The client should review the prospectus carefully before investing. It is important to note that any fees paid directly from Jefferson National Variable Annuities by the client could be subject to taxes and/or early withdrawal penalties imposed by the IRS. Clients should consult with their Advisor to discuss specific implications of paying IAR management fees directly from accounts.

### **Independence Manager Exchange**

The fees, expenses and other charges for participation in the Program are set forth in the FTJ Application Addendum and consist of Advisory Fees, Administration Fees, Trading and Custody Fees and Strategist Fees (collectively “Program Fees.”). The Program Fees may change at any time and the Client will be informed by FTJ posting changes on its websites or by other means. The Manager’s Firm Brochure contains important information regarding fees, conflicts of interest, risks, and other information that prospective investors should review and consider.

### **Fee Billing**

All fees for FFS advisory accounts are deducted from the client’s advisory account. Independence Advisory accounts are billed monthly in advance. Freedom Capital Management Strategies accounts are billed quarterly in advance. Freedom Portfolios are billed quarterly in arrears. Third-Party Money Manager fees are billed in accordance with each company’s set account agreements and may vary. Managed Portfolio Program accounts are billed quarterly in arrears. Freedom Independence Plan™ are billed quarterly in arrears. Jefferson National Variable Annuities are billed quarterly in arrears. All Independence Manager Exchange fees will be assessed monthly, in arrears, and will be collected from Client’s TD Ameritrade, Inc. account by FTJ FundChoice, LLC. All of the Advisory Fee, and a portion of the Administration Fee will be paid by FTJ FundChoice, LLC to FFS.

**Other Fees**

In addition to fees for assets under management, clients are charged for costs associated with executing transactions, commonly referred to as “ticket charges.” A schedule of these charges is provided to the client prior to the execution of an agreement, and may be obtained at any time from the client’s IAR.

FFS fees are exclusive of brokerage commissions, transaction fees, 12b-1 fees and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, 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.

Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund’s prospectus. Such charges, fees and commissions are exclusive of and in addition to FFS’s fee, and FFS or its Investment Advisor Representatives shall not receive any portion of these commissions, fees, and costs. Please see Item 12 for more information regarding brokerage practices.

**Termination of Agreement**

Either party may terminate an Investment Advisory Services Agreement through FFS at any time with written notice, at which time the fees paid in advance will be prorated through the date of the termination and any remaining balance shall be refunded to the client, as appropriate, in a timely manner. For third party managers, the client must read the separate Form ADV of the third-party manager to determine what the specific policy for rebating of fees are in each different circumstance.

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. If any client is past due for more than 30 days on any amounts owed for agreed services, FFS reserves the right to stop any and all services. At its discretion, FFS may retain up to \$200 per closed account as a reasonable expense for the administrative and custodial work that must be done to close an account and transfer assets. This is the case for all FCMS, Independence Advisory, Freedom Portfolios, and Managed Portfolio Program accounts.

Upon receipt of written notice from the Client, to terminate the Client Agreement without specific transfer instructions included, FFS and its agent will, in an orderly and efficient manner, proceed with the liquidation of the client’s account. The client should be aware that certain custodians and mutual funds impose redemption or account closing fees as stated in each company’s fund prospectus in certain circumstances. Each Custodian used by FFS may charge a fee to close an IRA account; in addition, transaction fees and/or transfer fees may apply. Clients must keep in mind that the decision to liquidate security positions or mutual funds may result in tax consequences that should be discussed with the client’s tax advisor. Factors that may affect the orderly and efficient manner would be size and types of issues, liquidity of the markets, and market makers’ abilities. Should the necessary securities’ markets be unavailable and trading suspended, efforts to trade will be done as soon as possible following their reopening. Due to the administrative processing time needed to terminate the client’s investment advisory service and communicate the instructions to the client’s Investment Advisor, termination orders received from clients are not market orders; it may 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 its agent 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.

## ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

This item does not apply. FFS and its IARs do not accept performance based fees.

## ITEM 7 – TYPES OF CLIENTS

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 minimum account size varies by the advisory service:

- Independence Advisory Accounts – \$25,000
- Third-Party Money Managers – will vary based upon sponsoring company standards
- Freedom Capital Management Strategies® – \$0 - \$25,000 (depending on model)
- Freedom Portfolios – \$25,000
- Freedom Independence Plan™ – no minimum
- Managed Portfolio Program - \$10,000
- Jefferson National Variable Annuity - \$15,000

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### **Methods of Analysis**

FFS and its IARs formulates investment advice using the following analysis methods: charting, fundamental, technical, and cyclical. The main sources of information FFS uses for security analysis may include: financial newspapers and magazines, research materials prepared by others, annual reports, prospectuses, filings with the SEC and company press releases, or certain software programs subscribed to by FFS.

### **Investment Strategies**

FFS and its IARs implement investment advice for clients primarily using long term purchases (securities held at least a year) and short-term purchases (securities sold within a year). Under limited circumstances, IARs may use these alternative strategies: trading (securities sold within 30 days); short sales; margin transactions; or option writing, including covered options.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. Some of the primary risks of investing are summarized below.

#### Interest Rate Risk

When interest rates increase, the value of the account's fixed income investments may decline and the account's share value may 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 may fluctuate more significantly in response to interest rate changes. When interest rates decrease, the account's current income may decline.

#### 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 you will lose money and your investment may be worth more or less upon liquidation.

### Inflation Risk

Inflation may 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 may 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 what the economic environment is like.

### 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 or a declining market value.

## ITEM 9 – DISCIPLINARY INFORMATION

As a Registered Investment Adviser, FFS is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. FFS is pleased to report that we currently have no applicable information to include for this Item.

## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

FFS is also a broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA"). FFS uses Pershing, LLC as their clearing firm for brokerage business. In their separate capacities as Registered Representatives of the broker-dealer, these individuals will be able to implement securities transactions for advisory clients for separate and typical 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 as recommended. Clients can hold both fee-based and commission based accounts. Therefore, commissions received for the sale of these investment products may be in addition to, advisory fees received for services rendered as an IAR of FFS. As stated earlier, 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.

For broker-dealer services, the Adviser or its associated persons may receive compensation for such transactions, where such compensation is separate and distinct from the Adviser's compensation related to its investment advisory services. From time to time, associated persons of the Adviser may recommend that clients buy or sell securities or investment products that the Adviser also owns. In

such circumstances, the Adviser shall adhere to the Firm's Code of Ethics.

FFS has executed a tri-party agreement with ProEquities, LLC. and Pershing. In addition to being a conduit to Pershing custodial services, they 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 associated persons are also licensed Independent insurance agents and may recommend or sell Clients insurance products. Clients are under no obligation to purchase these products from the associated person. In their separate capacities as an independent insurance agent these individuals will be able to implement insurance transactions for advisory clients for separate and typical compensation.

Some associated persons are also Certified Public Accountants ("CPA®") and may recommend or offer accounting and tax advice and/or services. Clients are under no obligation to purchase these services from the associated person. 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.

All clients are advised that broker-dealer services (including Private Placements and/or insurance) are separate from advisory services offered pursuant to this brochure, and associated persons may be compensated for making such recommendations. Clients are advised to carefully consider the conflicts disclosed above prior to engaging in such business.

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

During 2018 the Firm established an Ambassador Program. Participants of the program, which includes issuers of securities and/or sponsors of insurance products, are provided the opportunity to communicate and otherwise engage with the Firm's Associated Persons via the Firm's electronic platforms and, in some cases, in person. Such persons are designated as "Ambassadors." Ambassadors pay the Firm a fee for these opportunities.

The opportunity that Ambassadors have to communicate with the Firm and its investment adviser representatives via the Firm's electronic platforms and, in some cases, in person, could influence investment decisions or investment recommendations and may constitute a conflict of interest.

## ITEM 11 – CODE OF ETHICS

FFS has adopted a Code of Ethics ("the Code") for the Firm's supervised persons describing our high 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 amended.

FFS supervised persons may buy or sell securities that are recommended to clients. FFS employees and persons associated with us are required to follow the Code. Subject to satisfying this policy and

applicable laws, employees and persons associated with us and our affiliates may trade for their own accounts in securities which are recommended to and/or purchased for our clients. The Code is designed to ensure that the personal securities transactions, activities, and interests of our employees will not interfere with making decisions in the best interest of advisory clients and implementing such decisions, while, at the same time, allowing 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 our 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. Employee trading is monitored under the Code to reasonably prevent conflicts of interest between employees and our clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with our obligation of best execution. In such circumstances, the affiliate 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 Firm policy not to affect any principal or agency cross-securities transactions for client accounts. FFS will not effect cross trades between client accounts either. 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 may 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 defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

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

## ITEM 12 – BROKERAGE PRACTICES

### **Pershing**

FFS places trades for client accounts subject to its duty to seek best execution and our other fiduciary duties. Pershing may use other broker dealers to execute trades for client accounts maintained at Pershing. However, this practice may result in additional costs to the client. Pershing's execution quality may be different than other broker-dealers. FFS has outsourced certain back-office tasks to Pershing. Pershing will handle daily database reconciliation, statement generation and delivery, and advisory fee billing. Pershing's system provides us with customized reporting, trade upload creation, and pending trade follow-up.

FFS requires that clients with Independence Advisory Accounts establish accounts with FFS, through Pershing to maintain custody of the client's assets. Pershing provides FFS with access to its institutional trading and custody services. These services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors.

Pershing makes available to us other products and services that benefit FFS but may not benefit our client accounts. Some of these other products and services assist us in managing and administering client accounts. These products and services include software and technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution provide research, pricing information and other market data, facilitate payment of our fees by deducting them from client accounts, and assist with back-office functions, recordkeeping, and client reporting. Many of these services generally may be used to service all or a substantial number of our client accounts.

Pershing also makes available to us other services intended to help us manage and further develop our business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Pershing may make available or arrange to pay for these services rendered to us by third parties. Pershing 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 us.

### **Trust Company of America**

FFS places trades for client accounts subject to its duty to seek best execution and our other fiduciary duties. All Freedom Capital Management Strategies®, Managed Portfolio Program, and Freedom Portfolios accounts are custodied with Trust Company of America (“TCA”). FFS selected TCA due to their competitive position in the market for custody services. They offer model trading technology that drives efficient trading and provides a comprehensive service footprint to our business. TCA handles operational, trading, and administrative issues for our platform. The custody fee paid to TCA is exclusive of transaction charges assessed by TCA for the purchase or sale of exchange traded funds and individual securities. These charges are fully detailed to the client in the transactions details of their quarterly statement. TCA executes all trades, produces all statements, provides access to an online client portal, delivers all client tax statements, and supports FFS service and back office team.

### **LT Trust**

LT Trust provides record keeping, custodial, and/or administration services to qualified retirement plans managed through the Freedom Independence plan. The fees assessed by LT Trust are agreed to by the plan sponsor under a separate agreement between the plan and LT Trust. LT Trust services include record keeping, Form 5500 tax form preparation, client statement generation, client online portal access, performance reporting, and supports FFS service and back office team.

### **TD Ameritrade, Inc.**

When a client participates in an IMX strategy they are required to open a brokerage account with TD Ameritrade, Inc. Clients will be provided with a FTJ firm brochure, as applicable, with provides additional information on the brokerage practices and fees regarding TD Ameritrade, Inc.

### **Trade Aggregation**

FFS, in its capacity as a fully disclosed broker-dealer, has direct access to Pershing, LLC. On occasion, FFS may aggregate orders for a client’s account with orders for other FFS clients for whom the transaction is appropriate, even though the accounts are individually managed. Aggregating orders may allow the participating accounts to receive volume discounts that would not be available when orders are executed separately. If more than one price is paid for securities in an aggregated transaction, each client participating in the transaction will typically receive the average price paid for the block in the aggregated transaction for that day. Although this averaging is aimed at treating all



participating clients fairly, it may adversely affect the results for any particular participating client.

FCMS utilizes block trading in an effort to reduce transaction costs and to provide a single price for all accounts participating in the trade.

## ITEM 13 – REVIEW OF ACCOUNTS

FFS will review a portion of all accounts on a quarterly basis by the Chief Compliance Officer (“CCO”), or designated individual(s) under the supervision of the CCO. FFS will consider the following factors (included but not limited too) to determine which accounts should be reviewed; investment objectives vs management style, targeted allocation vs 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 general 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 reviewer.

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

Some potential examples of situations that may prompt us to conduct more frequent reviews include the following: performance is not in line with the client’s risk tolerance, change in investment objective, 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 is leading to account volatility.

For all accounts, at least annually, FFS will contact the client and request current information to determine whether there have been any changes in the current information provided in the 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 may contact FFS during normal business hours to consult regarding the management of their account(s).

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

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 solicited by an individual with which we have a solicitor’s agreement, FFS will pay the solicitor a percentage of the management fees it collects as determined in the solicitor’s agreement. A client who is solicited will receive an additional disclosure document specifically describing the arrangement and the compensation paid to the solicitor. The solicitor’s fee will be based on FFS’ normal fee schedule; the client will not be charged any additional fees or expenses as a result of the referral.

## ITEM 15 – CUSTODY

Client assets will be maintained by an unaffiliated, qualified custodian, such as a bank, broker/dealer (e.g. Pershing, LLC, or Trust Company of America), mutual fund companies or transfer agent. Client assets are not held by FFS or any of its affiliates.

The client should receive at least quarterly statements from the broker-dealer, bank, or other qualified custodian that holds and maintains their investment assets. FFS urges the client to

carefully review these official custodial records and compare them to any additional account documents that the Firm may provide to the client.

## ITEM 16 – INVESTMENT DISCRETION

FFS services client accounts on a discretionary or non-discretionary basis. FFS usually receives discretionary authority from the client at the outset of an advisory relationship, if chosen, through 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. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives of the client account. When IARs 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.

## ITEM 17 – VOTING CLIENT SECURITIES

As a matter of policy and practice, we do not have any authority to and do not vote proxies on behalf of advisory clients. The client will retain the responsibility for receiving and voting proxies for any and all securities maintained in their portfolio(s). Occasionally, FFS may provide advice to clients regarding the voting of proxies. The client will receive proxies or other solicitations directly from the custodian or transfer agent.

## ITEM 18 – FINANCIAL INFORMATION

As a Registered Investment Adviser, FFS is required in this Item to provide clients with certain financial information or disclosures about the Firm's financial condition. FFS currently has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and FFS has not been the subject of a bankruptcy proceeding.

## 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 to anyone, 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 client information so that he/she 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 he/she leaves FFS to join another firm, the client may contact the FFS Compliance Department by calling 888-523-1162.

## BUSINESS CONTINUITY PLAN

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

Within 24 hours after a significant business disruption, we plan to quickly recover and resume business operations and respond by safeguarding our employees and property, making a financial and operational assessment, protecting the firm's books and records, and allowing our customers to transact business. In short, our business continuity plan is designed to permit our 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 our customers prompt access to their funds and securities if we are unable to continue our 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 parent company's website at [wwwFOUNDERSFINANCIAL.COM](http://wwwFOUNDERSFINANCIAL.COM) to review updated contact information.

### **Varying Disruptions**

Significant business disruptions can vary in their scope, such as only our firm, a single building housing our firm, the business district where our firm is located, the city where we are 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 our firm or a building housing our firm, we will transfer our operations to a local site when needed and expect to recover and resume business within 24 hours. In a disruption affecting our business district, city, or region, we will transfer our operations to a site outside of the affected area, and recover and resume business within three days. In either situation, we plan to continue in business, transfer operations to our clearing firm if necessary, and provide you with instructions on how to contact us through our parent company's web site: [wwwFOUNDERSFINANCIAL.COM](http://wwwFOUNDERSFINANCIAL.COM). If the significant business disruption is so severe that it prevents us from remaining in business, we will assure our client's prompt access to their funds and securities.

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

Please visit our parent company's web site at [wwwFOUNDERSFINANCIAL.COM](http://wwwFOUNDERSFINANCIAL.COM) for the most current copy of this disclosure. You may request an updated copy by writing us at the following address:

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