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**Founders Financial Securities, LLC**

**FORM ADV PART 2**

**This brochure provides information about the qualifications and business practices of Founders Financial Securities LLC. If you have any questions about the contents of this brochure, please contact us at 410-308-9988. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

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

**Founders Financial Securities, LLC is an SEC Registered Investment Adviser. Registration does not imply a certain level of skill or training.**

## ***Material Changes***

### Material Changes:

There are no material changes since our last update.

### Annual Updates:

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm's Brochure.

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## **ADVISORY BUSINESS**

### ***Firm Description***

Founders Financial Securities LLC ("FFS") was founded in 2005.

FFS is a broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA"). The company is also a registered investment adviser with the Securities and Exchange Commission ("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").

FFS is also an Insurance Agency ("dba: FFS Insurance Agency") which distributes securities based insurance products and does not open or maintain customer accounts, or hold customer funds or securities.

FFS is a wholly owned subsidiary of Founders Financial, Inc. FFS serves as a broker/dealer for Variable Life Insurance and Variable Annuity contracts.

All brokerage activity is conducted by FFS on a fully disclosed basis with Pershing, LLC. All advisory accounts are conducted on a fully disclosed basis with Pershing, LLC, Trust Company of America, or through a selling agreement with an approved 3<sup>rd</sup> party money manager.

### ***Principal Owners***

Founders Financial Inc. is the primary owner of FFS.

### ***Types of Advisory Services***

FFS' IARs provide investment management services both on a discretionary and non-discretionary basis. These services include, but are not limited to, providing ongoing investment advice, management of investment advisory accounts, access to third party money managers; on occasion, FFS provides advice to clients on matters not involving securities, such as financial planning matters, taxation issues, retirement planning and estate planning. An additional advisory service includes the implementation of a portfolio plan which includes trading and rebalancing of funds necessary to meet client's plan objectives and risk/return tolerance and continual review of client's portfolio plan to ensure plan remains consistent with client's financial and personal objectives and risk/return tolerance.

As of February 13, 2012, FFS manages approximately \$315 Million in assets for approximately 4234 clients. Approximately \$252 Million is managed on a discretionary basis, and \$63 Million is managed on a non-discretionary basis.

### ***Tailored Relationship***

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 and work together to identify the advisory service that most is in line with their stated goals and objectives.

## ***Types of Advisory Programs***

FFS makes available the following Advisory Programs:

1. Independence Advisory Account - a Wrap Fee Brokerage Account administered through the Firm's clearing broker/dealer Pershing, LLC.
2. Third Party Money Managers - FFS provides IARs with several third party relationships that offer mutual fund wrap accounts, separate accounts and variable annuity programs to give the IAR more choices and flexibility to meet their clients' needs.
3. Freedom Capital Management Strategies – An institutional turnkey asset management program designed to provide clients with diversity of investment strategy, active management of assets and opportunity for asset protection during times of market loss. Accounts for Freedom Capital Management Strategies are custodied at a 3<sup>rd</sup> party custodian: Trust Company of America.

### ***Independence Advisory Account***

This Wrap Fee account offers a combination of load-waived and no-load mutual funds and variable products along with a combination of other securities products in order to achieve the client's portfolio objectives. Fees charged to clients are all-inclusive and are not directly based upon transactions in a client's account for investment advisory services and execution of brokerage transactions. However, the IAR is authorized to pass along ticket charges and other ancillary charges to the client. Fees are negotiable at account opening and are charged in advance on a quarterly basis. No refunds are made after they are billed to account. Only Mutual Fund trades in these accounts may be made on a discretionary basis. All other trading is done on a non-discretionary basis.

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

FFS has entered into agreements with various non-affiliated investment advisors 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 manager is selected to implement and continually manage the plan. In preparing the strategic plan, each IAR will set restrictions or limitations on the management of the account and explain to the client the continual account activity transacted by the third party manager. Also, FFS will periodically review the current and historical performance record of each third party manager.

By agreement, the total fee charged to each client by the non-affiliated investment advisor shall not exceed 3% of the assets under management. FFS negotiates with each non-affiliated investment advisor the management service fee, which is factored into the 3% benchmark, and the maximum allowable fee that any IAR may charge their client, as disclosed in the client services agreement and/ or other similar documentation. IARs are compensated in conformance with the negotiated fee schedule.

FFS has business relationships with the following non-affiliated investment advisors:

Dunham & Associates	Portfolio Strategies	Curian Capital
Morningstar Inc.	SEI Investments Co.	Lockwood Advisors, Inc.
Niemann Capital	Horizon Investments	Folio Portfolios

The relationship of FFS with the non-affiliated investment advisors will be clearly communicated to all clients in the non-affiliated investment advisor's Client Services Agreement and/or other similar documentation. Each non-affiliated investment advisor is required to provide FFS and each of the IARs with a disclosure document statement, typically Schedule H of their Form ADV, and a copy of their Form ADV II.

FFS has also established a relationship with Horizon Investments LLC ("Horizon") to jointly sponsor five "Freedom Portfolios" exclusively for distribution by FFS IARs. The underlying investment in each of the portfolios will be limited to no-load mutual funds or A Share mutual funds bought at NAV or ETF's. FFS serves as the sub advisor on the "Freedom Portfolios." The minimum investment in a "Freedom" account is \$25,000 and the management fee will not exceed 2%.

Compensation is usually received by FFS after services are rendered. Fees paid in advance will be refunded as per the third-party money managers' fee schedule and terms.

### ***Freedom Capital Management Strategies ("FCMS")***

In partnership with sub-advisor Horizon, FCMS is composed of three elements -Foundation, Dynamic and Alternative. IARs have access to a variety of asset models based upon a client's risk tolerance and investment horizon. These models are actively managed to capitalize on opportunities in the global equity and fixed income markets. There is a \$500 minimum balance to open an FCMS account and fees will not exceed 2.75%. Assets in the models custodied at Trust Company of America or the variable annuity sub-accounts may be traded on a discretionary basis (as long as the client has authorized by signing the discretionary paperwork). Investment model and asset allocation decisions are based upon a collaboration between the investment advisor representative and client and take into account many different conditions and goals.

### ***Financial Planning Services***

FFS Financial Planning Services may include an overall review of a client's needs in relation to: retirement, estate planning, investment planning, educational, survivor income, disability income, long term care, business planning, charitable planning and other needs. Fees charged to clients are negotiable at the time of executing the agreement and are all-inclusive. The IAR may request a deposit prior to the delivery of the financial plan and recommendations. Fees may charge at a flat rate fee or a certain fee per hour. Plans must be delivered no later than six months from the date of the agreement. If plan is not delivered within six months from the date of the agreement the IAR is required to return any funds received or request an extension for the plan delivery. A client may terminate a financial planning agreement without penalty by written notice within five business days. After five business days, no fees paid will be refunded.

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## **FEES AND COMPENSATION**

Fees for Freedom Capital Management Strategies, Independence Advisory Accounts and Third Party Money Management services 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 for managing multiple accounts or a combination of percentage of assets under management and commissions. IARs using the 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 Investment Advisory Services 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.

### ***Fee Billing***

All fees for advisory accounts are deducted from the subject advisory account. FCMS and Independence Advisory fees are billed in advance. Third Party Money Management fees are billed accordingly to each companies set account agreements and may vary.

### ***Other Fees***

In addition to fees for assets under management, customers may also be charged for costs associated with executing transactions, commonly referred to as “ticket charges”. A schedule of these charges may be obtained from the client’s IAR. IARs may impose a minimum fee when charging a fixed percentage rate for managing assets. This must be approved in advance in writing by the FFS Compliance Department.

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 shall request pre-approval from the FFS Compliance Department.

### ***Expense Ratios***

Most mutual funds charge a management fee for their services as investment managers. The management fee is called an expense ratio. These fees are in addition to the fees paid by you to FFS. Published performance numbers of mutual funds are calculated after their fees have been deducted.

### ***Termination of Agreement***

Either party may terminate an Investment Advisory Services Agreement at any time with written notice. 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. After five (5) business days, the client will not receive a refund of any 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 for the client/account.

### ***PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT***

FFS does not base any fees upon a share of capital gains on or capital appreciation of the assets of a client. FFS does not use performance based fee schedules because of the potential conflict of interest. This type of compensation may create an incentive for the adviser to recommend an investment that carries higher degree of risk exposure to the client instead of a recommendation based upon a client's need. FFS routinely monitors for areas of conflict of interest in individual transactions, recommendations or product selection.



## **TYPES OF *CLIENTS***

FFS provides advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and corporations or business entities.

### ***Account Minimums***

The minimum account value varies by advisory services:

Independence Advisory Accounts - \$25, 000

Freedom Capital Management Strategies - \$500

Third Party Money Managers – will vary based upon sponsoring company standards

Freedom Portfolios - \$25,000

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### ***Methods of Analysis***

Security, portfolio, or investment analysis may include the following methods: Fundamental, Technical or 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***

The investment strategies used to implement any investment advice given to clients include:

Long term purchase (securities held at least a year); Short term purchases (securities sold within a year); Trading (securities sold within 30 days); Margin transactions; Option writing, including covered options.

### ***Risk of Loss***

Involvement with investment programs or strategies carries with it a certain degrees of risk. Investors must be mindful that not all investments are profitable and do not come with guarantees. The following describe the various types of investment risks:

**Interest- rate Risk:** Interest rate risk affects the value of bonds more directly than stocks, and it is a major risk to all bondholders. As interest rates rise, bond prices fall and vice versa. The rationale is that as interest rates increase, the opportunity cost of holding a bond decreases since investors are able to realize greater yields by switching to other investments that reflect the higher interest rate.

**Market Risk:** The day-to-day potential for an investor to experience losses from fluctuations in securities prices. This risk cannot be diversified away. This type of risk is caused by external factors, such as political, economic and social events, independent of a security's strength or circumstances.

**Inflation Risk:** The uncertainty over the future real value (after inflation) of your investment.

**Currency Risk:** A form of risk that arises from the change in price of one currency against another. Whenever investors or companies have assets or business operations across national borders, they face currency risk if their positions are not hedged.

It is clearly disclosed in all of our client agreements, that there is no guarantee against loss in portfolios administered by the IAR's of FFS or FFS itself or recommended 3<sup>rd</sup> party money managers.

## **DISCIPLINARY INFORMATION**

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment advisory clients.

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### *Financial Industry Activities*

FFS is a broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA").

FFS is affiliated with Founders Financial Securities, LLC Insurance Agency ("FFS Ins. Agency") and wholesales life insurance company variable products. As such, FFS Ins. Agency solely distributes products and does not open or maintain customer accounts, or hold customer funds or securities.

### *Affiliations*

FFS has various agreements and arrangements with third parties to provide money management services, custodial services, and portfolio trading supports that are material to its advisory or its clients. The third parties are licensed and or registered as investment advisors, custodians and independent third party money managers.

Dunham & Associates	Portfolio Strategies	Curian Capital
Morningstar Inc.	SEI Investments Co.	Lockwood Advisors, Inc.
Niemann Capital	Horizon Investments	Folio Portfolios

The relationship of FFS with the non-affiliated investment advisors will be clearly communicated to all clients in the non-affiliated investment advisor's Client Services Agreement and/or other similar documentation. Each non-affiliated investment advisor is required to provide FFS and each of the IARs with a disclosure document statement, typically Schedule H of their Form ADV, and a copy of their Form ADV II.

As FFS has also established a relationship with Horizon Investments LLC ("Horizon") to jointly sponsor five "Freedom Portfolios" exclusively for distribution by FFS IAR's there is a potential for a conflict of interest due to the additional fees received by FFS from the distribution of these portfolios as compared to those from 3<sup>rd</sup> party money managers. To remedy this conflict of interest, we continually update and make available to our IAR's other 3<sup>rd</sup> party managers for their use with their clients.

As FFS has also established its own 3<sup>rd</sup> party management program (FCMS) for distribution by FFS IAR's, there is a potential for a conflict of interest due to the additional fees received by FFS from the distribution of these portfolios as compared to those from 3<sup>rd</sup> party money managers. To remedy this conflict of interest, we continually update and make available to our IAR's other 3<sup>rd</sup> party managers for their use with their clients.

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN *CLIENT* TRANSACTIONS AND PERSONAL TRADING**

### ***Code of Ethics***

Pursuant to Rule 204A – 1 of the Investment Advisors Act of 1940, FFS has adopted and implemented a Code Of Ethics for its employees and affiliated investment advisory representatives. While FFS is confident of its employees and IARs integrity and good faith, there are certain instances where employees or IARs possess knowledge regarding present or future transactions or have the ability to influence portfolio transactions made by employees and/or representatives for their clients in securities for which they may also personally invest. In these situations, personal interest may conflict with that of the Firm's clients.

For additional information or to obtain a copy of the Code of Ethics, you may contact your investment advisory representative or FFS at 1-888-523-1162.

### ***Participation or Interest in Client Transactions***

FFS or related persons may buy or sell for itself or themselves investment products that are recommended to clients. Records will be maintained of all securities bought or sold by FFS, associated persons or related entities. These records will be reviewed by a supervisor of FFS to ensure no conflicts of interest exist with client executions.

### ***Personal Trading***

FFS' Code of Ethics requires that its employees and IARs conduct themselves in such a manner that the interests of the client take precedence over all others and effect securities transactions in such a way to avoid any conflict between the interest of any client and the interest of any associated person of FFS. FFS or related persons may buy or sell for itself or themselves investment products that are recommended to clients. Records will be maintained of all securities bought or sold by FFS, associated persons or related entities. These records will be reviewed by a supervisor of FFS to ensure no conflicts of interest exist with client executions.

## **BROKERAGE PRACTICES**

### ***Selecting Brokerage Firms***

FFS gives full disclosure to clients as to its position as a broker/dealer. FFS will not allow any of its personnel to participate in the selection of investments for clients until the needs of the clients have been determined. FFS does not engage in transaction involving any conflicts of interests. Transactions in the Independence Advisory Accounts will be conducted through FFS with Pershing, LLC. IARs may be compensated for accounts held away from FFS under a Financial Plan Agreement with the client.

## **REVIEW OF ACCOUNTS**

A representative sample of all accounts may be reviewed on a quarterly basis by Richard R. Briggs, CCO, or designated individual(s) under the supervision of Mr. Briggs. This review will be based on the customer's investment objectives, risk tolerance and financial and personal profile. There are three levels of accounts: financial planning services and/or fee-based insurance, sponsored wrap fee and third party managed accounts, and FCMS accounts with which Founders Financial Securities LLC has agreements. Supervisory review of these accounts will include general account activity and other triggering factors such as:

- 1.) fees charged
- 2.) account performance and performance reports
- 3.) customer complaints,
- 4.) products used
- 5.) best execution
- 6.) 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.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

From time to time, FFS and/or its IARs, may engage in solicitor or referral agreements in which a third party will receive compensation for referring clients to FFS. If said third party is not dually qualified to receive advisory fees, then a negotiated flat fee may be paid. If third party is qualified to receive advisory fees as defined by industry rules, that party may receive a percentage of the advisory fees paid to FFS for accounts open by the referred clients.



## **CUSTODY**

### ***Account Statements***

With regard to the wrap fee and third-party managed accounts and FCMS portfolios, performance reports are provided quarterly by custodian(s) or third-party management companies. Clients may also receive an activity statement on a monthly basis detailing account activity for that month.

Performance reports are more comprehensive in nature and are based on the client's stated objectives and risk/return profile. These in-depth reports must comply with AIMR standards which typically include, but are not limited to, total gains/losses by security and at the portfolio level, total returns calculated for the portfolio as compared to benchmark(s) used and other factors. For financial planning and/or fee based insurance clients, investment adviser representatives may include monthly, quarterly, semi-annual and/or annual reports as determined in the client's contractual agreement with the investment adviser representative and FFS.

## **INVESTMENT DISCRETION**

Clients can provide discretionary authority in FFS advisory accounts, Freedom Portfolios, or FCMS accounts. This discretionary authority is limited to buying, selling or otherwise handling investments consistent with stated goals and objectives and disclosures and/or investments in variable life or variable annuity sub accounts.

There are no limitations as to the amount of securities to be bought or sold on a discretionary basis within the advisory account platform.

## **VOTING CLIENT SECURITIES**

FFS does not vote proxies on client securities. Clients are responsible for voting the proxies of their securities and cannot be delegated to FFS. Clients will receive their proxies or other solicitations directly from their custodian or transfer agent. Clients may contact their IAR to discuss voting on proxies or ask questions concerning a particular solicitation that has been received.

## **FINANCIAL INFORMATION**

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