



ADV 2A

February 10, 2021

## Item 1 – Cover Page

# Founders Financial Alliance, LLC

## Form ADV Part 2

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### **NOTICE TO PROSPECTIVE CLIENTS: READ THIS DISCLOSURE BROCHURE IN ITS ENTIRETY**

This Brochure provides information about the qualifications and business practices of Founders Financial Alliance, LLC. If you have any questions about the contents of this Brochure, please contact us at (855) 860-5940 or through our website [at www.foundersfa.com](http://www.foundersfa.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

The use of the term registered investment adviser does not imply any level of skill or training. Additional information about Founders Financial Alliance, LLC also is available on the SEC's Web Site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search by firm name or the firm CRD number. The CRD number for Founders Financial Alliance, LLC is 173011.



## Item 2 – Material Changes

There were no material changes to our ADV Part 2A brochure since the last annual update was submitted.

We will ensure that you receive a summary of any material 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 further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

A copy of the latest brochure may be requested by contacting our compliance department at (855) 860-5940.

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## Item 4 – Advisory Business

Founders Financial Alliance, LLC (“FA” or “Adviser”) is a registered investment adviser. The firm’s founding member, Tom W. Porter, Jr (“Tom”), formed the company in August 2014. Tom is full owner of the firm. FFA is headquartered in Raleigh, NC and has other locations under various DBA names in the following cities:

Albuquerque, NM  
Boca Raton, FL  
Cary, NC  
Raleigh, NC  
Greenville, NC  
Hickory, NC  
Locust, NC  
Pinehurst, NC  
Raleigh, NC  
Wilmington, NC  
Wheeling, WV

FFA provides discretionary and non-discretionary fee-based investment advisory services primarily to individual clients and high-net worth individuals as well as charitable organizations and corporate clients based on the individual goals, objectives, time horizon, needs and risk tolerance of each client. Investment strategies and recommendations by IARs are tailored to the individual needs of each client.

As of December 30, 2020, the Adviser had \$587,384,591 of discretionary assets under management and \$1,108,952 of non-discretionary assets under management.

Portfolio management services may include, but are not limited to, the following:

- Investment strategy
- Asset Allocation
- Risk Tolerance
- Investment Policy
- Asset Selection
- Regular Portfolio Monitoring

Services and fees are in accordance with the descriptions detailed in this document and the advisory account agreement. However, the exact service and fees charged to a client are dependent upon the representative that is working with the client.

The individuals associated with FFA are appropriately licensed and authorized to provide advisory services on behalf of FFA. Individuals associated with FFA may also be registered representatives of LPL Financial, an SEC registered broker/dealer, a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investors Protection Corporation (“SIPC”).

Any securities transactions executed by investment adviser representatives (“IARs”) of FFA in their capacity of a registered representative of LPL Financial shall be directed to LPL Financial. However, clients retain the right to execute securities transactions through the broker/dealer of their choice. FFA and LPL Financial are not affiliated legal entities.

Any and all material conflicts of interest are disclosed herein.

### Asset Management

Assets managed in a wrap fee account are not managed differently from a non-wrap fee account. However, FFA may negotiate a higher fee and received a portion of the wrap fee for services provided. The combined total fee will not exceed 2.0%.

Criteria considered for a wrap vs. non-wrap fee program being offered to clients is the anticipated frequency of trading and other ancillary services that the advisor may provide. Each client’s trading frequency will be evaluated as part of their annual review to determine the most cost-effective program. The fee structure for a wrap vs. non-wrap program is the same because the range allows for consideration of individual client account activity and complexity.

### Specific Advisory Programs

FFA participates in advisory programs sponsored by the broker-dealers as qualifying custodians. Specific details about each program are determined by the program sponsor and subject to change. Client’s should review disclosure documents provided about the specific program they are/will be participating in.

### Financial Planning and Consulting Services

Financial planning and consulting services are tailored to the individual needs of the client. These services may include financial planning agreement, information and recommendations regarding tax planning, investment planning, retirement planning, estate needs, business needs, education planning, life and disability insurance needs, long-term care needs and cash flow/budget planning. The services consider information collected from the client such as financial status, investment objectives and tax status, among other data. Fees for such services are negotiable and detailed in the client agreement.

If the Client desires to purchase securities to implement their financial plan, IARs of FFA may make a variety of products available in their capacity as registered representatives of LPL Financial. This may result in the payment of normal and customary commissions, advisory fees or other types of compensation to FFA and the IAR.

A conflict exists between the interests of an IAR and the interests of a client because there is an incentive to recommend products or services for which the IAR may receive compensation. Compensation also varies among products so there is also an incentive to recommend certain products over others. However, financial planning clients are under no obligation to act upon any recommendations of the IAR or to execute any transactions through an IAR if they decide to follow the recommendations.

Financial planning is made available to all clients as either a comprehensive service or separately that may or may not result in a written plan. The amount of time required per plan can vary greatly depending on the scope and complexity of an individual engagement.

### On-Going Wealth Management Consultations

Clients may also contract FFA for on-going wealth management consultation services on an annual basis. Clients will contract with FFA's IARs to provide advice on various areas of financial concerns and account.

### Third Party Advisory Services

FFA may establish agreements with a third-party adviser where that Adviser offers various types of directly sponsored programs. All third-party investment advisers to whom FFA may refer clients will be licensed as investment advisers by their resident state and any applicable jurisdictions or registered investment advisers with the SEC.

After gathering information about a client's financial situation and investment objectives, FFA may assist the client in selecting a third-party program. FFA receives compensation pursuant to its agreements with these third-party advisers for introducing clients to these third-party advisers and for certain ongoing services provided to clients.

Fees shared will not exceed with any limit imposed by any federal and/or state regulatory agency. This compensation is disclosed in a separate disclosure document and is typically equal to a percentage of the investment advisory fee charged by that third-party adviser or a fixed fee. The disclosure document provided by FFA will clearly state the fees payable to FFA and the impact to the overall fees due to these payments. Since the compensation paid to FFA may differ depending on the agreement with each third-party adviser, FFA has an incentive to recommend one third-party advisers over another however the firm has a fiduciary duty to act in the best interests of the client.

Clients who are referred to third-party investment advisers will receive full disclosure, including services rendered and fee schedules, at the time of the referral, by delivery of a copy of the relevant third-party adviser's Form ADV 2A as well as the Form ADV 2A for FFA. In addition, if the investment program recommended to a client is a wrap fee program the client will also receive the wrap fee program brochure provided by the sponsor of the program.

Clients will be required to enter into an advisory agreement and complete other account specific documents with the third-party money manager to establish an account. While FFA will assist in determining an appropriate third-party adviser, FFA does not participate in the management of accounts established with a third-party money manager.

## FlatFeeCIO Program

Client may contract with a FlatFeeCIO IAR to receive family office style service at a flat fee rate.

Services include:

- Coordination of activities among fiduciaries, agents and or trustees acting on behalf of the client regarding the administration, management and the eventual transfer of their assets to a beneficial party or to fund philanthropic activities.
- Investment management of account by advisor on a discretionary basis. Accounts will be managed through asset allocation based on client's stated goals and risk and return objectives determined through a personal risk survey. Core investment portfolio solutions will primarily consist of, but not limited to, exchange traded fund (ETF) model portfolios offered by leading providers such as Vanguard, State Street, and BlackRock.
- Access to client portal software which allows client to aggregate financial accounts under one system which can also be tied to financial planning data and on-going plan reporting.
- Analysis of overall risk to client according to the client's defined goals and risk tolerance. Software used to calculate levels of risk for invested assets to provide reports to advisor and client for planning needs. Reviewed regularly; at least annually.
- Financial planning software used to forecast core objectives such as retirement planning, college funding, income planning, estate planning and gifting. Financial plans can be tied into aggregation software for better accuracy of forecasting within the plan. Reviewed regularly; at least annually.
- Existing insurance policy review for current needs and overage level accuracy. Will provide recommendations for reducing or adding coverage(s) based on client needs and goals. Reviewed regularly; at least annually.
- For high net worth clients with large amounts of taxable investments producing income; assets will be reviewed for ways to better manage taxable interest and dividends to help reduce overall tax burden to the client. Reviewed regularly; at least annually.

## Retirement Plan Consulting

IARs of FFA may assist clients that are trustees or other fiduciaries to retirement plans ("Plans") by providing fee-based consulting and/or advisory services. IARs may perform one or more of the following services, as selected by the client in the client agreement:

- Assistance in the preparation or review of an investment policy statement ("IPS") for the Plan based upon consultation with client to ascertain Plan's investment objectives and constraints.
- Acting as a liaison between the Plan and service providers, product sponsors or vendors.

- Ongoing monitoring of investment manager(s) or investments in relation to the criteria specified in the Plan's IPS or other written guidelines provided by the client to the IAR.
- Preparation of reports describing the performance of Plan investment manager(s) or investments, as well as comparing the performance to benchmarks.
- Ongoing recommendations, for consideration and selection by client, about specific investments to be held by the Plan or, in the case of a participant-directed defined contribution plan, to be made available as investment options under the Plan.
- Education or training for the members of the Plan investment committee regarding various matters, including plan features, retirement readiness matters, service on the committee, and fiduciary responsibilities.
- Assistance in enrolling Plan participants in the Plan, including conducting an agreed upon number of enrollment meetings. As part of such meetings, IARs may provide participants with information about the Plan, which may include information on the benefits of Plan participation, the benefits of increasing Plan contributions, the impact of pre-retirement withdrawals on retirement income, the terms of the Plan and the operation of the Plan.

If the Plan makes available publicly traded employer stock ("company stock") as an investment option under the Plan, investment advisor representatives do not provide investment advice regarding company stock and are not

responsible for the decision to offer company stock as an investment option. Under retirement plan consulting agreements IARs do not provide any individualized investment advice or recommendations to participants.

In addition, if client elects to engage an IAR to perform ongoing investment monitoring and ongoing investment recommendation services to a Plan subject to ERISA in the client agreement, such services will constitute "investment advice" under Section 3(21)(A)(ii) of ERISA. Therefore, the IAR will be deemed a "fiduciary" as such term is defined under Section 3(21)(A)(ii) of ERISA in connection with those services. Clients should understand that to the extent the IAR is engaged to perform services other than ongoing investment monitoring and recommendations, those services are not "investment advice" under ERISA and therefore, the IAR will not be a "fiduciary" under ERISA with respect to those other services.

From time to time the IAR may make the Plan or Plan participants aware of and may offer services available from the IAR that are separate and apart from the services provided under Retirement Plan Consulting. Such other services may be services to the Plan, to a client with respect to client's responsibilities to the Plan and/or to one or more Plan participants.

In offering any such services, the IAR is not acting as a fiduciary under ERISA with respect to such offering of services. If any such separate services are offered to a client, the client will make an independent assessment of such services without reliance on the advice or judgment of the IAR. Such service may include:

Assistance with investment education seminars and meetings for Plan participants. Such meetings may be on a group or individual basis and may include information about the investment options under the Plan (e.g., investment objectives, risk/return characteristics, and historical performance), investment concepts (e.g., diversification, asset classes, and risk and return), and how to determine investment time horizons and assess risk tolerance.



Such meetings do not include specific investment advice about investment options under the Plan as being appropriate for a particular participant.

- Assistance at client's direction in making changes to investment options under the Plan. As part of the ongoing investment recommendation service set out above, assistance in identifying investment options regarding the "broad range" requirement of Section 404(c) of the Employee Retirement Income Security Act of 1974 ("ERISA").
- As part of the ongoing investment recommendation service set out above, assistance in identifying an investment fund product or model portfolio regarding the definition of a "Qualified Default Investment Alternative" ("QDIA") under ERISA.
- Assistance with the preparation, distribution and evaluation of Request for Proposals, finalist interviews, and conversion support regarding vendor analysis and service provider supports.
- Preparation of comparisons of Plan data (e.g., regarding fees and services and participant's enrollment and contributions) to data from the Plan's prior years and/or a benchmark group of similar plans.
- Assistance in identifying the fees and other costs borne by the Plan for, a specified client, investment management, recordkeeping, participant education, participant communication and/or other services provided with respect to the Plan.

### Turnkey Advisor Services

FFA provides turnkey advisor services to IARs. These include administrative, coaching, marketing, technology, office leasing and compliance services. FFA's focus is on providing support to IARs who are looking to build an independent practice while using FFA services to support and assist in complying their operations.

### Other Considerations

Client needs to understand that in the event of death or incapacity during the term of an advisory agreement, the authority of FFA under an advisory agreement shall remain in full force and effect until such time as FFA is notified otherwise in writing by the authorized representative of client or client's estate. Termination of an advisory agreement will not affect the liabilities or obligations of the parties from transactions initiated prior to termination.

Economic commentaries provided by third parties are provided at no cost. The IAR may receive additional cash or non-cash compensation from advisory product sponsors. Such compensation may not be tied to the sales of any products. Compensation may include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives.

Some client prospects may be given access to third-party software programs at no cost to themselves. This access will be given at the discretion of the IAR.

See Item 5 for information on fees.

## Item 5 – Fees and Compensation

The specific way fees are charged is established in a client's written agreement. For asset management services, the fee is negotiable up to 2% of assets under management as of the last business day of the previous quarter. Clients can determine to engage the services of FFA on a discretionary or non-discretionary basis. The firm's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under the firm's management to be charged quarterly in advance or in arrears as defined in the account agreement. Firm IARs may at their discretion negotiate a fee in accordance with the below fee schedule:

<b>Total Assets Under Management</b>	<b>Maximum Annual Fee</b>
First - \$0 - \$500,000	Up to 2%
Next - \$500,001 - \$1,000,000	Up to 1.95%
Next - \$1,000,001 - \$5,000,000	Up to 1.9%
More than \$5,000,000	Negotiable

Lower fees for comparable services may be available from other sources.

Clients may terminate the agreement without penalty for a full refund of Founders Financial Alliance's fees within five business days of signing the Investment Advisory Contract.

Thereafter, clients may terminate the Investment Advisory Contract generally with 30 day's written notice. Clients may be charged additional fees by LPL or other broker-dealers/custodians if participating in certain individual advisory programs. These fees will be referred to as program fees and/or manager or strategist fees. These fees will be discussed in the client account application or advisory agreement.

FFA does not directly deduct fees but is paid by the qualified custodian. For certain custodians FFA may be required to calculate the fee and send a fee payment invoice to the custodian who then pulls those fees from the client accounts and remits those payments to FFA. If the advisory agreement is terminated before the end of the quarterly period, the client is entitled to a pro-rated refund of any pre-paid quarterly advisory fee based on the number of days remaining in the quarter after the termination date. This refund will be processed by the custodian.

The assets under management advisory fee is calculated using the following formula:

$[\text{Initial Deposit} \times \text{Advisory Fee}] / 360 \times \text{Prorated Days} = \text{Arrears Billing}$

$[\text{Quarter End Value} \times \text{Advisory Fee}] / 360 \times 90 = \text{Advance Billing}$

In certain cases where a custodian other than LPL is selected by the client, FFA will pay 5bps on the AUM at the other custodian to LPL as an oversight fee. This payment comes from the portion of advisory fee that would otherwise be paid to the IAR. This presents a conflict of interest in that advisory representatives have a financial incentive to recommend LPL as custodian. This fee does not pertain to advisors who are considered IAR only advisors and do not utilize LPL for its broker/dealer or custodian services. FFA takes its responsibility to clients seriously and will recommend a custodian to clients on if it believes it be in the best interest of the client.

**Pension Consulting Fees**

FFA offers the following optional flat fee arrangement for pension consulting agreements. The determined annual fee will be increased each year with a cost of living adjustment of an agreed upon percentage.

- Frequency (monthly, quarterly, annually, or other)
- Timing (fees will be charged quarterly in advance, or arrears)
- Method (based on the value of plan assets in the method determined by the third-party payer or based on the value of the plan assets at the beginning of the quarter, or end of quarter).

The minimum flat fee range is generally between \$2,000 and \$5,000 annually depending on the size, complexity and services offered.

Fees will be paid by the investment provider or other third party, and/or out of Plan Assets, in accordance with the third party's policies accepted by Sponsor, or Invoice Plan Sponsor directly at Sponsor's address.

**Financial Planning & Consulting Fees**

FFA charges clients an hourly or fixed fee for one-time financial planning and consulting services. Fixed fees generally range from \$200 to \$15,000 and the hourly fee generally ranges from \$200 to \$400. A higher or lower fee may apply under extenuating circumstances and requires approval by the Chief Compliance Officer.

The total estimated fee, as well as the ultimate fee that we charge, is based on the scope and complexity of the specific engagement. The following criteria will be considered but isn't limited to Total Income (wages, investment, business, alimony, rental, etc.), Net Worth, Marital Status, Tax Bracket, Assets Under Management,

Children, Education Costs, Timeframe, Objectives, Account Types and Holdings, Investment Experience, Budget, Expected Number of Meeting / Phone Conferences, Amount of material required to review, Number of Accounts, and Type of Holdings.

The payment schedules are negotiated but generally require 50% up front and the balance upon completion. If a client terminates the services, they will be entitled to a refund of any unearned fees by subtracting the time already committed multiplied by an hourly rate not to exceed \$400 depending on the complexity of the work completed from the amount paid up front. FFA does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Fees are payable by check to Founders Financial Alliance, LLC.

**Ongoing Consulting Fees**

When a client engages an FFA IAR in ongoing consulting the IAR will charge an annual fee for on-going wealth management consultations services. Fees will generally range from \$1,000 to \$20,000 per year but can be lower or higher based on each individual situation, with no minimum annual fee.

Fees will be determined based upon the complexity of the client's financial situation; the services being provided and the estimated amount of time the client will use an FFA IAR during the year. Fees will be billed based on the negotiated agreement with the client and may be collected in advance or arrears.

Fees will be due and payable upon receipt of billing notice from FFA. The amount of the fee and the way the fee will be billed will be determined prior to services being provided and will be disclosed in the client agreement executed by FFA and the client. Either party may terminate services at any time by notifying all appropriate parties in writing.

**FlatFeeCIO Program**

Under the FlatFeeCIO program the IAR and client will negotiate an annual flat fee to be paid by the client for services rendered. Fees for this program are not to exceed \$30,000 and will be assessed and billed quarterly, in advance.

Under this agreement the Advisor will charge a 0% AUM fee on assets directly managed by the Advisor. All services including advisory asset management are included in the agreed upon flat fee dollar amount. The Advisor will invoice the client by mail or electronic delivery each quarter for the agreed upon annual flat fee, paid quarterly. The Client will have discretion to pay the fee in a manner they feel is best for them, i.e., ACH, credit card, check, third party directed pay from investments. The Advisor does not have the discretion to pull or push funds to or from the Client accounts to pay FlatFeeCIO fee invoices.

If Advisor recommends a client seek advice or services from other third-party resources (i.e. CPAs, Attorneys, Banks, etc...) additional fees may be charged by those third-parties for services rendered which will be separate and distinct from the FlatFeeCIO fee.

If the client engages the advisor to manage assets in an account directed by the advisor there will be additional internal investment expenses and transaction costs assessed outside of the fee negotiated under the FlatFeeCIO program. Client should be aware these are fees assessed by the management of the fund, security, or account custodian and are not paid to the advisor.

**Other Types of Fees & Expenses**

Clients may incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm that the trades are executed through. Also, clients will pay the following separately incurred expenses, which we do not receive any part of: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

Custodians are increasingly creating agreements with sponsors to offer fund families and exchange traded securities with no transaction charges. These agreements create a conflict of interest for the advisor in that an advisor has an incentive to choose these funds for their clients to save the client those costs in non-wrap accounts or to save the advisor those costs in wrap accounts. Advisors are expected to conduct themselves in a fiduciary capacity and choose securities based on their client's best interest.

**Commission Compensation**

IARs may receive brokerage or mutual fund trail commissions from the sale of securities, in their capacity as registered representatives of LPL Financial. A conflict of interest is created whenever the Adviser or an associated person of the Adviser recommends products or services to a client for which the Adviser or an associated person receives compensation. The Adviser monitors trading practices and regularly reviews client securities transactions to protect clients against this conflict of interest. Clients are advised that they are not required to purchase or sell securities through the IARs acting in the capacity of registered representatives of LPL Financial and may purchase the same securities or products from another broker-dealer.

LPL enables FFA to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. LPL Financial commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by LPL Financial may be higher or lower than those charged by other custodians and broker/dealers. Advisory fees are generally reduced to offset commissions or markups. Please see Item 12 for additional information regarding brokerage practices.

**Third Party Advisors**

There is not a split fee arrangement but each advisor charges independent fees not to exceed 2% in total. The qualified custodian is authorized by the client under separate agreement to calculate and deduct the advisory fee. The total advisory fee is paid to the third-party advisor who makes payment to FFA by agreement, not an invoice. This annual fee shall be pro-rated and paid monthly or quarterly, in advance or in arrears, from the fees received by the Adviser pursuant to the Program Agreement and based upon the market value of the Assets on the last business day of the previous calendar month or quarter.

No increase in the annual fee shall be effective without prior written notification to the Adviser.

If the advisory agreement is terminated before the end of the quarterly period, client is entitled to a pro-rated refund of any pre-paid quarterly advisory fee based on the number of days remaining in the month or quarter after the termination date. Lower fees for comparable services may be available from other sources.

**Past Due Accounts**

FFA reserves the right to end work on any account that is more than 60 days overdue. FFA reserves the right to end any financial planning agreement where, in the judgment of FFA, the client has purposefully withheld or refused to provide accurate information about financial situations which hinder providing proper financial advice.

**Other Considerations**

When the firm's representatives sell an investment product on a commission basis, the firm does not charge an advisory fee in addition to the commissions paid by the client for such product. In addition, the fee structure is discussed with clients prior to any transactions.

When providing services on an advisory fee basis, FFA's IARs do not also receive commission compensation for such advisory services (except for any ongoing 12b-1 trailing commission compensation that may be received). However, a client may engage the firm to provide investment management services for an advisory fee and purchase an investment product from the firm's representatives on a separate and additional commission basis.

Fees for services are typically based on the value of assets under management and will vary by engagement. The amount of the fee will be set out in the client agreement executed by the client at the time the relationship is established. The advisory fee is negotiable between the IAR and the client and is payable in advance or in arrears as described in the client agreement.

IARs receive compensation as a result of a client's participation in an LPL or other sponsor program. Depending on, among other things, the size of the account, changes in its value over time, the ability to negotiate fees or commissions and the number of transactions, the amount of this compensation may be more or less than what the Advisor would receive if the client participated in other programs, whether through LPL or another sponsor, or paid separately for investment advice, brokerage and other services. LPL serves as program sponsor, investment advisor and broker/dealer for the LPL advisory programs. FFA and LPL may share in the account fee and other fees associated with program accounts. Associated persons of FFA may also be registered representatives of LPL.

Lower fees for comparable services may be available from other sources.

Economic commentaries provided by LPL Financial are provided at no cost and are available on the firm's website under the resources tab.

If a client does not receive this brochure at least 48 hours prior to entering into an investment advisory agreement, the advisory client has a right to terminate the contract without penalty within five business days after entering the contract.

## Item 6 – Performance-Based Fees and Side-by-Side Management

Neither the firm nor any supervised persons accepts performance-based fees, fees based on a share of capital gains, or on the capital appreciation of assets. FFA does not provide advisory services to such clients as hedge fund or other pooled investment vehicles.

## Item 7 – Types of Clients

The advisory services offered by FFA are available for individuals, individual retirement accounts ("IRAs"), banks and thrift institutions, pension and profit-sharing plans, including plans subject to Employee Retirement Income Security Act of 1974 ("ERISA"), trusts, estates, charitable organizations, state and municipal government entities, corporations and other business entities.

There are no minimum account values required unless outlined in a sponsored programs disclosure document. These would be accounts provided by a custodian where the assets are managed by a third-party manager versus the advisor managing the assets themselves.

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

We emphasize continuous and regular account supervision. As part of our asset management service, we generally create a portfolio, consisting of individual stocks or bonds, exchange traded funds (“ETFs”), options, mutual funds and other public and private securities or investments.

FFA uses an evidence-based approach to investing. The focus of this approach is understanding best practices and knowledge by academic and industry related research. This research is ongoing and will continue to inform the recommendations FFA makes to its clients. Typical sources of research include financial newspapers and magazines, research materials prepared by others, mutual fund rating services, financial news, financial data providers, analyst research reports, annual reports and prospectuses. FFA continually adapts its investment strategies to market conditions and individual client needs.

The client’s individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Each portfolio will be initially designed to meet a specific investment goal, which we determine to be suitable to the client’s circumstances. Once the appropriate portfolio has been determined, we review the portfolio at least annually and if necessary, rebalance the portfolio based upon the client’s individual needs, stated goals and objectives. Each client can place reasonable restrictions on the types of investments to be held in the portfolio.

The firm may use one or more of the following methods to formulate investment advice when managing assets. Depending on the analysis the firm will implement a long or short-term trading strategy based on the objectives and risk tolerance of a particular client.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages. Fundamental analysis concentrates on factors that determine a company’s value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Modern Portfolio Theory** is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various assets. Modern Portfolio Theory assumes that investors are risk adverse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns.



Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics.

The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile.

**Third Party Manager Analysis** – Our IARs examine the experience, expertise, investment philosophies, and past performance of independent third-party managers in an attempt to determine if a manager has demonstrated an ability to invest over a period of time and in different economic conditions.

Additionally, as part of their due diligence, the IARs may survey the manager's compliance and business enterprise risks. A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is a risk that a manager may deviate from the stated investment strategy of the portfolio, making it a less suitable investment for our clients.

Moreover, as we do not control the manager's daily business and compliance operations, it is possible for us to miss the absence of internal controls necessary to prevent business, regulatory or reputational deficiencies.

**Technical analysis** involves the analysis of past market data; primarily price and volume. Technical analysis attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not take into account new patterns that emerge over time.

**Cyclical analysis** involves the analysis of business cycles to find favorable conditions for buying and/or selling a security. Cyclical analysis assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns; and 2) if too many investors begin to implement this strategy, then it changes the very cycles these investors are trying to exploit.

Please note, investing in securities involves risk of loss that clients should be prepared to bear. There are different types of investments that involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy will be profitable or equal any specific performance level(s). Past performance is not indicative of future results.

The firm's methods of analysis and investment strategies do not represent any significant or unusual risks; however, all strategies have inherent risks and performance limitations such as:

1. **Asset Valuation Risk:** The identification of securities and other assets believed to be undervalued is a difficult task and there are no assurances that such opportunities will be successfully recognized or acquired.
2. **Stock Market Risk:** The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.



3. **Technical Risk:** This type of analysis utilizes statistics to determine trends in security prices. Technical analysis tends to focus on but is not limited to factors such as trading volume, demand, and volatility. Technical chart analysis is also used which involves the assessment of historical charts and graphs.
4. **Sector Risk:** The chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market.
5. **Non-Diversification/Concentration Risk:** The chance that performance may be hurt disproportionately by poor performance of relatively few stocks or even a single stock.
6. **Foreign Security Risk:** Foreign securities are subject to the same market risk as US securities and involve risk of loss due to political, economic, legal, regulatory and currency risk. There are also differences in accounting and financial reporting standards.
7. **Interest Rate Risk:** Bonds experience market risk because of changes in interest rates. The general rule is that if interest rates rise, bond prices will fall. The reverse is also true, if interest rates fall, bond prices will generally rise. A bond with a longer maturity will typically fluctuate more in price than a shorter-term bond. Shorter term money market instruments carry less interest rate risk.
8. **Cybersecurity Risk** – The risk of actual and attempted cyber-attacks, including denial-of-service attacks, and harm to technology infrastructure and data from misappropriation or corruption, and reputation harm. Due to interconnectivity with third-party vendors, central agents, exchanges, clearing houses and other financial institutions, indirectly the Advisory Accounts, could be adversely impacted if any of them is subject to a successful cyber-attack or other information security event. Although we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to unauthorized access, misuse, computer viruses or other malicious code and other events that could have a security impact or render us unable to transact business on behalf of Advisory Accounts.
9. **Annuity Risk:** Annuities are a retirement product for those who may have the ability to pay a premium now and want to guarantee they receive certain monthly payments or a return on investment later in the future. Annuities are contracts issued by a life insurance company designed to meet requirement or other long-term goals. An annuity is not a life insurance policy. Variable annuities are designed to be long-term investments, to meet retirement and other long-range goals. Variable annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges may apply if you withdraw your money early. Variable annuities also involve investment risks; just as mutual funds do.
10. **Credit Risk:** The risk that an investor could lose money if the issuer or guarantor of a fixed income security is unable or unwilling to meet its financial obligations.
11. **Data Sources Risk:** Information from third-party data sources the Firm uses may be incorrect.
12. **Bankruptcy Risk:** The risk a company in which a client is invested may become involved in a bankruptcy or other liquidation proceeding.
13. **Cash Management Risk:** Accounts may be invested temporarily in money market funds or other similar types of investments, during which time an account may be prevented from achieving its investment objectives.
14. **Fixed Income Securities Risk:** Securities are subject to the guarantor's inability to meet obligations to meet principal and interest payments and to price volatility.
15. **Investment Style Risk:** The risk an account may under or outperform another account that invests in similar asset classes but uses a different investment style or strategy.

16. **Model Risk:** Accounts may be managed and include the use of various proprietary quantitative or investment models. There may be deficiencies in the design or operation of the model or software or hardware malfunctions outside of the control of the Firm. There is no guarantee that the use of these models will result in effective investment decisions for an account.
17. **Operational Risk:** The risk of loss arising from shortcoming or failures in internal processes or systems of the Firm, external events impacting operations system and human error. This risk can arise from many factors ranging from basic processing errors to potentially costly incidents like major system failures.
18. **Tax Risk, Legal, and Regulatory Risk:** The risk a loss may occur due to unanticipated changes in the tax, legal or regulatory treatment of certain investment holdings and/or the income generated from those holdings.
19. **Tactical Tilt Risk:** Advisors may use tactical investment ideas derived from short-term market views. There are material risks related to the use of Tactical Tilts for account. For example, the timing for implementing a Tactical tilt or unwinding a position can materially affect the performance of such Tactical Tilt.
20. **Exchange Traded Funds (ETFs):** ETFs are investments whose shares are bought and sold on security exchanges. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some ETFs are SPDRs, Power Shares, and I Shares. Our investment strategies could purchase ETFs to gain exposure to a portion of the US or foreign markets, sectors, industry or commodities. Our investment strategies investing in another investment company will bear their pro rata share of the other investment company's advisory fee and other expenses in addition to their own. Specifically, ETFs, depending on the underlying portfolio and its size, can have a wide price (Bid and Ask) spreads, thus diluting or negating any upward price movements of the ETF or enhancing any downward price movement. Also, ETFs, require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of an ETF. Certain ETFs employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, collateral, and liquidity of the supporting collateral. The use of leverage increases interest rate cost to the ETF as well as increase the level of volatility.
21. **Commodities:** Commodities include soft assets such as crops and coffee that are generally extracted from the ground, as well as hard assets such as minerals and metals that are mined. Investment in commodities carries significant risks, including price, credit and market risk. Many physical commodities, as well as intangible commodities (such as security or fixed income indices) serve as the underlying to commodity future contracts.
22. **US Government Securities:** U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.
23. **REIT (Real Estate Investment Trust):** A REIT is an investment vehicle that must invest at least 75% of the total assets in real estate ventures and the operation of commercial properties such as apartment complexes, hospitals, office buildings, timber land, warehouses, hotels and shopping malls. Returns are based on the revenue of the underlying real property. A REIT is required to distribute at least 90% of taxable income to shareholders annually in the form of dividends. That means that after property upkeep and management costs are paid, the REIT has to pay out at least 90% of the profit and can keep up to 10% for new investments. Because of this requirement, many REITs pay very high dividend rates, some of which is a return of capital (a non-taxed return of the initial amount invested). There

are three primary types of REITs:

1. **Equity REITs** invest in and own properties.
2. **Mortgage REITs** invest in and own property mortgages.
3. **Hybrid REITs** invest in both properties and mortgages.

REITs provide a liquid and non-capital intensive way to invest in real estate without actually owning the property. REITs are subject to different risk tranches that include factors such as specific geographic region, concentration risk and housing trends.

24. **Alternative Investments:** Alternative investment products, including hedge funds and managed futures, involve a high degree of risk, often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not always required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees which may offset any trading profits, and in many cases the underlying investments are not transparent and are known only to the investment manager. Alternative investment performance can be volatile.
25. **Options:** Options are contracts that give the purchaser the right, but not the obligation, to buy or sell a security, such as a stock or exchange-traded fund, at a fixed price within a specific period of time. Options can help investors manage risk. But buying and selling options also involves risk, and it is possible to lose money.
26. **Mutual fund Securities:** The major risk of investing in a mutual fund include the quality and experience of the mutual fund portfolio management team and their ability to create fund value by investing in securities that have growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries.

## Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of an advisory firm or the integrity of a firm's management.

Any such disciplinary information for the company and the company's investment advisor representatives would be provided herein and publicly accessible by selecting the Investment Advisor Search option at <http://www.adviserinfo.sec.gov>. There are no legal or disciplinary events to disclose.

## Item 10 – Other Financial Industry Activities and Affiliations

### Registered Representatives:

IARs may also be registered representatives of LPL Financial, an unaffiliated SEC registered and FINRA/SIPC member broker/dealer. Clients may choose to engage a registered investment advisor in their capacity as a registered representative of the unaffiliated LPL Financial broker/dealer, to implement investment recommendations on a commission basis. IARs of FFA may receive compensation for the sale of securities or other investment products in their capacity as a registered representative of LPL Financial.

### Insurance Agents/Brokers:

Representatives of our firm may also be insurance agents/brokers. They may offer insurance products and



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receive customary fees as a result of insurance sales. Insurance products will only be offered in states where the representative offering insurance is properly licensed.

A conflict of interest is created whenever the Adviser or an associated person of the Adviser recommends products or services to a client for which the Adviser or an associated person receives compensation. Such potential conflicts of interest are subject to review by the Chief Compliance Officer.

### **Certified Public Accountants:**

Certain IARs may be certified public accountants (CPAs) and offer accounting services through their separate accounting practice. FFA does not endorse or recommend the services of the IARs in their capacity as CPAs. Further, none of the services offered by FFA are to be considered legal or accounting services. Clients are under no obligation to participate in accounting services offered by IARs who may be CPAs.

### **Attorneys:**

Representatives of our firm may also be attorneys. They may offer legal advice and receive customary fees as a result of legal advice rendered through their law practice. FFA does not endorse or recommend the services of the IARs in their capacity as an attorney. Further, none of the services offered by FFA are to be considered legal or accounting services. Clients are under no obligation to participate in legal services offered by IARs who may be attorneys.

### **Third Party Advisory Services:**

FFA may recommend or select other investment advisers for our clients and receive compensation directly or indirectly from those advisers that creates a material conflict of interest. Depending on the specific engagement, FFA may split advisory fees with a third-party investment adviser but the total fee charged to client will not exceed 2.0%.

When FFA recommends the services of a third-party manager who has agreed to share a portion of its management fee there is a conflict of interest. In addition, the compensation paid to FFA by third party managers may vary and, thus, there may be an additional conflict of interest in recommending a manager who shares a larger portion of its advisory fees over another manager. Fees charged are not higher than they would have been if they were obtained directly from the third-party money manager.

FFA will ensure third party investment advisers are properly registered, licensed, and/or notice-filed with the appropriate state(s).

This conflict and mitigation practices are further details in Item 4.

### **Office of Supervisory Jurisdiction (OSJ):**

FFA is affiliated with LPL Financial as a Hybrid RIA firm. This means that FFA is operating as an RIA and separate entity from LPL Financial. Concurrently FFA advisors can operate as Registered Representatives (RRs) with LPL Financial acting as their broker/dealer firm. In these instances, FFA firm management also serves as the OSJ for those advisors and provides compliance supervision services under LPL Financial OSJ written supervisory procedures. The firm would receive an agreed upon percentage or flat fee amount of commissions generated

by an advisor receiving OSJ services provided by the firm. This includes portions of possible production bonuses earned by the advisor under the LPL Financial broker/dealer agreement.

Because of our relationship with broker/dealers or other custodians, the firm will receive production bonuses and other things of value such as free or reduced-cost attendance at national sales conferences or top producer forums and events. Such compensation may be based on overall business produced and/or on the amount of assets services through the broker/dealer or custodian. There is financial incentive to recommend that you establish an account so that we will be compensated. We take our responsibilities to clients seriously and we will only recommend that clients hire us for management services if we believe it is appropriate and in their best interests.

**Office Rental Agreements:**

FFA may own or lease office properties which can then be sub-leased to IARs of the firm or registered representatives which operate under the Office of Supervisory Jurisdiction associated with firm management.

**Administrative Support Services:**

FFA employs licensed administrative support staff to work directly with IARs and RRs under firm supervision to provide client support services for advisors who need those types of services in their practices. These services include but not limited to: account opening, trading, client management, phone support, and reporting services. For these services the advisor will reach an agreement to pay to the firm an agreed upon monthly amount for access to an administrative support member.

**Consulting for Registered Investment Advisor Firms:**

FFA has the option to enter into consulting agreements with other Registered Investment Advisor (RIA) firms to provide consulting services with regards to establishment, operations, compliance, and management of the firm and the firm's services.

**Additional Disclosures:**

Neither FFA nor any of the management persons are registered or has a registration pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Neither FFA nor any investment advisor representatives registered with FFA have an application pending to become a broker/dealer. However, investment advisor representatives of FFA may also be registered representatives, in their individual capacity, of LPL Financial, a FINRA/SIPC member broker dealer.

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

FFA maintains a Code of Ethics, which serves to establish a standard of business conduct for all employees that are based upon fundamental principles of openness, integrity, honesty and trust.

The code of ethics includes guidelines regarding personal securities transactions of its employees and

code of ethics permits employees and IARs or related persons to invest for their own personal accounts in the same or different securities that an IAR may purchase for clients in program accounts. This presents a conflict of interest because trading by an employee or IARs in a personal securities account in the same or different security on or about the same time as trading by a client could potentially disadvantage the client. FFA addresses this conflict of interest by requiring in its code of ethics that employees and investment advisor representatives report certain personal securities transactions and holdings to the Chief Compliance Officer for review.

An IAR is considered a fiduciary. As a fiduciary, it is an IAR's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures.

We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients.

This disclosure is provided to give all clients a summary of our Code of Ethics.

However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction being implemented for an advisory account, thereby preventing an employee from benefiting from transactions placed on behalf of advisory accounts.

Neither FFA nor a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest.

However, IARs or related person may invest in the same securities (or related securities, e.g., warrants, options or futures) that is recommended to a client(s), which may be at or about the same time. This represents a conflict of interest which is mitigated by the fiduciary duty of an IAR to act in the best interests of their client.

Personal trading is also subject to review by the chief compliance officer.

### **Additional Conflict of Interest Disclosures**

The Adviser is subject to the following circumstances related to investment limitations imposed by the Adviser or third parties:

- Limitations that the Adviser imposes (i.e. type or class of clients, advice, or transactions, etc.) - The Adviser requests the use of institutional share classes when able and to convert any A or C share asset that is transferred into a client account promptly upon transfer.

The Adviser considers the following factors when making recommendations to clients regarding share classes with different fee structures:

- Whether the Adviser would bear the cost of a transaction fee versus no cost to the adviser. – The Adviser has the option with some custodians to have ticket charges charged to the client or the Adviser. Usually, the Adviser has fees charged to itself, but in some cases the client may pay these charges. Disclosure of these charges is made at the time of account opening.

Any of the above situations will result in a conflict of interest by creating an incentive for the Adviser or associated persons to recommend a particular investment product or service.

The Adviser informs clients that they are under no obligation to act upon any recommendations or execute any transactions and may elect to do business with other advisers or broker-dealers at any time.

## Item 12 – Brokerage Practices

FFA will recommend the use of several broker-dealers, including, but not limited to LPL Financial, Charles Schwab (“Schwab”), Fidelity, Pershing, LLC (“Pershing”), Raymond James, and TD Ameritrade, Inc. (“TD Ameritrade”) (collectively, the “Custodians”). FFA is independently owned and operated and not affiliated with any of the aforementioned broker-dealers.

### Research and Other Benefits

FFA may receive support services and/or products from the Custodians, many of which may assist FFA to better monitor and service program accounts maintained on behalf of its clients. These support services and/or products may be received without cost, at a discount, and/or at a negotiated rate, and may include the following: CRM Software, trading platforms, reporting services, custodian back-office servicing software, etc...

These support services are provided to FFA based on the overall relationship with FFA not the result of soft dollar arrangements or any other express arrangements with the Custodians that involves the execution of client transactions as a condition to the receipt of services. FFA will continue to receive the services regardless of the volume of client transactions executed with the Custodians. Clients do not pay more for services as a result of this arrangement.

FFA, in some instances, enters into agreements where a service provider agrees to pay for the services of a third-party vendor. These services would include agreements with Charles Schwab & Co., Inc., Fidelity Brokerage Services, LLC, TD Ameritrade and other custodians. Further, in certain situations, FFA may inherit Client relationships that previously include a soft dollar arrangement. In these cases, it is FFA’s policy to review the relationships for conflicts of interest, and if appropriate, to wind down any relationships of this nature as soon as practicable. Third party service providers may also refer Clients (see Fidelity Wealth Advisory Solutions Program, Schwab Advisor Network & TD Ameritrade AdvisorDirect Client Referrals below) or adviser partner candidates to FFA.

To offset the costs of transitioning new Client assets, the Client’s account custodian may agree to

reimburse the 23



Client for all or a portion of their account transfer fees. In order for the custodian to pay transaction costs, certain minimum asset transition thresholds may be required to be met. If the minimum asset transition amounts are not met, the reimbursement will not be made and the Client would be responsible for paying their transition expense. The payment of transition expense by a custodian creates a conflict of interest as the reduced expense may be a deciding factor to transition assets to FFA. Thus, FFA may have an incentive to recommend a custodian that will cover this expense over one that doesn't. To address this conflict of interest, prospective Clients can choose to not transfer their assets from their existing custodian or choose a different custodian than the one recommended by FFA. Choosing a different custodian may restrict FFA's ability to manage the Client's assets. While as a fiduciary, FFA seeks to act in its Clients' best interests, FFA's recommendation that Clients maintain their assets in accounts at a particular custodian may be based in part on the benefit to FFA, including the availability of some of the foregoing products and services and not solely on the nature, cost, or quality of custody and brokerage services provided. This may benefit FFA more than individual Clients. FFA may have an incentive to select or recommend a broker-dealer based on its interest in receiving these benefits, rather than the Client's interest in receiving the most favorable execution. It's possible that Clients would pay lower commissions by using a broker-dealer that does not provide any benefit to FFA. A conflict of interest exists when the services provided by the vendor are based on the amount of Client assets that FFA maintains with the third-party service provider. To address this conflict, FFA will not compromise its best execution and fiduciary responsibility to its Clients.

**Selection of Brokers/Dealers and/or Custodians**

There is no corresponding commitment made by the FFA to the Custodians or any other entity to invest any specific amount or percentage of client assets in any specific securities as a result of the arrangement. Custodians offer services which include custody of securities, trade execution, clearance and settlement of transactions.

Adviser examines potential conflicts of interest when choosing to enter relationships with Custodians and has determined that the relationship is in the best interest of the clients and satisfies fiduciary obligations, including the duty to seek best execution.

Clients may pay a commission to the Custodians that is higher than another qualified broker dealer might charge to affect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness.

Accordingly, although Adviser will seek competitive rates, to the benefit of all clients, the Adviser may not necessarily obtain the lowest possible commission rates for specific client account transactions.

Adviser recommendation of Custodians to clients is based clients' interests in receiving best execution and the level of competitive, professional services the Custodians provides. The Adviser does not receive client brokerage commissions (or markups or markdowns) to obtain research or other products or services. Neither does Adviser receive brokerage commissions for client referrals.



Each client that chooses the Custodians will be required to establish an account if not already done. Please note that not all advisers have this requirement.

**Trade Aggregation**

For advisory services, FFA and its related persons may aggregate transactions in equity and fixed income securities for a client with other clients to improve the quality of execution.

When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the client account will be deemed to have purchased or sold its proportionate share of the securities involved at the average price obtained. FFA and its related persons may determine not to aggregate transactions, for example, based on the size of the trades, number of client accounts, the timing of trades, the liquidity of the securities and the discretionary or non-discretionary nature of the trades. If FFA or its related persons do not aggregate orders, some clients purchasing securities around the same time may receive a less favorable price than other clients.

This means that this practice of not aggregating may cost clients more money.

Clients may direct their brokerage transactions at a firm other than the Custodians. However, we may be unable to achieve more favorable executions of client transactions. Client directed brokerage may cost clients more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices.

The Custodians may aggregate transactions in equity and fixed income securities for a client with other clients to improve the quality of execution. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the client account will be deemed to have purchased or sold its proportionate share of the securities involved at the average price obtained.

**Co-Branding Disclosure**

Adviser offers services through our network of investment advisor representatives (“Advisor Representatives” or “IARs”). IARs may have their own legal business entities whose trade names and logos are used for marketing purposes and may appear on marketing materials or client statements. These legal business entities are not registered investment advisor firms and are created for marketing purposes only. Clients should understand that the businesses are legal entities of the IAR and not of Founders Financial Alliance, LLC. The IARs are under the supervision of Founders Financial Alliance, LLC, and the advisory services of the IAR are provided through Founders Financial Alliance, LLC, a registered investment advisor. Founders Financial Alliance, LLC has the arrangement described above with the following Advisor Representatives: Founders Wealth Partners, LLC, DeFranco Financial and FlatFeeCIO.

## Item 13 – Review of Accounts

IARs conduct reviews of client advisory accounts, at least annually a review will be conducted (in person, via telephone, email, or teleconference). Reviews are conducted for consistency with the client's stated investment objectives, among other factors. All investment advisory clients are advised that it remains their responsibility to inform FFA of any changes in their investment objectives and/or financial situation.

IARs may also conduct account reviews based on the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and by client request.

Each Client with an investment management agreement receives an account statement of their account(s) at least quarterly from the custodian. The statement provides detailed information including: transactions, fee debits, and other activity during the period, securities positions and money fund positions and their end-of-period fair market values. Year-end summaries of realized gains and losses (IRS Schedule D information), and dividends and interest received (IRS 1099-INT and 1099-DIV) are mailed by the custodial agent to all Clients with taxable accounts.

In addition to the custodial reports provided to Clients, an account performance report may also be provided quarterly or at other times. The portfolio performance reports may provide realized gains or losses during the period, securities and money fund positions and their end-of-period market values, and personal investment performance. It is possible that information may be different when comparing the custodial statement to the performance report. In such situation, Clients are advised to use the custodial statement as the most accurate record of their account. Performance reports attempt to display performance net of any United Capital management fees, but there may be certain instances where fees are not accounted for, including when fees are paid by check or from a separate account, not included in the performance report.

## Item 14 – Client Referrals and Other Compensation

### **Fidelity & Pershing, LLC**

Except for the arrangements outlined in Item 12 of this brochure, we have no additional arrangements to disclose.

### **Charles Schwab**

FFA may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Schwab, a registered broker-dealer, member of SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Schwab provides FFA with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services.

Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For FFA client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction- related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

While, as a fiduciary, FFA endeavors to act in its clients' best interests, the firm's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to FFA of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which creates a conflict of interest.

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

FFA may participate in TD Ameritrade's institutional customer program and FFA may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between FFA's participation in the program and the investment advice it gives to its Clients, although FFA receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors.

These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving FFA participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to FFA by third party vendors.

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

#### **Raymond James**

FFA may participate in Raymond James & Associates ("RJA") institutional customer program and FFA may recommend RJA to Clients for custody and brokerage services. There is no direct link between FFA's participation in the program and the investment advice it gives to its Clients, although FFA receives economic benefits through its participation in the program that are typically not available to RJA retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client confirmations and bundled duplicate statements, access to a trading desk that exclusively services its institutional traders, access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client's accounts, and access to an electronic communication network for client order entry and account information. RJA may also have paid for business

consulting and professional services received by FFA's related persons. Some of the products and services made available by RJA through the program may benefit FFA but may not benefit its Client accounts. These products or services may assist FFA in managing and administering Client accounts, including accounts not maintained at RJA. Other services made available by RJA are intended to help FFA manage and further develop its business enterprise. The benefits received by FFA or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to RJA. As part of its fiduciary duties to clients, FFA endeavors, at all times, to put the interests of its clients first.

Clients should be aware, however, that the receipt of economic benefits by FFA or its related persons in and of itself creates a conflict of interest and may indirectly influence the FFA's choice of RJA for custody and brokerage services.

If an IAR has recently become associated with FFA, the IAR may have received payments from RJA in connection with his/her transition to RJA as an IAR of FFA from another broker/dealer and/or investment advisor firm.

Tom, managing member of FFA, in his status as a branch manager, will receive a portion of such payments.

These payments, which may be significant, are intended to assist the IAR with the costs associated with the transition, such as moving expenses, leasing space, furniture, staff and termination fees associated with moving accounts; however, there is no verification to confirm the use of these payments for such transition costs. These payments may be in the form of loans to the IAR, which are repayable to RJA or forgiven by RJA based on years of service with RJA and/or the scope of business engaged in with RJA, including the amount of advisory assets custodied with RJA that are managed by the FFA IAR. The receipt of these payments presents a conflict of interest in that an IAR has a financial incentive to recommend that a client engage with FFA and the IAR for advisory services in order for the loan to be forgiven.

### **LPL Financial**

IARs of FFA can also be registered representatives with LPL. If an IAR has recently become associated with FFA, the IAR may have received payments from LPL in connection with his/her transition to LPL as a registered representative and FFA as an IAR from another broker/dealer and investment advisor firm.

Tommy W. Porter, Jr., member manager of FFA, in his status as an LPL branch manager, will receive a portion of such payments. These payments, which may be significant, are intended to assist the registered representative/IAR with the costs associated with the transition, such as moving expenses, leasing space, furniture, staff and termination fees associated with moving accounts; however, there is no verification to confirm the use of these payments for such transition costs. These payments may be in the form of loans to the IAR, which are repayable to LPL or forgiven by LPL based on years of service with LPL (e.g., if the registered representative/IAR maintains a relationship with LPL for 3 years) and/or the scope of business engaged in with

LPL, including the amount of advisory assets custodied with LPL that are managed by the FFA IAR. The receipt of these payments presents a conflict of interest in that an IAR has a financial incentive to recommend that a client engage with FFA and the IAR for advisory services in order for the loan to be forgiven.

However, to the extent we recommend you establish or maintain an account with FFA and LPL, it is because we believe it is in your best interest to do so, based on your goals and objectives, as well as the services offered. FFA has processes in place to review IAR managed accounts for suitability over the course of the advisory relationship.

### Referral Fees

FFA may from time to time compensate, either directly or indirectly, solicitors for client referrals. FFA pays them a portion of the advisory fee paid by the client. When a solicitor is used, the arrangement will be disclosed in writing to the client through a disclosure document signed by the client at the time the account is opened.

## Item 15 – Custody

FFA does not have actual or constructive custody of client funds. Client assets are held by qualified custodians. Information regarding clients and assets custodied at a third-party custodian are required to be shared with LPL Financial for informational purposes.

FFA carries a surety bond to meet guidelines for net worth requirements.

FFA urges you to carefully review the statements provided by the qualified custodian. Such statements from the custodian should be compared to any reports that may be received from FFA.

Client will provide a qualified custodian with written authorization to deduct fees and pay the advisory fees to FFA. The qualified custodian sends statements to clients at least quarterly showing the market values for each security included in the Assets and all disbursements in an account including the amount of the advisory fees paid to FFA. Clients provide authorization permitting FFA to be directly paid by these terms.

In cases where LPL is the custodian, LPL is responsible for calculating and deducting the advisory fees from client accounts held at LPL based on instructions provided by the client not the Advisor. Client will provide LPL with written authorization to deduct fees and pay the advisory fees to the firm. The advisory fee is paid directly by LPL to FFA (not the individual). FFA will then share the advisory fee with its advisors/associated persons.

The SEC issued a no-action letter (“Letter”) with respect to the Rule 206(4)-2 (“Custody Rule”) under the Investment Advisers Act of 1940 (“Advisers Act”). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a stand letter of instructions (“SLOA”) is deemed to have custody. As such, our firm has adopted the following safeguards in conjunction with our custodian, TD Ameritrade:

- The client provides an instruction to the qualified custodian, in writing, that includes the client’s signature, the third party’s name, and either the third party’s address or the third party’s account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian’s form or

separately, to direct transfers to the third party either on a specified schedule or from time to time.

- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirmation the instruction.

## Item 16 – Investment Discretion

The client can engage FFA to provide investment advisory services on a discretionary basis. The client shall be required to grant permission by executing an Investment Advisory Agreement, naming the IAR as the client's attorney and agent in fact, granting the IAR full authority to buy and/or sell the type and amount of securities on behalf of a client, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account. The IAR does not have discretionary authority to determine the broker or dealer to be used for a purchase or sale of securities for a client's account or the commission rates to be paid to a broker or dealer for a client's securities transaction.

Clients who engage the IAR on a discretionary basis may, at any time, impose restrictions, in writing, on IAR's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the use of margin, etc.).

## Item 17 – Voting Client Securities

FFA IARs do not vote client proxies. Clients will otherwise receive their proxies or other solicitations directly from their custodian. Clients may contact their FFA IAR to discuss any questions they may have with a particular solicitation.

## Item 18 – Financial Information

FFA does not have custody. FFA does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance or otherwise have actual or constructive custody of client funds.

On 05/04/2020 the Adviser received a Paycheck Protection Program loan (PPP) of \$29,533.00 through the Small Business Administration in conjunction with programs implemented by the United States government as a result of legislation designed to provide COVID 19 relief. The Adviser has used the PPP funds to continue



## ADV 2A

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payroll for firm personnel as well as to fund certain business expenses, in accordance with all of the terms and conditions of the lending agreement. Therefore, the Adviser expects to have the entire amount of the loan forgiven so there will not be any financial condition that is reasonably likely to impair the Adviser's ability to meet its contractual commitments to its clients.