

Foundation Resource Management, Inc.

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March 31, 2011

This Brochure provides information about the qualifications and business practices of Foundation Resource Management, Inc. If you have any questions about the contents of this Brochure, please contact us at (501) 604-3190. 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.

Foundation Resource Management is a registered investment advisor. Registration of an Investment Advisor does not imply any level of skill or training. The oral and written communications of an Advisor provide you with information about which you determine to hire or retain an Advisor.

Additional information about Foundation Resource Management is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV,” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past, we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, 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.

Currently, our Brochure may be requested by contacting Abby McKelvy, Chief Compliance Officer, at (501) 604-3190 extension 3 or amckelvy@foundationresourcemanagement.com.

Additional information about Foundation Resource Management is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Foundation Resource Management who are registered, or are required to be registered, as investment advisor representatives of Foundation Resource Management.

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Item 4 – Advisory Business

Foundation Resource Management (FRM) is a fee-based, value investment advisory firm headquartered in Little Rock, Arkansas. Greg Hartz and Mark Millsap are co-owners of FRM, which was founded in 1992. FRM currently serves insurance companies, charitable foundations, hospitals, retirement plans and high net worth individuals.

As of February 28, 2011, FRM managed approximately \$1,918,139,130 in discretionary assets. Clients may require that their investment portfolios be tailored to comply with, for example, certain regulatory restrictions or restrictions on investing in certain securities or types of securities. FRM is happy to accommodate our clients in tailoring our advisory services to meet their needs.

FRM has clients who participate in wrap-fee programs with Morgan Keegan and UBS. Wrap fees are comprehensive charges levied by these institutions for brokerage services. These wrap fees do not include FRM's investment advisory fees. FRM clients who participate in wrap-fee programs contract directly with FRM for investment advisory services. There are no differences in the method that these clients' advisory fees are calculated and the method that our other clients' fees are calculated.

Item 5 – Fees and Compensation

Client fees are billed quarterly based on the fair market value of the client's account. FRM'S basic fee schedule is as follows:

	<u>Fee as a % of Assets Managed</u>	
	<u>Assets up to \$5 million</u>	<u>Assets Over \$5 million</u>
Equities	1.00%	0.85%
Fixed Income	0.35%	0.30%

Consultation Services: \$300 hourly fee

The above are general fee schedules, which may be negotiable under certain circumstances, but the basis for compensation (as a percentage of assets under management for portfolio management and supervisory services and hourly for consultation services) is not negotiable. The specific manner in which fees are charged by FRM is established in a client's written agreement with FRM. FRM bills its fees on a quarterly basis in arrears. No fees are billed or collected in advance. Clients may elect to be billed directly for fees or they may elect to authorize their custodians to directly debit fees from their accounts.

Management fees are prorated for each significant capital contribution and withdrawal (10% of client's account value) made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any earned, unpaid fees will be due and payable.

FRM'S fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses that may be incurred by the client. Clients may incur certain charges imposed by custodians or brokers, such as fees charged by managers, custodial fees, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to FRM's fee, and FRM will not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that FRM considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Item 6 – Performance-Based Fees

FRM does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

FRM provides portfolio management services to individuals, high net worth individuals, retirement plans, charitable institutions, foundations, insurance companies and hospitals.

FRM's minimum account requirement is \$1,000,000 of assets under initial management for each new client relationship.

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

FRM's equity approach centers on the pursuit of intrinsic value. The price we pay for a security is critical in providing an attractive return on our clients' capital as well as protecting our clients against a permanent loss of capital. This potential for permanent loss of capital is how we define

risk. Our approach requires patience and a willingness to think independently from the market. We perform our own research internally. Our goal is to pay an attractive price for a stock based either on the company's proven ability to earn or its asset value.

FRM's fixed income management is structured to safeguard capital while generating current income in excess of that derived from investing in equity securities. As value investors, we demand that we be well compensated for taking any of the various risks present in fixed income securities. We attempt to leverage our research in the stock market to add value when investing in corporate bonds. Risk premiums are frequently attractive on the companies we study the most, since the bonds will tend to be out of favor in parallel with the stock of the company. We are very conservative in assuming significant interest rate risk (maturity risk) in a world of fiat currencies and inflation. Thus, we favor a diversified portfolio of short and intermediate term bonds.

Investing in securities involves risk of loss that clients should be prepared to bear.

Item 9 – Disciplinary Information

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of FRM or the integrity of FRM's management. FRM has no history of any disciplinary actions taken by regulatory or legal authorities.

Item 10 – Other Financial Industry Activities and Affiliations

FRM is required by the SEC to report any affiliation with or arrangement with related parties or registrations or applications pending as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor. FRM does not have any such relationship or arrangement.

FRM awards a referral bonus to non-owner employees who refer new investment advisory clients to the firm. The bonus is calculated as 50% of the first four full quarters' fees, and is paid on a quarterly basis after the client fees are received by FRM.

Item 11 – Code of Ethics

Foundation Resource Management has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. Included in this Code of Ethics are rules guiding the firm's

advisors and access persons with regard to personal securities trading practices. Advisors and access persons of the advisor may buy or sell securities for their personal accounts identical to or different than those recommended to clients. However, it is the policy of Foundation Resource Management that no person employed by Foundation Resource Management shall prefer his or her own interest to that of an advisory client.

Foundation Resource Management's Code of Ethics further includes the firm's policy regarding the use of material non-public information. All employees of applicant are reminded that such information may not be used in a personal or professional capacity.

To supervise compliance with its Code of Ethics, Foundation Resource Management requires that anyone associated with this advisory practice with access to advisory recommendations provide annual securities holdings reports and quarterly transaction reports to the firm's principals. These reports are reviewed by the principals and chief compliance officer. All supervised persons at FRM must acknowledge the terms of the Code of Ethics annually.

FRM requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to termination.

Clients are advised annually that they may request a complete copy of Foundation Resource Management's Code of Ethics by contacting their advisor or the firm's Chief Compliance Officer, Abby McKelvy.

Applicant's 100% owners are Chartered Financial Analysts, and as such are also bound by and use the Code of Ethics and Standards of Professional Conduct of The CFA Institute as policy when effecting transactions for clients, specifically those Standards and Code sections pertaining to fair dealing with clients and priority of transactions.

Item 12 – Brokerage Practices

For clients with assets in custody at banks, Foundation Resource Management utilizes a list of brokers approved by the principals of the firm. Approved brokers are those offering competitive commission rates and quality execution of trades.

Advisors of Foundation Resource Management may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), or Merrill Lynch, registered broker-dealers, to maintain custody of clients' assets and to effect trades for their accounts. Both broker-dealers provide access to their

institutional trading and operations services, which are typically not available to Schwab or Merrill Lynch retail investors.

Schwab and Merrill Lynch also make available other products and services that benefit applicant but may not benefit its clients' accounts. These include software and other technology that provide access to client account data, facilitate trade execution, provide research, pricing information and other market data, facilitate payment of applicant's fees from its clients' accounts, and assist with back-office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of applicant's accounts, including accounts not maintained at Schwab or Merrill Lynch. Merrill Lynch and Schwab are found to offer competitive commission rates.

Applicant's clients may in some cases, choose to designate the broker or dealer through which securities are to be sold. On these accounts, clients may also, if so desired, choose an acceptable general level of brokerage rates at which their transactions may be effected. Clients participating in such arrangements will forego any benefit from savings on execution costs that Foundation Resource Management, Inc. could obtain for its other clients.

Consistent with the Code of Ethics and Standards of Professional Conduct of The CFA Institute, Foundation Resource Management will make every effort possible to treat all clients fairly regarding priority of execution of transactions. FRM's procedure is as follows:

Purchases and sales will be executed in a manner that will ensure that no clients systematically or disproportionately benefit or suffer. Our process involves blocking trades according to custodian and is done only to facilitate trading. Because this is the basis for our trading order, our procedure is to utilize a random number generator to determine the order of execution. This ensures that no custodians or clients routinely have trades executed before or after others. We term this as a modified random approach to trading.

Item 13 – Review of Accounts

Client accounts are reviewed at least quarterly for potential changes. Circumstances that might trigger more frequent reviews included changes in economic conditions, interest rates, industry conditions, specific security conditions and client investment needs or circumstances. The three portfolio managers of the firm are responsible for performing the reviews and cross reviews of the other portfolio managers' assigned accounts.

All accounts are reconciled on a monthly basis by the Portfolio Accounting Manager.

Reports to clients are made quarterly. These reports include an analysis of the performance relative to applicable indices as well as a comparison of original and quarter ending market values by individual security. Clients also receive monthly statements from their custodians. See also Item 15 regarding Custody.

Item 14 – Client Referrals and Other Compensation

The SEC requires investment advisors to report any compensation arrangements that it has in place with any person or organization for client referrals. FRM currently only has a referral bonus program in place with its non-owner employees. A non-owner employee of FRM is awarded a referral bonus for referring new investment advisory clients to the firm. The bonus is calculated as 50% of the first four full quarters' fees and is paid on a quarterly basis after the client fees are received by the firm.

FRM is also required to report any economic benefit it may receive by a non-client who provides investment advice or other advisory services to our clients. FRM does not have any such arrangements.

Item 15 – Custody

Under SEC Rule 206(4)-2 (known as the “custody rule”), FRM is considered to have custody of certain clients' assets as these clients have authorized the qualified custodian to debit advisory fees from the clients' accounts on behalf of FRM. To enter into this type of arrangement, FRM clients must provide us with written authorization permitting direct payment to us of our advisory fees from their account(s) maintained by a custodian who is independent of our firm. FRM also sends a statement to our clients showing the amount of our fee, the value of your assets upon which our fee was based, and the manner in which our fee was calculated. We urge clients to verify the accuracy of our fee calculation as the custodian will not determine whether the fee is properly calculated. All clients should receive monthly statements from the qualified custodian that holds and maintains the client's investment assets. FRM urges its clients to carefully review these statements and compare them to the account statements that we provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

In FRM's interpretation of the custody rule, we are also deemed to have custody of client assets if an investment advisor is also a trustee of an account managed by FRM. Under this condition, FRM is required to obtain a surprise examination by an independent public

accountant. As the principals of FRM served in a trustee capacity for the FRM profit sharing plan and three other client accounts in 2010, we underwent a surprise examination on December 7, 2010 and received an unqualified opinion regarding our compliance with Rule 206(4)-2. As of January 1, 2011, FRM only serves as trustee for the FRM profit sharing plan.

Item 16 – Investment Discretion

FRM receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining portfolio allocations, FRM observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to FRM in writing. A Limited Power of Attorney form must also be executed prior to trading the account.

Item 17 – Voting Client Securities

It is the policy of Foundation Resource Management always to use prudence in voting proxies of clients' assets and in so doing, to vote such proxies in the best interests of the particular clients and their beneficiaries. It is the policy of Foundation Resource Management to exercise its fiduciary responsibility in the voting of these proxies in accordance with rules and regulations as promulgated by the Department of Labor. It is our policy to resolve any conflicts of interest we may encounter while exercising our voting authority in favor of the client. Any conflicts of interest encountered by FRM and the resolution thereof will be documented by the CCO and kept on file. A brief description of FRM's proxy voting policy will be distributed to its clients once per year and we will offer to distribute the full proxy voting policy to clients upon request.

FRM adheres to the following procedures in voting client proxies:

1. Implement the steps necessary to ensure that the company is receiving and voting the proxies of all applicable clients' investments; and further, reconcile proxies to holdings at record date in order to satisfy this obligation. If discrepancies exist between the shares voted at record date and the shares owned by FRM's clients, such discrepancies should be documented and resolved, if possible.

2. Parameters to be used in voting of proxies:

- a. In general, we will vote "with management" on non-controversial and routine matters such as setting the number of directors, the election of directors, the appointment of outside auditors, and social/political questions.
- b. We will support proposals that enhance stockholder/corporate democracy (i.e. confidential voting, rights plans, etc.).
- c. We will closely scrutinize and vote according to the particular circumstances and merits of proposals that we interpret as possibly seeking to entrench and/or highly compensate management, including golden parachutes, and incentive compensation plans, as well as other "perks." We will not be voting for approval of management compensation if incentive stock options are part of the overall compensation of management, as we believe that stock options are not consistent with our desires to maximize our clients' long-term interests as shareholders.
- d. We will closely scrutinize and vote according to the particular circumstances and merits of any proposals that would effectuate "anti-takeover" provisions in or changes to a particular company's by-laws, including, but not limited to proposals that would change and/or alter the way a particular stock can be voted (i.e. cumulative voting, voting versus nonvoting, etc.).

Clients may obtain a copy of FRM's complete proxy voting policies and procedures upon request. Clients may also obtain information from FRM about how FRM voted any proxies on behalf of their account(s). If voting was performed in a manner that would justify further explanation, a memo containing such an explanation will be attached to the file copy of the proxy.

Item 18 – Financial Information

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about FRM's financial condition. FRM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. FRM is not required to submit a balance sheet as it does not require prepayment of fees.