



## Firm Brochure

*This brochure provides information about the qualifications and business practices of Foundations Asset Management, LLC. If you have any questions about the contents of this brochure, please do not hesitate to contact us at (907) 646-7370 or by email at: Michael@famanagement.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.*

*Additional information about Foundations Asset Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Foundations Asset Management, LLC's CRD number is: 145900*

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

There are no material changes in this brochure from Foundations Asset Management, LLC's last annual update filing in March 16, 2011. Material changes relate to Foundations Asset Management, LLC's policies, practices or conflicts of interests only.

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

This firm has been in business since March 10, 2008, and the principal owners are Michael Wayne Shamburger and Rob E. Wedel.

### B. Types of Advisory Services

Foundations Asset Management, LLC (hereinafter "FAM") offers the following services to advisory clients:

#### *Investment Supervisory Services*

FAM offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. FAM creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client's specific situation. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

FAM evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. FAM will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

#### *Selection of Other Advisors*

FAM may direct clients to the third party money managers; Envestnet, Brinker Capital, SEI, and Cambridge Investment Research. FAM will be compensated via a fee share from the advisors to which it directs those clients. This relationship will be disclosed in each contract between FAM and each third party advisor. The fees shared will not exceed any limit imposed by any regulatory agency. Before selecting other advisors for clients, FAM will always ensure those other advisors are properly licensed or registered as investment advisor.

## ***Financial Planning***

Financial plans and financial planning may include, but are not limited to: investment planning, life insurance; tax concerns; retirement planning; college planning; and debt/credit planning. These services are based on fixed fees or hourly fees and the final fee structure is documented in the Financial Planning Agreement.

## ***Services Limited to Specific Types of Investments***

FAM limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, real estate, hedge funds, third party money managers, REITs, insurance products including annuities, private placements, government securities. FAM may use other securities as well to help diversify a portfolio when applicable.

## **C. Client Tailored Services and Client Imposed Restrictions**

FAM offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent FAM from properly servicing the client account, or if the restrictions would require FAM to deviate from its standard suite of services, FAM reserves the right to end the relationship.

## **D. Wrap Fee Programs**

FAM does not participate in any wrap fee programs.

## **E. Amounts Under Management**

FAM has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$125,646,000.00	\$4,000,000.00	01/05/2012

## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Investment Supervisory Services Fees*

Total Assets Under Management	Annual Fee
First \$1,000,000	1.25%
Next \$1,500,000	1.00%
Next \$2,500,000	0.75%
Above \$5,000,000	Negotiable

These fees are negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Fees are paid quarterly in advance, and clients may terminate their contracts with written notice. Refunds are given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. Clients may terminate their contracts without penalty, for full refund, within 5 business days of signing the advisory contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization.

#### *Selection of Other Advisors Fees*

FAM may direct clients to the third party money managers; Envestnet, Brinker Capital, SEI, and Cambridge Investment Research. FAM will be compensated via a fee share from the advisors to which it directs those clients. This relationship will be disclosed in each contract between FAM and each third party advisor. The fees shared will not exceed any limit imposed by any regulatory agency.

#### *Financial Planning Fees*

##### *Fixed Fees*

Depending upon the complexity of the situation and the needs of the client, the rate for creating client financial plans starts at \$1,250. Fees are paid in arrears upon completion. Because fees are charged in arrears, no refund is necessary. The fees are negotiable and the final fee schedule will be attached in the Financial Planning Agreement. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

### *Hourly Fees*

Depending upon the complexity of the situation and the needs of the client, the hourly fee for these services is between \$100 and \$150. The fees are negotiable and the final fee schedule will be attached in the Financial Planning Agreement. Fees are paid in arrears upon completion. Because fees are charged in arrears, no refund is necessary. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

## **B. Payment of Fees**

### *Payment of Investment Supervisory Fees*

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid quarterly in advance.

Advisory fees are also invoiced and billed directly to the client quarterly in advance. Payments are due within 30 days of end of the quarter. Clients may select the method in which they are billed.

### *Payment of Financial Planning Fees*

**Hourly** Financial Planning fees are paid via check in arrears upon completion. Because fees are charged in arrears, no refund is necessary.

**Fixed** Financial Planning fees are paid via check or credit card in arrears upon completion. Because fees are charged in arrears, no refund is necessary.

## **C. Clients Are Responsible For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fee etc.). Those fees are separate and distinct from the fees and expenses charged by FAM. Please see Item 12 of this brochure regarding broker/custodian.

## **D. Prepayment of Fees**

FAM collects fees in advance and in arrears. Fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period. Fees will be returned within fourteen days to the client via check or return to credit card.



## **E. Outside Compensation For the Sale of Securities to Clients**

Representatives of FAM are also registered representatives of Cambridge Investment Research, Inc. (CIR). These representatives in their roles as registered representatives of CIR accept compensation for the sale of securities to FAM clients.

### ***1. This is a Conflict of Interest***

FAM and its supervised persons will accept compensation for the sale of securities or other investment products, including asset based sales charges or services fees from the sale of mutual funds to its clients. This presents a conflict of interest and gives the supervised person and FAM an incentive to recommend products based on the compensation received rather than on the client's needs. When recommending the sale of securities or investment products for which FAM receives compensation, FAM will document the conflict of interest in the client file and inform the client of the conflict of interest.

### ***2. Clients Have the Option to Purchase Recommended Products From Other Brokers***

Clients always have the option to purchase FAM recommended products through other brokers or agents that are not affiliated with FAM.

### ***3. Advisory Fees in Addition to Commissions or Markups***

Advisory fees that are charged to clients are reduced to offset the commissions or markups on securities or investment products recommended to clients.

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

FAM does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7: Types of Clients**

FAM generally provides investment advice and/or management supervisory services to the following Types of Clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Pension and Profit Sharing Plans
- ❖ Trusts, Estates, or Charitable Organizations
- ❖ Corporations or Business Entities

### *Minimum Account Size*

There is an account minimum, \$250,000, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

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

### **A. Methods of Analysis and Investment Strategies**

FAM's methods of analysis include charting analysis, fundamental analysis, technical analysis, and cyclical analysis.

*Charting analysis* involves the use of patterns in performance charts. FAM uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

*Fundamental analysis* involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

*Technical analysis* involves the analysis of past market data; primarily price and volume.

*Cyclical analysis* involved the analysis of business cycles to find favorable conditions for buying and/or selling a security.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **B. Material Risks Involved**

FAM uses Long Term Trading, Short Term Trading, Short Sales, Margin Transactions, and Options Writing (including covered options, uncovered options, or spreading strategies).

FAM utilizes investment strategies that are designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. Short sales, margin transactions, and options writing generally hold greater risk and clients should be aware that there is a chance of material risk of loss using any of those strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

FAM generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Representatives of FAM are also registered representatives of Cambridge Investment Research, Inc. (CIR). From time to time, they will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. FAM always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of FAM in their capacity as registered representatives.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither FAM nor its representatives are registered as a FCM, CPO, or CTA.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Rob E. Wedel is a licensed insurance agent. From time to time, he will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. FAM always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of FAM in their capacity as an insurance agent.

#### **D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections**

FAM may direct clients to the third party money managers, Envestnet, Brinker Capital, SEI, and Cambridge Investment Research. FAM will be compensated via a fee share from the advisors to which it directs those clients. This relationship will be disclosed in each contract between FAM and each third party advisor. The fees shared will not exceed any limit imposed by any regulatory agency. This creates a conflict of interest in that FAM has an incentive to direct clients to the third party money managers that provide FAM with a larger fee split. FAM will always act in the best interests of the client, including when determining which third party manager to recommend to clients.

### **Item 11: Code of Ethics, Participation in Transactions, Personal Trading**

#### **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

#### **B. Recommendations Involving Material Financial Interests**

FAM does not recommend that clients buy or sell any security in which a related person to FAM has a material financial interest.

#### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of FAM may buy or sell securities for themselves that they also recommend to clients. FAM will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

## **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of FAM may buy or sell securities for themselves at or around the same time as clients. FAM will not trade non-mutual fund or non-ETF securities 5 days prior to or 5 days after trading the same security for clients.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

The Custodians, Fidelity Brokerage Services LLC and Schwab Institutional, a division of Charles Schwab & Co., Inc., were chosen based on their relatively low transaction fees and access to mutual funds and ETFs. FAM will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

FAM may recommend/require that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although FAM may recommend/require that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. FAM is independently owned and operated and not affiliated with Schwab.

Schwab provides FAM 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. These services are not contingent upon FAM committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, 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 FAM client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Schwab Advisor Services also makes available to FAM other products and services that benefit FAM but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of FAM's accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist FAM in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of FAM's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting. Schwab Advisor Services also offers other services intended to help FAM manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to FAM. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to FAM. Schwab Advisor Services may also provide other benefits such as educational events or occasional business entertainment of personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, FAM may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

FAM receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through FAM's participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with FAM. Schwab does not supervise FAM and has no responsibility for FAM's management of clients' portfolios or FAM's other advice or services. FAM pays Schwab fees to receive client referrals through the Service. FAM's participation in the Service may raise potential conflicts of interest described below.

FAM pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by FAM is a percentage of the fees the client owes to FAM or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. FAM pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to FAM quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by FAM and not by the client. FAM has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs FAM charges clients with similar portfolios who were not referred through the Service.

FAM generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a

percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees FAM generally would pay in a single year. Thus, FAM will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of FAM's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, FAM will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit FAM's fees directly from the accounts.

For accounts of FAM's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from FAM's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, FAM may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. FAM nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for FAM's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

### ***1. Research and Other Soft-Dollar Benefits***

There is no minimum client number or dollar number that FAM must meet in order to receive free research from the custodian or broker/dealer. There is no incentive to for FAM to direct clients to this particular broker-dealer over other broker-dealers who offer the same services. The first consideration when recommending broker/dealers to clients is best execution.

### ***2. Brokerage for Client Referrals***

FAM receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### ***3. Clients Directing Which Broker/Dealer/Custodian to Use***

FAM allows clients to direct brokerage. FAM may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost clients money because without the ability to direct brokerage FAM may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices.

## **B. Aggregating (Block) Trading for Multiple Client Accounts**

FAM maintains the ability to block trade purchases across accounts but will rarely do so. While block trading may benefit clients by purchasing larger blocks in groups, we do not feel that the clients are at a disadvantage due to the best execution practices of our custodian.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are reviewed at least monthly by Michael Wayne Shamburger, and Rob E. Wedel. They are the chief advisors and are instructed to review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at the Investment Advisor (IA) are assigned to these reviewers.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Michael Wayne Shamburger or Rob E. Wedel.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least quarterly a written report detailing the clients account performance, which may come from the custodian.

Clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.



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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

FAM does not receive any economic benefit, directly or indirectly from any third party for advice rendered to FAM clients.

### **B. Compensation to Non -Advisory Personnel for Client Referrals**

FAM does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15: Custody**

FAM does not take custody of client accounts at any time. Custody of client's accounts is held primarily at the custodians; Fidelity Brokerage Services LLC and Schwab Institutional, a division of Charles Schwab & Co., Inc. Clients will receive account statements from the custodian and should carefully review those statements.

## **Item 16: Investment Discretion**

For those client accounts where FAM provides ongoing supervision, FAM maintains limited power of authority over client accounts with respect to securities to be bought and sold and amount of securities to be bought and sold. All buying and selling of securities is explained to clients in detail before an advisory relationship has commenced.

## **Item 17: Voting Client Securities (Proxy Voting)**

FAM will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

FAM does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither FAM nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

Neither FAM nor its management have been the subject of a bankruptcy petition in the last ten years.