

Foundation Resource Management, Inc.

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March 31, 2015

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 adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

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

Item 2 – Material Changes

FRM is required by the SEC to provide to our clients a summary of material changes to our Form ADV Part 2A since our last update on March 26, 2014. This summary of material changes will be delivered to FRM's clients within 120 days of the close of FRM'S fiscal year. Clients wishing to receive a complete copy of the then-current brochure may request the complete brochure at no charge by contacting our chief compliance officer, Abby McKelvy, at (501)604-3190 extension 3 or by emailing amckelvy@frmlr.com.

Summary of Material Changes Form ADV Part 2A, Disclosure Brochure

Item 5 – Fees and Compensation

The Fees and Compensation section was updated to reflect the removal of consultation services from the fee schedule.

Summary of Material Changes to Form ADV Part 2B, Brochure Supplement

This section was updated to include the biographical information of Meredith Moll, research analyst, hired on January 1, 2015 and to include the biographical information of Abby McKelvy, chief compliance officer and chief financial officer.

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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, 2015, FRM managed approximately \$2,010,000,000. Of the total assets under management, \$1,745,000,000 was managed on a discretionary basis, and \$265,100,000 was managed on a non-discretionary basis. 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, Raymond James 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. FRM does not receive wrap fees for our services.

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%

The above are general fee schedules, which may be negotiable for clients whose assets exceed \$10 million, but the basis for compensation (as a percentage of assets under management for portfolio management and supervisory 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 \$2,000,000 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 on either 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 advisers 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 or commodity-trading adviser. FRM does not have any such relationship or arrangement.

FRM awards a referral bonus to all employees other than senior portfolio managers and the director of business development 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

FRM 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 advisers and access persons with regard to personal securities trading practices. Advisers and access persons of the adviser may buy or sell securities for their personal accounts identical to or different from those recommended to clients. However, it is the policy of FRM that no person employed by FRM shall prefer his or her own interest to that of an advisory client. Firm employees may not buy or sell securities for their own accounts until transactions of securities in clients' accounts are completed.

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

FRM does not participate in principal transactions. The SEC defines a principal transaction as a situation where a registered investment adviser acts as a principal for its own account and knowingly sells securities to, or buys securities from, a client. FRM may very rarely arrange an agency transaction. An agency transaction occurs when a registered investment adviser arranges a transaction between different advisory clients. Agency transactions present the potential for unethical behavior in that an adviser arranging an agency trade could arrange the trade to the benefit of one client but to the detriment of another. FRM may arrange an agency transaction only when we believe it is beneficial to both parties and with the advance approval of both parties.

To supervise compliance with its Code of Ethics, FRM 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 FRM'S Code of Ethics by contacting their adviser or the firm's chief compliance officer, Abby McKelvy.

Applicant's 100% owners are Chartered Financial Analyst Charterholders®, 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, FRM 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.

Advisers of FRM may recommend, but not require, that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), or Merrill Lynch Money Manager Services, both registered broker-dealers, to maintain custody of clients' assets and to effect trades for their accounts. Both broker-dealers provide FRM access to their institutional trading and operations services, which are not typically available to Schwab or Merrill Lynch retail investors.

Schwab and Merrill Lynch also make available other products and services that benefit FRM 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.

FRM's clients may choose to designate the broker or dealer through which securities are to be bought or sold. For these accounts, clients may also 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 FRM could obtain for its other clients.

Consistent with the Code of Ethics and Standards of Professional Conduct of The CFA Institute, FRM will make every effort possible to treat all clients fairly regarding priority of execution of transactions. Purchases and sales are executed in a manner that strives to 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.

Item 13 – Review of Accounts

Client accounts are reviewed and cross-reviewed at least quarterly for potential changes. FRM's portfolio managers review all accounts for compliance with asset allocations targets, security position concentrations, industry weightings, and investment performance disparity. Circumstances that might trigger more frequent reviews include changes in economic conditions, interest rates, industry conditions, specific security conditions and client investment needs or circumstances. The three senior 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 advisers 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 employees who are not senior portfolio managers and the director of business development. Such employees of FRM are 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 the client's 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 them. 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 adviser 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 in 2014, FRM underwent a surprise examination on July 18, 2014 and received an unqualified opinion regarding our compliance with Rule 206(4)-2.

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 FRM 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 FRM 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 desire 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 advisers are required in this Item to provide 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.

Form ADV Part 2B

Brochure Supplement

Foundation Resource Management, Inc.

401 W. Capitol Ave., Suite 503

Little Rock, AR 72701

(501) 604-3190

March 31, 2015

This Brochure Supplement provides information about our investment advisers and chief compliance officer (CCO) that supplements the Foundation Resource Management Brochure. You should have received a copy of the Brochure. Please contact Abby McKelvy, chief compliance officer, if you did not receive Foundation Resource Management's Brochure or if you have any questions about the contents of this supplement.

Educational Background and Business Experience

Greg Hartz, born in 1954, is founder and co-owner of Foundation Resource Management. He is a Chartered Financial Analyst® charterholder (CFA), which is a designation met by completing a 250-hour self-study program for each of the 3 levels of course exams. A candidate for the CFA designation must also meet either of the following requirements: undergraduate degree and 4 years of professional experience involving investment decision-making or 4 years of qualified work experience (full-time, but not necessarily investment-related). Greg is also a Certified Public Accountant (CPA). A candidate for the CPA designation must have a bachelor's degree, pass the Uniform CPA examination and gain relevant work experience. A CPA must also complete 40 hours of continuing professional education per year. Greg also holds the designation of Personal Financial Specialist (PFS) of the American Institute of Certified Public Accountants. A PFS designation is awarded by holding an unrevoked CPA certificate, having at least two years of full-time business personal financial planning experience or 3,000 hours equivalent experience within the five-year period preceding the date of the PFS application. A PFS candidate must also complete a minimum of 80 hours of personal financial planning education within the five-year period preceding the date of the PFS application and take a final certification exam. 60 hours of continuing professional education every three years is also required to hold the PFS designation.



Greg holds a Bachelor of Science degree in Finance and Banking and a Master of Science in Accounting from the University of Arkansas. After two years in public accounting, Greg joined the Pillsbury Company in 1979 as a division controller and later moved into general management during his seven years with the company. Upon sale of his division by Pillsbury in 1986, he joined Merrill Lynch as a registered financial consultant. In 1987, he joined Arkansas Blue Cross Blue Shield (ABCBS) as in-house portfolio manager. Greg was employed with ABCBS until the beginning of 2002 when he left to work full-time for FRM.

Email Greg at ghartz@frmlr.com or call (501) 604-3190 extension 1.

Mark Millsap, born in 1959, is co-owner of Foundation Resource Management. He is a Chartered Financial Analyst® charterholder (see above for description of CFA requirements) and a Chartered Investment Counselor (CIC). The CIC designation is earned by being employed by a member firm of the Investment Advisor Association for at least one year, having a minimum of five cumulative year's work experience in one or more eligible occupational positions, spending more than 50 % of time in a position involving a combination of investment counseling and portfolio



management activities and holding the CFA designation.

Mark holds a Bachelor of Science degree from the University of Alabama in Corporate Finance and Investment Management. Mark has spent his entire career as a value investment manager. He worked for AmSouth Bank in Birmingham, Alabama as a portfolio manager for eight years before working for Meridian Management Company of Little Rock from 1989 until October 2001. Mark served as Managing Principal of Meridian from 1993 until his departure to his current position at Foundation Resource Management. Mark has extensive experience managing stock, bond and balanced portfolios.

Email Mark at mmillsap@frmlr.com or call (501) 604-3190 extension 2.

Tom Hill, born in 1952, is Senior Portfolio Manager at Foundation Resource Management. He is a Chartered Financial Analyst® charterholder (see above for description of CFA requirements) and holds a Bachelor of Arts in Mathematics, magna cum laude, from Vanderbilt University and a Master of Business Administration from the Wharton School of the University of Pennsylvania. After a few years with a private manufacturing business, Tom spent 28 years with Merrill Lynch, retiring as First Vice President-Investments and Wealth Management Advisor. Tom has extensive experience advising institutional, retirement, and private clients in the management of equity, fixed income, and balanced portfolios.



Email Tom at thill@frmlr.com or call (501) 604-3190 extension 111.

Chris Fleischmann, born in 1970, is Research Analyst and Portfolio Manager for Foundation Resource Management. He is a Chartered Financial Analyst® charterholder (see above for description of CFA requirements) and holds a Master of Business at Tulane University and a Bachelor of Science in Finance at Arkansas State University. Chris joined Foundation Resource Management in 2008, after working as a Securities Analyst with Pope Asset Management in Memphis, Tennessee. Beginning in October of 2000, Chris worked nearly eight years at Morgan Asset Management and its affiliate, Morgan Keegan. He worked three years as an Equity Analyst at Morgan Keegan's asset adviser, which later merged with Morgan Asset Management where he managed the equity allocations of several mutual funds for almost five years. Chris began his investment career as a Junior Equity Analyst at Edward Jones Investments in 1999.



Email Chris at cfleischmann@frmlr.com or call (501) 604-3190 extension 101.

Zach Riley, born in 1982, is Research Analyst for Foundation Resource Management. He is a Chartered Financial Analyst® charterholder (see above description of CFA requirements), and Certified Public Accountant (see above description of CPA requirements) and received his Bachelor of Science in Finance and Investment Management and a Master of Business Administration from the University of Arkansas at Fayetteville. Prior to joining FRM, Zach served as a financial analyst at Wal-Mart Stores, Inc.



Email Zach at zriley@frmlr.com or call (501) 604-3190 extension 7.

John Garmon, born in 1975, is Director of Business Development for Foundation Resource Management. He earned a Master of Business Administration from the Michigan State University and a Bachelor of Business Administration from the University of Central Arkansas. He is a Chartered Financial Analyst® charterholder (see above description of CFA requirements). Before joining FRM, he worked in Walmart Stores Inc.'s Capital Markets / Global Treasury team and Lear Corporation's Financial Risk Management / Corporate Treasury team. He serves on the Committee for the Future for Arkansas Children's Hospital.



Email John at jgarmon@frmlr.com or call (501) 604-3190 extension 107.

Meredith Moll, born in 1984, is Research Analyst for Foundation Resource Management. She earned a Master of Business Administration with Dean's Honors from Columbia University with a concentration in Value Investing. She also earned a Bachelor of Arts in Economics from Columbia University and is a Level II Candidate in the CFA Program (see above description of CFA requirements). Prior to joining FRM in 2015, she worked for four years with Candlewood Investment Group, a deep-value and special situation investment firm based in New York, where she was most recently a Vice President on the investment team. Prior to Candlewood, Meredith worked for two years with the same team at Credit Suisse Asset Management. Meredith started her career in fixed income research at Credit Suisse, where she worked for almost five years before moving internally to investment management.



Email Meredith at mmoll@frmlr.com or call (501)604-3190 extension 112.

Abby McKelvy, born in 1973, is Chief Financial Officer and Chief Compliance Officer of Foundation Resource Management. She earned a Bachelor of Science degree in Accounting and Financial Management from the University of Arkansas and is a Certified Public Accountant (see above description of CPA requirements). Prior to joining FRM in 2001, Abby was employed with Deloitte & Touche in Little Rock as a Senior Auditor serving clients in industries such as insurance, public employee pension and retirement plans, governmental entities and non-profit organizations. Subsequent to her public accounting experience, Abby gained experience as a controller in industry.



Email Abby at amckelvy@frmlr.com or call (501)604-3190 extension 3.

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 each supervised person providing investment advice. FRM advisers have no history of any disciplinary or legal actions taken by regulatory or legal authorities.