



## **EAM Investors, LLC**

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## **Form ADV, Part 2A Brochure**

March 26, 2015

This brochure provides information about the qualifications and business practices of EAM Investors, LLC. If you have any questions about the contents of this brochure, please contact us at 760.479.5080 or [info@eaminvestors.com](mailto:info@eaminvestors.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.

Any reference to or use of the terms “registered investment adviser” or “registered” does not imply that EAM Investors, LLC or any person associated with EAM Investors, LLC has achieved a certain level of skill or training.

Additional information about EAM Investors, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2 - MATERIAL CHANGES

**Revised March 26, 2015**

The purpose of this page is to inform you of any material changes since the last annual update to this brochure. If you are receiving this brochure for the first time this section may not be relevant to you.

EAM Investors, LLC (“EAM”) reviews and updates our brochure at least annually to confirm that it remains current. Below is a summary of the material changes made since the last annual update to the brochure. You can read more details on the items below in the text of the brochure (see the ***Table of Contents*** to find each section).

Material changes from EAM’s brochure dated **March 26, 2014**:

- We have amended Item 10 – Other Financial Industry Activities and Affiliations to add a new related investment adviser, EAM Global Investors, LLC, which manages international small and micro cap growth investments.

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## ITEM 4 - ADVISORY BUSINESS

### Description of Advisory Firm

EAM Investors, LLC, formerly Eudaimonia Asset Management, LLC, (“EAM,” “we,” “our” or “us”) is a majority-employee-owned investment boutique headquartered in Cardiff-by-the-Sea, California. EAM is an investment adviser registered with the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940. Our sole focus is managing small and micro cap growth investments. We employ a behaviorally-based investment philosophy and disciplined process throughout our investment products.

The firm was founded in August 2007 by Travis T. Prentice, Montie L. Weisenberger, and Joshua M. Moss. EAM employees own 56% of EAM. Byron C. Roth, through majority ownership of CR Financial Holdings, Inc. and its wholly owned subsidiary WACO Limited, LLC, indirectly owns a 44% interest in the firm.

### Advisory Services Offered

#### Investment Management Services

EAM offers investment management and supervisory services on a discretionary basis. We provide investment management services to managed accounts. Client assets are invested and continuously managed based on a “model” account of securities that pertains to the investment style(s) selected by the client and the client’s investment objectives and restrictions. EAM offers the following investment styles:

*Small Cap Growth* --seeks capital appreciation by investing in companies that correspond to the market values within the range of the Russell 2000 Growth Index.

*Micro Cap Growth* --seeks capital appreciation by investing in companies that correspond to the market values within the range of the Russell Micro Cap Growth Index.

*Ultra Micro Cap Growth* --seeks capital appreciation by investing in companies whose market values correspond to the bottom half of the Russell Micro Cap Growth Index.

The following are definitions for each index listed above:

*Russell 2000 Growth Index* measures the performance of those Russell 2000 Index companies with higher price-to-book ratios and higher forecasted growth values.

*Russell Micro Cap Growth Index* measures the performance of those Russell Micro Cap Index companies with higher price-to-book ratios and higher forecasted growth values.

EAM may offer investment advice on any investment held by the client at the start of the advisory relationship. New investments purchased for clients will typically include:

- Equity securities, including common stocks, exchange traded funds (ETFs), index funds, and real estate investment trusts (REITs)
- Investments in foreign issuers of equity securities
- Master limited partnerships (MLPs), which may trade on a public exchange or in the over-the-counter market.

We describe our investment strategies and the material investment risks for many of the securities that we recommend under ***Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss***, below. EAM may also occasionally offer advice regarding additional types of investments or strategies if they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry.

We discuss our discretionary authority below under ***Item 16 - Investment Discretion***. For more information about the restrictions clients can put on their accounts, see ***Tailored Services and Client Imposed Restrictions*** in this item below.

We describe the fees charged for investment management services below under ***Item 5 - Fees and Compensation***.

#### *Services to Registered Investment Companies*

EAM provides investment advisory services to registered investment companies (mutual funds). EAM will enter into a written agreement which outlines the services we will perform for each mutual fund.

EAM currently acts as a sub-adviser to the Russell U.S. Small Cap Equity Fund, the Dreyfus Select Managers Small Cap Growth Fund, the Columbia Active Portfolio's Multi Manager Small Cap Equity Growth Fund, the SEI Institutional Investments Trust Small Cap Fund, the SEI Institutional Investments Trust Small Cap II Fund, the SEI Institutional Managed Trust Small Cap Fund, and the SEI Institutional Managed Trust Small Cap Growth Fund.

EAM does not purchase or recommend these funds for other investment management clients.

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

EAM manages client accounts based on the investment strategy the client chooses, as discussed below under ***Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss***. EAM applies the strategy for each client, based on the client's individual circumstances and financial situation. We make investment decisions for clients based on information the client supplies about their financial situation, goals, and risk tolerance. Our recommendations may be limited if the client does not provide us with accurate and complete information. It is the client's responsibility to keep EAM informed of any changes to their investment objectives or restrictions.

Clients may also request other restrictions on the account, such as when a client does not want to own greater than a specific percentage of the outstanding securities of any one company, needs to keep a minimum level of cash in the account or does not want EAM to buy or sell certain specific securities or security types in the account. EAM reserves the right to not accept and/or terminate management of a client's account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining the client's investment strategy.

## **Assets Under Management**

EAM manages client assets in discretionary accounts on a continuous and regular basis. As of 12/31/2014, the total amount of assets under our management was \$1,269,362,107.

## **ITEM 5 - FEES AND COMPENSATION**

### **Investment Management Services**

#### *Fee Schedule*

EAM charges advisory fees for investment management services based on a percentage of assets under management. The maximum annual percentage of assets fee charged to an account is as follows:

<u>Investment Style</u>	<u>Maximum Annual Fee</u>
Ultra Micro Cap Growth	1.25%
Micro Cap Growth	1.15%
Small Cap Growth	1.00%

We also offer clients the option of a performance-based incentive fee. We may only enter performance-fee arrangements with clients that meet certain internal and regulatory qualifications. Performance-based incentive fees will not exceed 20% of the total return of the account over a 3-month or 12-month period and are either based on the total return of the account or the return above the style's benchmark. Incentive fees may also include a high water mark, where EAM will not earn a performance-based fee unless the account achieves a certain minimum return. Clients should review the fee agreement for more specifics about how this fee is charged.

Our standard fee schedule is negotiable, and EAM may also enter into "most favored nation" arrangements with certain clients. This means that if EAM enters into an agreement with a new client that is charged a lower annual management fee than the client that has a "most favored nation" arrangement, then we must notify the existing client of the lower fee and provide the client with the option to increase their assets under management to the level that the new client has placed under management with us to receive the lower management fee. Not all clients will be offered this arrangement, and EAM has sole discretion over which clients we will offer this arrangement to.

EAM provides investment management services for certain proprietary (in house) accounts without charge.

### Billing Method

EAM's advisory fees are payable quarterly in arrears based on a calendar quarter and are calculated based on the average month-end account market value of the previous three months. Fees for partial quarters are pro-rated. Either EAM or the client will calculate the advisory fee in accordance with our advisory agreement. Advisory fees are paid directly to EAM by the client via check or wire transfer or as otherwise agreed upon with EAM.

### Termination

Either party may terminate the advisory agreement at any time by providing written notice to the other party. The client may terminate the agreement at any time by writing EAM at our office.

Upon notice of termination, EAM will calculate the final fees due for services provided through the date of termination. Any advisory fees that we have earned for the services provided will be due upon termination.

Clients should understand that if a client terminates the investment management agreement and requests that the account(s) be fully liquidated, it may take EAM a number of days or more to sell all the securities in the account(s) because in some cases securities that have lower market capitalizations may be less liquid and more thinly traded than higher market cap securities. As we do when placing all client trades, EAM will seek the best execution we believe is available at that time.

In the event of a client's death or disability, EAM will continue to manage the account until an authorized party notifies us of the client's death or disability and gives us alternative instructions.

### **Services to Registered Investment Companies**

The fees EAM receives for providing investment advisory or sub-advisory services to mutual funds will be negotiated with each mutual fund and outlined in a written advisory agreement. The fees will be disclosed and described in each mutual fund's prospectus.

Agreements with mutual funds may be terminated per the terms in the agreement, which may vary by mutual fund.

### **Other Fees and Expenses**

EAM's fees do not include custodian fees. Clients pay all brokerage commissions, stock transfer fees, and/or other similar charges incurred in connection with transactions in accounts from the assets in the account. These charges are in addition to the fees client pays to EAM. See **Item 12 - Brokerage Practices** below for more information.

In addition, any index or exchange traded funds held in a client's account may have additional costs. Each fund's prospectus fully describes the fees and expenses. All fees paid to EAM for investment advisory services are separate and distinct from the fees and expenses charged by these funds, and we



do not reduce our management fees by the amount of fund costs. These funds pay advisory fees to their managers, which are indirectly charged to all holders of the fund shares. Consequently, clients with funds in their portfolios are effectively paying both EAM and the fund manager for the management of their assets.

## **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As discussed under ***Fees and Compensation*** above, EAM may offer clients the option of paying a performance-based fee. However, we may only consider performance-fee arrangements for clients that meet certain internal and regulatory qualifications. Performance-based fees are negotiated with each client. Clients should review the advisory agreement for more specifics about how this fee is charged.

Managing accounts under different fee arrangements may create a conflict of interest. Performance-based fee arrangements may create a conflict of interest for portfolio managers as they may have incentives to:

1. Allocate investment opportunities that they believe might be the most profitable to performance-based fee accounts; and/or
2. Make investments with more risk or that are more speculative than those that might be recommended to clients under a different fee arrangement.

EAM has adopted policies and procedures reasonably designed to address these types of conflicts. Specifically, our policies and procedures are designed to allocate investment opportunities between accounts on a fair and equitable basis over time and prevent non-suitable investments in client accounts.

## **ITEM 7 - TYPES OF CLIENTS**

EAM's clients generally include pension and profit sharing plans, state or municipal government entities, pooled investment vehicles, and other investment advisers on a sub-advisory basis. In addition, we provide advisory services to unrelated investment companies (mutual funds). We also offer services to individuals, trusts, estates, charitable organizations, banks, thrift institutions, and corporations and other business entities.

### **Account Requirements**

Generally, EAM requires a minimum account size of \$5,000,000 to open an account. EAM may reduce or waive the account minimum requirements at our discretion. Exceptions to this minimum may also be made for EAM's proprietary (in-house) accounts, our personnel, and their friends and family.

## ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### Methods of Analysis and Investment Strategies

We define growth not by what a company has grown in the past, but rather how the company is positioned to grow in the future. Our sole focus is finding the best “growth stocks of tomorrow.”

We find these opportunities by employing a unique and uniform investment philosophy and disciplined process throughout our investment strategies. Each portfolio is built from the bottom-up based on the merits of each individual investment opportunity and constructed in a risk-aware manner.

Our investment philosophy begins with the assertion that investor behavior has a strong influence on stock prices. Its foundation is based on years of academic research in behavioral finance and the combined investment experience of our founders which suggests that investors make errors in processing new and/or changing information.

We believe investors make these errors in predictable, regular, and systematic ways. Investors tend to discount new information/new fundamental developments because of inherent conservative and representative biases. In the face of changing information, investors tend to be overly conservative and rely too heavily on the past when forecasting future results. This behavior follows a predictable anchor-and-adjust process that we believe is exploitable.

By consistently and efficiently analyzing changing information as it happens, we believe our investments will be poised for significant capital appreciation as new realities are ultimately accepted and reflected by the general market.

In this regard, our investment philosophy leads us to companies that exhibit low, but rising growth expectations that we believe are positioned to exceed those expectations and will benefit from multiple expansion as the market catches up to the company’s new growth profile.

### Portfolio Strategies

EAM offers the following strategies to clients:

*Small Cap Growth* --seeks capital appreciation by investing in companies that correspond to the market values within the range of the Russell 2000 Growth Index.

*Micro Cap Growth* --seeks capital appreciation by investing in companies that correspond to the market values within the range of the Russell Micro Cap Growth Index.

*Ultra Micro Cap Growth* --seeks capital appreciation by investing in companies whose market values correspond to the bottom half of the Russell Micro Cap Growth Index.

The following are definitions for each index listed above:

*Russell 2000 Growth Index* measures the performance of those Russell 2000 Index companies with higher price-to-book ratios and higher forecasted growth values.

*Russell Micro Cap Growth Index* measures the performance of those Russell Micro Cap Index companies with higher price-to-book ratios and higher forecasted growth values.

## **Investment Process**

Execution of our investment process is broken into three distinct disciplines: Discovery, Analyze, and Challenge.

### *Discovery:*

It is essential in today's markets to have a disciplined, objective, and systematic stock selection process to identify favorable investment opportunities. This need is amplified in the small and micro cap universe by its sheer size. We believe this universe consists of roughly 3,500 unique companies that meet the definition of small and micro cap.

We believe that we have a correct blend of a quantitative/technical discovery process that yields timely and relevant investment ideas that meet our strict criteria combined with a qualitative/fundamental analysis process that screens out false positives while assuring that we invest in a timely/sustainable manner.

Securities are identified using a blend of proprietary and customized computer screens that scan the universe in real time for characteristics associated with our investment philosophy and include such factors as price action, earning surprise, and positive estimate revisions.

### *Analyze:*

In the analysis phase, we engage in a focused examination of a company's fundamentals paying strict attention to information that we believe is important to stock price appreciation for that investment. Namely, we assess whether new information and/or a new fundamental development has occurred, whether that development will likely translate into sustainable earnings acceleration, and whether it is a timely investment in terms of our investment philosophy.

New information and/or a new fundamental development usually consists of two types: internal and external. Internal changes can include such developments as: a new product, new management, change in cost structure, etc. External changes include developments such as new regulations, new geographies, market share shifts, and new business incentives, etc.

In addition, these changes are analyzed in terms of their likely impact to a company's earnings profile. Not all change is created equal. It is essential that these developments will likely translate into sustainable earnings acceleration.

Moreover, the company needs to be a timely investment. Using rigorous, forward-looking valuation metrics, we assess whether these new changes have already been efficiently analyzed by the market. If the market has not appropriately analyzed changing information, we usually find that these companies

trade at discount to their forward growth rates and a discount to their peers using relevant valuation metrics for each unique investment candidate.

### *Challenge:*

Lastly, since the portfolio is maintained in a fully-invested manner, a new security must typically displace a current holding. In this regard, a new idea is compared along both the technical/quantitative and fundamental/qualitative dimensions of the investment case to determine whether it is more attractive than a position currently held. This phase of our process serves to minimize long-term opportunity costs, enforce our sell discipline, and drive our portfolios to strength.

## **Strategy for Registered Investment Companies**

When EAM provides investment advisory services to a mutual fund, we will purchase and sell securities as outlined in the fund's prospectus and statement of additional information. The securities we purchase and investment strategies we use will generally be the same as those utilized for other managed accounts; however, mutual funds may have additional restrictions by regulation or fund policy to which EAM must adhere.

## **Investing Involves Risks**

Prior to entering into an agreement with EAM, the client should carefully consider:

1. That investing in securities involves risk of loss which clients should be prepared to bear;
2. That securities markets experience varying degrees of volatility;
3. That over time the client's assets may fluctuate and at any time be worth more or less than the amount invested; and
4. That clients should only commit assets that they feel are currently unneeded and available to EAM for investment on a long-term basis.

## **Specific Security Risks**

### *General Risks of Owning Securities*

The prices of securities held in client accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held as underlying assets of mutual funds in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

### *Equity Securities*

Equity securities represent an ownership position in a company. Equity securities typically consist of common stocks. The prices of equity securities fluctuate based on, among other things, events specific to their issuers and market, economic and other conditions. For example, prices of these securities can

be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

There may be little trading in the secondary market for particular equity securities, which may adversely affect the ability to value accurately or dispose of those equity securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of equity securities.

### *Small Capitalization Equity Securities*

Investing in smaller companies may pose additional risks as it is often more difficult to value or dispose of small company stocks, more difficult to obtain information about smaller companies, and the prices of their stocks may be more volatile than stocks of larger, more established companies. Clients should have a long-term perspective and, for example, be able to tolerate potentially sharp declines in value.

### *Micro Capitalization Equity Securities*

While all investments involve risk, microcap stocks are among the most risky. Many microcap companies tend to be new and have no proven track record. Others have products and services that are still in development or have yet to be tested in the market. Many microcap companies provide limited publicly available information about the company's management, products, services, and finances. Another risk that pertains to microcap stocks involves the low volumes of trades. Because microcap stocks trade in low volumes, any size of trade can have a large percentage impact on the price of the stock.

### *American Depositary Receipts (ADRs)*

An ADR is a stock that trades in the United States but represents a specified number of shares in a foreign corporation. Investors buy and sell ADRs on American markets just like regular stocks. Banks and brokerage firms issue/sponsor ADRs. ADRs are subject to additional risks of investing in foreign securities, including, but not limited to, less complete financial information available about foreign issuers, less market liquidity, more market volatility, and political instability. In addition, currency exchange-rate fluctuations affect the U.S. dollar-value of foreign holdings. Some ADRs and ordinary shares of foreign securities pay dividends, and many foreign countries impose dividend withholding taxes up to 30%. Depending on a custodian's ability to reclaim any withheld foreign taxes on dividends, taxable accounts may be able to recoup a portion of these taxes by use of the foreign tax credit. However, tax-exempt accounts, to the extent they pay any foreign withholding taxes, may not be able to utilize the foreign tax credit. Therefore, investors may be unable to recover any foreign taxes withheld on dividends of foreign securities or ADRs.

### *Exchange-Traded Funds (ETFs)*

An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) whose primary objective is to achieve the same return as a particular market index. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market index. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock mutual funds, the prices of the underlying

securities and the overall market may affect ETF prices. Similarly, factors affecting a particular industry segment may affect ETF prices that track that particular sector.

### *Real Estate Investment Trusts*

Securities issued by real estate investment trusts (REITs) primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development and/or long-term mortgage loans. Changes in the value of the underlying property of the trusts, the creditworthiness of the issuer, property taxes, interest rates, tax laws, and regulatory requirements, such as those relating to the environment all can affect the values of REITs. Both types of REITs are dependent upon management skill, the cash flows generated by their holdings, the real estate market in general, and the possibility of failing to qualify for any applicable pass-through tax treatment or failing to maintain any applicable exemptive status afforded under relevant laws.

### *Investing Outside the U.S.*

Investing outside the United States may involve additional risks of foreign investing. These risks may include currency controls and fluctuating currency values, and different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices. Additional factors may include changing local, regional, and global economic, political, and social conditions. Further, expropriation, changes in tax policy, greater market volatility, different securities market structures, and higher transaction costs can be contributors. Finally, various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends can also lead to additional risk.

Investments in developing countries can further heighten the risks described above. A developing country may be in the earlier stages of its industrialization cycle with a low per capita gross domestic product ("GDP") and a low market capitalization to GDP ratio relative to those in the United States and the European Union. Historically, the markets of developing countries have been more volatile than the markets of developed countries.

Developing countries may have less developed legal and accounting systems. The governments of these countries may be more unstable and more likely to impose capital controls, nationalize a company or industry, place restrictions on foreign ownership and on withdrawing sale proceeds of securities from the country, and/or impose punitive taxes that could adversely affect security prices. In addition, the economies of these countries may be dependent on relatively few industries that are more susceptible to local and global changes. Securities markets in these countries are also relatively small and have substantially lower trading volumes. As a result, securities issued in these countries may be more volatile and less liquid than securities issued in countries with more developed economies or markets.

### *Master Limited Partnerships (MLPs)*

MLPs are publicly traded partnerships that trade mainly on the New York Stock Exchange and/or the NASDAQ, the same as stocks. With a few exceptions, MLPs hold and operate assets related to the transportation and storage of energy (certain MLPs may have commodity risk). Most publicly traded

companies are corporations. Corporate earnings are usually taxed twice. The business entity is taxed on any money it makes and then shareholders are taxed on the earnings the company distributes to them.

In the 1980s, Congress allowed public trading of certain types of companies as partnerships instead of as corporations. The main advantage a partnership has over a corporation is that partnerships are “pass through” entities for tax purposes. This means that the company does not pay any tax on its earnings. Distributions are still taxed, but this avoids the problem of double taxation that most publicly traded companies face. Congress requires that any company designated as an MLP has to produce 90% of its earnings from “qualified resources” (natural resources and real estate). Most MLPs are involved in energy infrastructure, i.e. things like pipelines. MLPs are required to pay periodic distributions to limited partners. A contract establishes the payments, so distributions are predictable. Otherwise, the shareholders could find the company in breach of contract.

In addition to general business risks, MLPs bear these risks:

#### *Risk of Regulation or Change*

The main advantage of an MLP is its tax-advantaged status under the current Internal Revenue Code. Therefore, changes in the tax code resulting in the loss of its preferential treatment could significantly affect the viability of MLP investments.

#### *Interest Rate Risk*

It is commonly thought that these types of investments do better when interest rates are low, making their yield higher in relation to the safest investments, such as Treasury bills and securities that are guaranteed by the U.S. government. Consequently, MLPs may perform better during periods of declining or relative low interest rates and more poorly during periods of rising or high interest rates.

#### *Tax Risk*

MLPs are pass-through entities, passing earnings through to the limited partners. Investors must be aware that there are potentially significant tax implications of investing in MLPs and they should consult with their tax advisor before investing in these securities. For example, income allocated to organizations that are exempt from federal income tax, including IRAs and other retirement plans, may be allocated unrelated business taxable income from a master limited partnership and this income could be taxable to them.

## **ITEM 9 - DISCIPLINARY INFORMATION**

EAM and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. EAM does not have any disciplinary information to disclose.

## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

EAM and our employees/members own approximately 57% of EAM Global Investors, LLC (“EAM Global”). EAM Global is an investment adviser registered with the U.S. Securities Exchange Commission. EAM and EAM Global share the same principal office, and individuals providing services through EAM

Global are employees of EAM. WACO Limited, LLC (“WACO Limited”), a wholly owned subsidiary of CR Financial Holdings, Inc. (“CR Financial”), owns a 44% interest in EAM. WACO Limited owns approximately 13% of EAM Global. CR Financial and WACO Limited are not actively engaged in financial industry activities, but own interests in certain financial services firms.

CR Financial also owns 100% of Roth Capital Partners, LLC (“Roth Capital Partners”), a registered investment adviser and registered broker-dealer and member of the Financial Industry Regulatory Authority (FINRA) and the Security Investor Protection Corporation (SIPC). Through WACO Limited, CR Financial also owns a greater than 25% voting interest in Cortina Asset Management, LLC (“Cortina”), an investment adviser registered with the U.S. Securities Exchange Commission and located in Milwaukee, WI. While, Cortina may be a related person due to common ownership or control, neither EAM nor EAM Global have any other relationships with Cortina.

Byron C. Roth owns 82% of CR Financial. Byron Roth, Chairman, CEO, and Manager of Roth Capital Partners, and Gordon J. Roth, Chief Financial Officer of Roth Capital Partners, are members of EAM’s advisory board.

Roth Capital Partners may periodically refer potential clients to EAM. In doing this, Byron Roth will benefit from the growth of our business, if the potential clients become actual clients of EAM, because of his indirect ownership in EAM. However, there is no fee-sharing agreement or referral fee paid to Roth Capital Partners by EAM.

EAM does not place client trades with Roth Capital Partners for execution, or purchase any securities where Roth Capital Partners is a manager, co-manager, or underwriter or any part of the syndicate that is offering the securities to the public (e.g. initial public offerings (IPOs) and secondary offerings).

## **ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

EAM believes that we owe clients the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. EAM has adopted a Code of Ethics that emphasizes the high standards of conduct that EAM seeks to observe. EAM’s personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

EAM’s Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. EAM’s personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, personal trading activities, and adherence to applicable securities laws. EAM prohibits all personnel from acting upon any material, non-public information, as defined under federal securities laws and our Code of Ethics insider trading policy. All personnel receive a copy of each amendment of the Code of Ethics.



EAM will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

### *Personal Trading Practices*

Individuals who make securities recommendations to clients, or who have access to nonpublic information regarding any clients' purchase or sale of securities, are subject to personal trading policies governed by our Code of Ethics. Personnel are limited to trading mutual funds, exchange traded funds (ETFs), fixed income securities, individual equities that have a market capitalization of \$10 billion or greater at the time of purchase (or listed derivatives of such equities), direct obligations of the government of the United States, bankers' acceptances, bank certificates of deposit, commercial paper, and high quality short-term debt instruments, including repurchase agreements. Our strategies actively trade in securities with a market capitalization of less than \$10 billion (typically less than \$5 billion) at the time of purchase; therefore, we believe this policy mitigates potential conflicts by effectively preventing employees from trading in a security which we are actively purchasing or selling, or considering for purchase or sale, on behalf of any of our clients.

Conflicts of interest also may arise when EAM personnel have access to Limited Offerings or IPOs, including private placements or public or private offerings of interests in limited partnerships or any thinly traded securities, as a result of their position with EAM. Under the Code of Ethics, EAM's personnel are restricted in investing in securities that have a market capitalization under \$10 billion at time of purchase or must obtain pre-approval from our Chief Compliance Officer to trade in restricted securities including Limited Offerings and IPOs.

Our personal trading policies are not applicable to transactions in any account over which neither EAM nor our personnel have any direct or indirect influence or control. Because these policies are intended to protect the interests of clients, we may make exceptions where we feel clients would not be harmed.

## **ITEM 12 - BROKERAGE PRACTICES**

Clients open one or more accounts in their own name at an independent qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution). Many times, clients have an established custodian relationship in place. For clients in need of custodial services, EAM may recommend the use of certain custodians based on our prior experience with them and the investment strategy and types of securities that we trade for that strategy. For example, EAM may recommend certain custodians based on their ability to provide EAM daily account information for settlement and cash and position reconciliation. However, a client is not under any obligation to custody their assets with any custodian we recommend. All clients are free to select any custodian of his or her choice. When a client selects a custodian, it is important for the client to consider and compare the significant differences between having assets held at a broker/dealer, bank, or other custodian prior to opening an account with EAM. Some of these differences may include total account costs, trading freedom, commission rates, security and technology services. The client will enter into a separate agreement with the custodian to custody the assets.

## Factors Considered in Selecting Broker-Dealers for Client Transactions

Unless requested by the client to place all or a portion of the client's trades through particular brokers (see **Directed Brokerage** in this Item below), EAM will have discretion to select broker-dealers to execute client transactions. When EAM has such discretion, EAM considers several factors in evaluating broker-dealers. Factors that EAM might consider include pricing, efficiency and accuracy of execution, error resolution ability, block trading capabilities, willingness to execute related or unrelated difficult transactions in the future, promptness of confirmation, access to trading desk, availability of research, online access to client account data, ease of navigating system, and other matters involved in the receipt of brokerage services generally.

EAM monitors transaction results over time to evaluate the quality of execution provided by the various broker-dealers we use to determine that compensation rates are competitive and otherwise to evaluate the reasonableness of the compensation paid to those broker-dealers in light of the factors described above.

### Research and Other Soft Dollar Benefits

Subject to the policy of seeking best execution for transactions, and also subject to the criteria of Section 28(e) of the Securities and Exchange Act of 1934 ("Section 28(e)"), EAM may, in circumstances where we have brokerage discretion and in which execution is comparable, place trades with a broker in order to gain access to the broker's research ("Research Broker").

In selecting a Research Broker, EAM will make a good faith determination that the amount of the commission charged is reasonable in relation to the value of the brokerage and research services received, viewed in terms of either the specific transactions or EAM's overall responsibility to the accounts for which we exercises investment discretion. Subject to Section 28(e), EAM may place a trade with a Research Broker that charges a brokerage commission in excess of that which another broker might have charged for effecting the same transaction, in recognition of the value of the brokerage and/or research services provided by the broker. This practice is commonly referred to as "soft dollars." EAM may participate in certain broker-share programs. In these programs, the broker-dealer that executed client trades will allocate commission dollars to certain other broker-dealers that have clearing arrangements with the executing broker-dealer and which provide or have provided meaningful research to EAM but cannot, in EAM's opinion, provide best execution. In most cases, EAM will add one cent per share to the commission cost for these trades; however, EAM may add more if we believe that the amount of additional commission is reasonable to the value of the brokerage and research services received.

Brokerage and research services provided by Research Brokers may include, among other things, effecting securities transactions and performing incidental services (such as clearance, settlement and custody) and providing information regarding the economy, industries, sectors of securities, individual companies, statistical information, taxation, political developments, legal developments, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis and performance analysis. Such research services can be received in the form of written reports, telephone conversations, personal meetings with security analysts and/or individual company management, and

attending conferences. When we use client brokerage commissions to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products, or services. EAM believes it is imperative to our investment decision-making process to have access to this type of research and brokerage.

Research services provided by Research Brokers may be used by EAM in servicing any or all of our clients, and may be used in connection with clients other than those making the payment of commissions to a Research Broker, as permitted by Section 28(e). In other words, there may be certain client accounts that benefit from the research services, which did not make the payment of commissions to the Research Broker providing the services. The receipt of brokerage and research services from any broker executing transactions for EAM's clients will not result in a reduction of EAM's customary and normal research activities, and the value of such information is, in EAM's view, indeterminable. Nevertheless, the receipt of such research, although customary, may be deemed to create a conflict of interest between EAM and our clients and may give us an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products and services, rather than on our clients' interest in receiving most favorable execution. Therefore, EAM feels it is important for clients to be aware of the issues surrounding "soft dollars."

### Directed Brokerage

Clients may direct EAM to use a particular broker-dealer or type of broker-dealer for all or a portion of the trading in their account. For example, some clients direct us to place a certain percentage of their trades through minority-owned broker-dealers. Clients should understand that under directed brokerage arrangements, they may pay higher transaction charges or may not get best execution. Where a client has directed brokerage:

1. EAM will not negotiate specific brokerage commission rates with the broker on the client's behalf or seek better execution services or prices from other broker-dealers and, as a result, the client may pay higher commissions and/or receive less favorable net prices on transactions for their account than might otherwise be the case; and
2. Transactions for that account generally will be effected independently unless EAM decides to include the client's transaction with that of other clients for execution by the same broker. However, if transactions are not able to be traded as a block trade, EAM may have to enter the transactions for the client's account after orders for other clients, with the result that market movements may work against the client.

Therefore, prior to directing EAM to use a specific broker-dealer, a client should consider whether, under that restriction, execution, clearance and settlement capabilities, commission expenses and whatever amount is allocated to custodian fees, if applicable, would be comparable to those the client could otherwise obtain. Clients should understand that they might not obtain commission rates as low as they might otherwise obtain if EAM had discretion to select other broker-dealers.

All directed brokerage arrangements must be provided to EAM in writing by the client. A client must also notify EAM in writing if the client decides to terminate the directed brokerage arrangement.

### Trade Error Policies

In the event of a trade error, EAM seeks to research and correct errors promptly and to identify ways to mitigate errors from happening again. Our trade error policies differ depending on who was responsible for the error. In cases where EAM is responsible for the error, all losses will be paid by EAM and all gains will accrue to the client's account. In cases where the broker-dealer is responsible for the error, EAM will follow the procedures of the broker-dealer with respect to any gains or losses in the account.

## **Aggregation and Allocation of Transactions**

### Aggregation of Orders

When we recommend the purchase or sale of the same security for multiple clients at the same time, EAM typically aggregates (combines) orders for multiple clients and trades them as one block. This could present a potential conflict of interest among the accounts for whom the security purchase or sale is appropriate, and among the subset of those accounts actually participating in a block trade, especially if the block trade order results in a partial fill. In order to address these conflicts, EAM has adopted certain policies and procedures that we follow when aggregating trades, in an effort to provide an objective and equitable method of trade allocation so that all clients are treated fairly. The basic objectives of our policies and procedures are as follows:

1. EAM will not aggregate trades unless we believe that aggregation is consistent with our duty to seek best execution for clients.
2. No client account will be favored over any other client account.
3. Each account that participates in an aggregated transaction will participate at the average of the executed share price for that transaction, with all transaction costs shared on a pro-rata basis.

EAM believes that by combining orders in this way it will be advantageous to all participants. However, the average price could be less advantageous to a particular client than if that client had been the only account effecting the transaction or had completed its transaction before the other participants.

### IPO Allocation Policy

EAM may from time to time, when consistent with a client's investment objectives and restrictions, purchase a security in an initial or secondary public offering ("IPO") for certain client accounts. When this occurs, it is EAM's intention to allocate IPO shares among participating accounts in an equitable manner as not to give one client preference over another. EAM will generally allocate IPO shares based on market capitalization of the IPO security in accordance with the objectives of each investment style offered by EAM. If EAM does not receive a full allocation, then the shares will be allocated to accounts on a pro-rata basis. However, if a pro-rata allocation would result in a *de minimis* number of shares being allocated to any one account, EAM will allocate to accounts alphabetically on a rotational basis. Once an account has received an IPO allocation, it may not receive another IPO allocation until all of

EAM's other accounts have received an IPO allocation. EAM reserves the right to make exceptions to this policy if we believe it is in the best interest of clients to do so.

## ITEM 13 - REVIEW OF ACCOUNTS

### Managed Account Reviews

Model portfolios and portfolio cash balances are reviewed daily. EAM's three portfolio managers Montie L. Weisenberger, Travis T. Prentice, and Josh M. Moss are responsible for the continuous management of client portfolios. Periodic reviews with the client are performed as requested by the client.

### Account Reporting

Each client receives a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period. In addition, EAM provides clients, at least quarterly, with written reports which include account balances, performance attributions, and characteristics

## ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

If a solicitor introduces a client to EAM, we may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940.

If a solicitor introduces the client to EAM, that solicitor will disclose the nature of the solicitor relationship at the time of the solicitation and provide each prospective client with a copy of this disclosure brochure. Unaffiliated solicitors will also provide a copy of the written disclosure statement from the solicitor to the client disclosing the terms and conditions of the arrangement between EAM and the solicitor, including the compensation EAM will pay to the solicitor.

## ITEM 15 - CUSTODY

EAM does not have custody of any client assets.

## ITEM 16 - INVESTMENT DISCRETION

EAM has full discretion to decide the specific security to trade, the quantity, and the timing of transactions for client accounts. EAM will not contact clients before placing trades in their account, but clients will receive confirmations directly from the broker for any trades placed. Clients grant us discretionary authority in the contracts they sign with us. Clients also give us trading authority over their accounts when they sign the custodian paperwork.

However, certain client-imposed conditions may limit EAM's discretionary authority, such as where the client prohibits transactions in specific security types or directs transactions through specific broker-dealers. See also ***Tailored Services and Client Imposed Restrictions*** under ***Item 4*** and ***Item 12 – Brokerage Practices***, above.

## ITEM 17 - VOTING CLIENT SECURITIES

### Proxy Voting

EAM may vote client securities (proxies) on behalf of our clients. When EAM accepts proxy voting responsibility, we will only cast proxy votes in a manner consistent with the best interest of our clients. Absent special circumstances, which we fully describe in our Proxy Voting Policies and Procedures, we will vote all proxies within the guidelines we established and describe in our Proxy Voting Policies and Procedures, as we may amend from time-to-time. A brief summary of EAM's Proxy Voting Policies and Procedures is as follows:

- We subscribe to the services of an unaffiliated third party proxy vendor that provides in-depth analysis of shareholder meeting agendas and vote recommendations. The proxy vendor maintains written guidelines to reflect their current vote recommendations. EAM has provided the proxy vendor with instructions on when the proxy vendor should vote proxies according to their written guidelines and when the proxy vendor must contact EAM for a vote decision. EAM may, in some cases, vote a proxy contrary to the proxy vendor's guidelines if we determine that this action is in the best interests of clients.
- In cases where sole proxy voting authority rests with EAM for plans governed by ERISA, EAM will vote or direct the proxy vendor to vote proxies in accordance with their guidelines unless outlined otherwise in the plan's governing documents and subject to the fiduciary responsibility standards of ERISA.
- If the person(s) responsible for voting proxies becomes aware of any type of potential or actual conflict of interest relating to a proxy proposal, they will promptly report the conflict to our Chief Compliance Officer and Chief Investment Officer. Conflicts will be handled in a number of ways depending on the type and materiality. The method selected by EAM will depend upon the facts and circumstances of each situation and the requirements of applicable laws and will always be handled in the client's best interest.
- EAM may also choose not to vote proxies in certain situations or for certain accounts, for example, where a client has retained the right to vote the proxies or where a proxy is received for a client account that has been terminated.
- Clients may direct the vote of their proxy regarding particular solicitations. To do so, the client must contact EAM at our office with specific voting instructions in advance of the proxy voting deadline so that we have sufficient time to contact the third party with the instruction. If the client does not provide adequate advance notice, we may not be able to accommodate your vote request.

At any time, clients may contact us to request information about how we voted proxies for your securities or to get a copy of our Proxy Voting Policies and Procedures. Please include in your request your name and the account and security for which you would like information.

### Class Actions

EAM does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on the client's behalf. However, if a client notifies us that they wish to participate in a class action, we will provide the client with any transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action.

## **ITEM 18 - FINANCIAL INFORMATION**

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. EAM does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, and does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.