

DISCLOSURE BROCHURE

March 31, 2011



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*This brochure provides information about the qualifications and business practices of Foothills Asset Management, Ltd. If you have any questions about the contents of this brochure, please contact Keith Wibel, CFA, at (480) 777-9870. **The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.***

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

Additional information about Foothills Asset Management, Ltd. is also available on the SEC's website at www.adviserinfo.sec.gov (click on the link, select "investment adviser firm" and type in our firm name). Results will provide you both Parts 1 and 2 of our Form ADV.

Rule 204-3 of the Investment Advisers Act of 1940 requires that an investment advisor, when entering into a management agreement, deliver to clients and prospective clients, certain information pertaining to the investment advisor and the nature of its business. This information should be carefully considered prior to engaging the services of the advisor.

ITEM 2 - MATERIAL CHANGES

On July 28, 2010, the United State Securities and Exchange Commission ("SEC") published *"Amendments to Form ADV"* which amends the disclosure document that is provided to clients as required by SEC Rules. This Disclosure Brochure ("Brochure") dated March 2011 is a new document prepared in response to the SEC's new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require. (Our prior annual update was dated January 22, 2010.)

In the future, we will provide you with a summary of material changes that are made to this Brochure since the last annual update or on an interim basis as necessary.

You can request a copy of the Brochure at any time by contacting us at (480) 777-9870 or downloaded from our firm's website at www.faml.net.

Additional information about Foothills Asset Management, Ltd. is available via the SEC's website www.adviserinfo.sec.gov.

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ITEM 4 - ADVISORY BUSINESS

Foothills Asset Management, Ltd. (“Foothills” or the “firm” or “we”) is an independent SEC registered¹ investment advisor founded in 1995. The firm is wholly owned and managed by its principals, Keith Wibel, CFA and his wife, Florence Wibel, as Trustees of the Wibel Family Trust.

As a firm dedicated exclusively to the asset management business, we are free from many of the conflicts of interests that may arise in advisors owned by banks, brokers or other entities. Foothills has no affiliated companies nor does it participate in any joint ventures.

Located in Scottsdale, Arizona, Foothills manages total client assets of approximately \$136 million² with almost \$134 million managed on a discretionary basis and \$2 million on a non-discretionary basis.

Typically, our clients are high-net worth individuals, corporations, trusts, endowments, charitable organizations and retirement plans. Portfolios consist primarily of individual stocks, bonds, mutual funds, exchange traded funds and money market investments. Under most circumstances, we provide investment management services on a discretionary basis. That means that we have the authority to decide which securities to purchase and sell in your account without your approval on a trade by trade basis. These decisions are made within the framework of a signed *Investment Policy Statement*.

Every client is different. We understand that your investment objectives, risk tolerance and constraints are unique and we address them accordingly. Based on your answers to questions in our *Confidential Client Questionnaire*, we collaborate with you, and your other professional advisors, to formulate a personalized *Investment Policy Statement* within the context of your long- and short- term investment goals. It remains your responsibility to promptly notify us of any changes in your investment objectives or financial situation for the purpose of re-evaluating your investment plan.

We do participate in wrap fee programs as a portfolio manager on a very limited basis. We participate in the Charles Schwab Managed Account Connections and Marketplace Program (Charles Schwab & Co., Sponsor) and Morgan Stanley Smith Barney Specialized Managed Accounts Program (Morgan Stanley Smith Barney, Sponsor). Please see *Item 12, Brokerage Practices*, of this Brochure for a complete explanation of wrap fee programs.

While we don't prohibit you from placing reasonable restrictions on a particular security or types of securities held in your account, we discourage this practice.

It is our job and our ultimate goal to make you comfortable with the investment plan and level of risk involved to meet your objectives.

¹ Being registered with the SEC does not imply any certain level of skill or training.

² As of December 31, 2010

ITEM 5 - FEES AND COMPENSATION

Foothills Asset Management, Ltd. is a fee-only investment advisor. Fee-only investment advisors serve clients by offering investment advice and portfolio management in exchange for a pre-determined, mutually agreed upon fee. We do not receive any other form of compensation for managing your account. This helps to eliminate any subjective influence from a broker-dealer or other financial entity and reduces many types of conflicts of interest sometimes associated with the financial services industry. Our investment management fee is based solely on the total market value of your assets under our management. Simply put, we align our interests with yours.

We believe that the fee-only approach is the best approach because the advisor is more likely to:

- Be objective
- Focus on your needs
- Favor low-cost, high value solutions
- Endeavor to minimize trading and other costs

The specific manner in which fees are charged is established in your *Investment Management Agreement* ("agreement"). We bill on a quarterly cycle depending on the date that we begin managing the account. The annual fee is prorated and paid in arrears based upon the quarter-end market value of the assets, including accrued interest, on the last trading day of each quarterly billing cycle. Accounts initiated or terminated during the quarter will be charged a prorated fee. Upon termination of an account, any earned, unpaid fees will be due and payable. You have the right to terminate an agreement without penalty within five business days after entering into the agreement. The *Investment Management Agreement* remains in effect until terminated by either party by written notice in accordance with the terms of the agreement. Neither Foothills nor you

may assign the *Investment Management Agreement* to another advisor without the prior written consent of the other party.

Foothills' fees do not include brokerage commissions³, transaction fees, custodial charges, wire transfer and electronic fund fees, and other miscellaneous fees 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 Foothills' fees. Foothills does not receive any portion of these commissions, fees and costs.

Under the terms of the *Investment Management Agreement* you may choose to have Foothills send the invoice for its management services to you for payment or to have the fees directly deducted from your account(s). If the election is made to have management fees deducted from the account, it should be noted here that the custodian has no duty to verify the calculation of the fee. At the same time we request payment from the custodian, we send a copy of the invoice to you showing the amount of the management fee due, the account value on which the fee is based and how the fee was calculated. The custodian issues a quarterly statement to you showing all amounts paid from the account, including all management fees paid to the advisor.

Our standard fee schedule is as follows:

<u>Value of Assets</u>		<u>Fee</u>
First	\$ 1,000,000	1.00%
\$1,000,001 - \$ 3,000,000		0.85%
\$3,000,001 - \$ 5,000,000		0.75%
\$5,000,000 - \$10,000,000		0.65%
Over	\$10,000,000	0.50%
Minimum Fee \$1,250 Per Quarter		

Depending upon unique circumstances such as other account relationships, expected growth in account value, special conditions or unique portfolio guidelines, fees may be subject to negotiation.

³ Please see the section of this Brochure entitled "*Brokerage Practices*," which describes the factors that Foothills 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 AND SIDE-BY-SIDE MANAGEMENT

Foothills Asset Management, Ltd. does not charge performance-based fees.⁴ In this particular context, “side-by-side management” describes a practice whereby an advisor manages accounts for which it charges performance-based fees while simultaneously managing account for which no performance-based fees are charged. This practice has the possibility of creating a conflict of interest that must be disclosed to clients and prospective clients.

Because we do not charge performance-based fees, this Item does not apply to our firm.

⁴ A performance-based fee is an advisory fee based on a percent of capital gains on or capital appreciation of client assets. Performance-based fees paid to investment advisors may be significantly higher than the asset-based fees paid on traditional accounts. Please refer to the section of this Brochure entitled “*Fees and Compensation*,” which describes how Foothills is compensated for its advisory services.

ITEM 7 - TYPES OF CLIENTS

Foothills Asset Management, Ltd. provides investment management services to high-net worth individuals, corporations, trusts, endowments, charitable organizations and retirement plans. Currently, we require a \$500,000 minimum portfolio size of manageable assets to open an account. The efficiencies of money management work most effectively at or above that asset level. It can be more of a challenge to adequately diversify portfolios with a lower account size. However, the minimum may be waived under certain circumstances as reviewed by the firm's principals on a case-by-case basis.

In some instances, clients with long-standing relationships with Foothills began using our services when the minimum account size was less than the current requirement. Therefore, the minimum requirement now in effect does not apply to this group of clients.

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

We believe the philosophy behind our investment strategy is sensible and sustainable: we strive to buy shares of good companies at reasonable prices relative to their long-term growth prospects – businesses that have competitive advantages that are likely to persist over time.

We look for companies that have a demonstrated history of:

- Generating consistent growth in earnings per share
- Growth in net income
- A strong balance sheet
- Generating better than average returns on shareholders' equity
- Above-average return on total capital used in the business

The operating results tell us a lot about both the nature of the business as well as the quality of the management.

Equity portfolios, and the equity portion of balanced accounts, are constructed from individual stocks, mutual funds and exchange traded funds, factoring in and being sensitive to transaction costs and funds' internal management fees. We select mutual funds or exchange traded funds to obtain broad diversification in certain segments of the portfolio, such as international exposure.

Accounts may have between 20 and 40 different companies represented in the portfolios – a number that assures reasonable diversification. Initial stock positions range from 1% to 4% of the portfolio value. Investments in mutual funds or exchange traded funds may represent a larger percentage since the funds themselves are diversified. This allows us to maintain diversification across most economic sectors since we do not have strict limits for over- or under-weighting individual industries or sectors.

Generally speaking, we sell stocks for one of four reasons:

- The stock has reached a price that we consider to be full value
- The company has experienced a meaningful deterioration in its business prospects
- The value invested in the company becomes disproportionately large relative to the total portfolio
- We identify a better investment opportunity

If it is determined that a portfolio consisting primarily of fixed income securities is the appropriate type of portfolio for you, it is constructed from a combination of individual bonds and bond funds with an emphasis on broad diversification and high credit quality.

We utilize all sectors of the bond market in order to maximize after-tax return with minimal volatility. With the exception of securities guaranteed by the U.S. Government, we limit the amount invested in any single security to assure such broad diversification.

It's our opinion that bonds serve two key purposes in your portfolio:

- They provide consistent income with less volatility than equities
- They act as a "shock absorber" during the inevitable periods of stock market weakness

We focus on the relative value of the various sectors of the bond market which include government, agency, corporate, high-yield and municipal bonds. For example, we increase exposure to corporate bonds when they offer a substantial return relative to Treasury securities. Conversely, we emphasize Treasury securities when investors are not being compensated for taking risk.

We sell bonds for one of three reasons:

- Changing the allocation between stocks and bonds
- Credit quality deteriorates
- We find better value in other segments of the market

Your ability to handle risk is related closely to your individual circumstances, including your age, time horizon, liquidity needs, portfolio size, income, investment knowledge, and attitude toward price fluctuations.

Obviously, no one invests money in anything expecting to lose it. Investing in securities involves risk of loss that all investors should be prepared to bear and those risks will never be altogether eliminated. The investment environment is dynamic, with economies and markets in motion all day – every day – across the globe. In addition, stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices. Therefore, on any given trading day, the potential for investment loss exists – as a result of domestic and international conditions and occurrences. Based on both founded and unfounded enthusiasm and fears, there's an emotional, and at times irrational, human element at play, which frequently guides stock market direction.

Having been through the ups and downs of many market cycles, we have learned that emotional responses to the daily gyrations of the stock market and economic news are not conducive to long-term investment success. We purposely design our investment process to give us the flexibility to migrate to the areas of the market that offer the most attractive risk-reward tradeoff.

A portfolio made up of a mixture of stocks and bonds – or several funds consisting of stocks and bonds – may mitigate the risk inherent in all stock market investments. By simultaneously investing in different types of securities in several sectors of the economy, you protect yourself against industry-specific downturns that have a detrimental effect on your total investment portfolio. Please remember that past performance of any given investment is no guarantee of future results.

ITEM 9 - DISCIPLINARY INFORMATION

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Foothills Asset Management, Ltd. or the integrity of Foothills' management.

Neither Foothills Asset Management, Ltd., as a firm, nor any of our investment personnel, has had any legal or disciplinary events in the history of the firm.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The only business that Foothills Asset Management, Ltd. and its investment management personnel engage in is giving investment advice to our clients. We are not affiliated with a broker-dealer and we do not select or recommend other advisors for our clients. Because we are not directly nor indirectly affiliated with, controlled by, or maintain control over other financial industry entities, we avoid conflicts of interest that may impair the objectivity of our investment advice.

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

We recognize the fiduciary responsibility that we owe you, including the avoidance of activities, interests, and relationships that run contrary, or appear to run contrary, to your best interests. We also believe that our firm's good name and reputation is a direct reflection on the conduct of each employee. Accordingly, Foothills Asset Management, Ltd. has adopted a *Code of Ethics* ("Code") for all supervised persons⁵ of the firm. All supervised persons must acknowledge and accept the terms of the *Code of Ethics* annually, or as amended.

Our *Code* includes the following:

- Requirements related to the confidentiality of your information
- Prohibitions on:
 - Insider trading (if we are in possession of material, non-public information)
 - The acceptance of gifts and entertainment that exceed our policy standards
- Any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility
- Reporting of gifts and business entertainment
- Pre-clearance of employee and firm securities⁶ transactions
- Reporting on a quarterly basis all personal securities transactions
- On an annual basis, we require all employees to re-certify to our *Code*, identify members of their household and any account in which they have a beneficial ownership⁷, securities held in certificate form and all securities they own at that time

As a professional investment advisor we follow our own advice. As a result, we may purchase or sell the same or similar securities, or securities that are suitable for an employee or related account, but not suitable for a particular client. The specific guidelines regarding personal trading practices are designed to prevent conflicts between our employees' interests and your interests. Therefore, Foothills employees must obtain pre-clearance from the Chief Compliance Officer or the firm's President for all trading activities in their personal accounts. Your investment interests will always come before those of our firm or those of our employees.

The provisions of our *Code of Ethics* are not all-inclusive. Rather, they set out basic principles to guide the day-to-day business activities of all personnel. It is not meant to be read once and put away, because issues of integrity are part of our daily business activities and must be discussed if and when they arise.

In addition to adherence to the *Code*, all employees are expected to comply with the spirit and letter of all applicable laws, regulations and firm policies and be sensitive to, and act appropriately in, situations that may give rise to conflicts of interest in direct violation of our *Code*. We expect our employees to conduct themselves in such a manner as to avoid:

- Serving their own personal interests ahead of your interests
- Taking inappropriate advantage of their position with the firm
- Any actual or potential conflicts of interest or any abuse of their position of trust and responsibility

Any client or prospective client may request a complete copy of our *Code of Ethics* by contacting our office.

⁵ “Supervised person” means any director, officer, partner or any other employee of Foothills Asset Management, Ltd. who in connection with his or her regular function or duties provides investment advice to advisory clients and is subject to Foothills’ supervision or control. Generally, Foothills regards all employees as supervised persons.

⁶ A “security” means any stock, bond, future, investment contract or any other instrument that is considered a security under the Advisers Act,, such as options on securities, on indexes and on currencies; all kinds of limited partnerships; foreign unit trusts and foreign mutual funds; and private investment funds, hedge funds and investment clubs.

⁷ “Beneficial owner” means any person who owns or has authority over an account or securities whether directly or indirectly.

ITEM 12 - BROKERAGE PRACTICES

Unless we receive specific directions from you regarding the placement of brokerage business⁸, Foothills Asset Management, Ltd. makes the selection of the broker-dealers used to place trades in your account(s).

Foothills has a duty to make a good faith effort to “seek best execution” for all trades. In general, to “seek best execution” means to use a reasonable process in looking for the most favorable execution in terms that are realistically available for the trade, so that the total costs (when buying) or proceeds (when selling) for each transaction are the most favorable under the prevailing market conditions. Our selection of brokers is based upon a number of factors, such as:

- Reasonableness of commissions
- Ability to obtain a favorable price
- The broker’s reputation and integrity
- Trading expertise and responsiveness to trade orders
- Receipt of no-cost research
- Ability to provide economic and market data

Foothills’ broker committee, consisting of portfolio managers and traders, approves the selection of brokers and conducts periodic reviews and evaluations of the overall quality of trades affecting best execution. The custodian that you select for your account will influence our selection of broker-dealers for securities transactions. It is important that you verify that your custodian will provide you with at least quarterly reports on transactions and holdings for each of your accounts.

Consistent with certain regulatory rules of The Securities and Exchange Act of 1934, Foothills Asset Management, Ltd. is permitted to direct execution of trades to certain broker-dealers or third-party providers in exchange for investment research and other types of brokerage services. This practice is referred to as “soft dollar benefits.” As you

might expect, commission rates for soft dollar brokerage benefits are for the most part higher than they would otherwise be for pure “discount” brokerage. Because it is the investor who bears the commission costs, we believe that soft dollar practices are not in your best interest. Therefore, it is our policy not to participate in any soft dollar brokerage arrangements.

Under most circumstances, Foothills recommends that you establish a brokerage account with Schwab Advisor Services™ (formerly Schwab Institutional), a division of Charles Schwab & Co., Inc. (“Schwab”), a FINRA-registered broker/dealer, member SIPC, to act as custodian of your assets. However, depending on your account(s) size or associated factors, we may recommend custody elsewhere. Schwab does not charge custodial fees; rather, they are compensated by accountholders through brokerage commissions or other transaction-related fees for securities trades executed through their firm.

If you agree to the selection of Schwab as your custodian, it is important to note that we typically place all trades through them. Schwab will assess a “trade-away settlement fee” on any account transaction executed through a third-party broker-dealer. We have determined that in most instances, any execution cost savings that may be achieved by trading through third-party brokers would be outweighed by the Schwab trade-away fees. Therefore, we generally place all trades through Schwab. Our best execution considerations evaluate Schwab along with other brokers in determining any recommendation we may make to you.

Schwab offers products and services that benefit us in managing and administering your account, such as:

- Technology that:
 - provides access to account data
 - facilitates web-based trade execution
 - assists in allocation of aggregated trade orders for multiple accounts

- Ability to provide current market research and pricing information
- Ease of payment of advisory management fees from your account, if you so choose
- Assistance with back office functions, recordkeeping and client reporting

Additional services are also available to assist us in managing and developing our business enterprise, such as consulting, publications and conferences on practice management, information technology, regulatory compliance and marketing. By participating in the Schwab Advisor Services™ platform, some fees for various services may be discounted, provided that our collective assets custodied with Schwab are maintained at their required minimum level.

As mentioned before, we may recommend that you custody your account with a bank or other institutional custodial broker, depending on the size of your account. Other institutions usually charge a custodial fee, but not a “trade-away settlement fee,” allowing Foothills to exercise its discretion in selecting the appropriate broker-dealer and custodian.

In evaluating whether to recommend or require that you custody your assets at Schwab, we 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 we consider. This may create a *potential* conflict of interest. To mitigate this potential conflict, we adopted a policy that prohibits us from considering any factor other than best execution when a trade is placed with Schwab. We believe, however, that our selection of Schwab as custodian and broker is in your best interest.

Foothills Asset Management, Ltd. aggregates (“bundles”) trading transactions when possible to achieve volume discounts. Transactions, for example, may be aggregated when we make a decision to buy or sell the same security across multiple accounts at or near the same time. We also allocate block trades on an average share price. If accounts are held at multiple custodians, however, it will be necessary to trade through several

brokers and we will not always have the ability to aggregate trades. In those instances, we are likely to receive different pricing on the same security. For similarly managed accounts, we process trades on a rotational basis to treat all client relationships fairly.

In the event that you direct us to use a particular broker-dealer, and we are able to accommodate that request, please understand that we may not have the ability to negotiate commissions or obtain volume discounts; thus, best trade execution may not always be achieved, creating a disparity in commission charges among accounts.

When we participate as an advisor in a wrap fee program⁹, clients by and large pay the program sponsor a single fee ("wrap fee") that is intended to cover all costs, including trading costs. The wrap sponsor (or the broker it designates) will process trades using a portion of the wrap fee to pay all brokerage commissions. As a rule, no portion of the fee is available to pay any other broker and as a result, the use of another broker would predictably impose an additional cost to the account. Thus, the decision to participate in a wrap fee program is effectively a decision to direct all brokerage for the account to the sponsor (or the broker it designates.) Because Foothills cannot use a broker other than the sponsor to execute the wrap fee trades, wrap fee clients should understand that trades may not always receive best execution.

⁸ Please note that we do not encourage this practice.

⁹ A wrap account is one in which a brokerage (wrap sponsor) manages an investor's portfolio for a flat quarterly or annual fee. This fee covers all administrative, commission, and management expenses. The sponsor selects participating investment advisors (wrap advisor) to make investment decisions for the account based upon a particular investment style or asset allocation.

ITEM 13 - REVIEW OF ACCOUNTS

Account reviews are designed to ensure that the securities purchased or held in your account(s) are consistent with your specific investment objectives as outlined in your Investment Policy Statement. Your account is reviewed on an ongoing basis by our portfolio managers, with a general review occurring twice a month and a more detailed review conducted at least quarterly. In addition, we encourage you to meet with us at least annually to re-evaluate your investment objectives and discuss whether revisions to those objectives are called for. We will be happy to conduct a special review of your account upon request or should unusual market occurrences prevail.

Transaction confirmation notices are provided to you as they occur so that you are aware of all purchases and/or sales of securities in your account. Regular summary account statements from the custodian that detail all cash and asset transactions must be provided to you at least quarterly, but in most instances are delivered monthly. In addition, we provide detailed reports to you at least quarterly including analysis of all assets under management, all transactions that occurred during the accounting period (i.e., dividend and interest receipts), current capital gain/loss report, account performance and additions to and withdrawals from the account that you may have made.

To better serve you in attaining your investment goals, we remind you that it is very important to advise us of any changes in your investment objectives or your financial situation. Based upon this information, we can better determine if your portfolio requires modification.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

Foothills Asset Management, Ltd. does not compensate any person or entity, either directly or indirectly, for client referrals. In addition, we also do not receive any economic benefit, including commissions, equipment or non-research services, from a non-client in connection with giving advice to clients.¹⁰

¹⁰ Please refer to the section of this Brochure entitled “*Fees and Compensation*,” which describes how Foothills is compensated for its advisory services.

ITEM 15 - CUSTODY

As a matter of policy and practice, Foothills Asset Management, Ltd. does not take custody¹¹ of assets in your account(s). That means that we do not accept, or hold, directly or indirectly, your funds or securities, or have any authority to obtain possession of them, with the exception of debiting your account for advisory fees if you authorize us to do so. Having the authority to place trades in your account does not mean that we have custody of the account assets.

During the course of providing investment management services to you, should you wish to deposit securities or funds into your account, we will assist you in delivering those types of assets to your custodian. We respectfully request that you do not mail or deliver securities, checks or cash to us. Instead, please notify us that you need assistance in making delivery of assets to your custodian and we will provide you with appropriate forms, delivery instructions or other types of assistance that we are able to provide. If we receive your assets inadvertently, we will return them promptly to you or notify you that we need your assistance in ensuring delivery to the custodian.

It is our policy to ensure that your funds and securities are always maintained with a qualified custodian that provides at least quarterly account statements directly to you or your authorized representative. Foothills produces a reconciliation report daily to verify that our internal accounting records match the custodian's records to ensure that all of your managed holdings are accounted for. We urge you to compare the account statements you receive from your custodian with the reports that you receive from Foothills Asset Management, Ltd.

¹¹ "Custody" means holding directly or indirectly client funds or securities, or having any authority to obtain possession of them.

ITEM 16 - INVESTMENT DISCRETION

Foothills Asset Management, Ltd. recommends, and usually receives, discretionary authority¹² at the outset of an advisory relationship, as stated in your advisory management agreement. This authority allows us to decide which securities are bought and sold in your account (and in what amount for each transaction). Such discretion is exercised in a manner consistent with your investment objectives, limitations and account restrictions, if any.

While we prefer that you do not place restrictions on our discretion in selecting appropriate securities for your account, upon request and review, we may allow you to place reasonable restrictions on certain types of investments for your account. All such restrictions must be provided to us in writing, and must be authorized and signed by a principal of the firm.

¹² An advisor has “discretionary authority” if the client permits the advisor to decide which securities to purchase and sell on the client’s behalf as set forth in the advisory agreement duly executed by the client and accepted by the advisor.

ITEM 17 - VOTING CLIENT SECURITIES

Because Foothills Assets Management, Ltd. operates in a fiduciary¹³ capacity for your account, we owe you a duty of good faith, loyalty, and full disclosure regarding our proxy voting practice. Under the rules of the *Investment Advisers Act of 1940*, it is a fraudulent, deceptive, or manipulative act, practice or course of business for an investment advisor to exercise voting authority with respect to your securities, unless:

- the advisor has adopted and implemented written policies and procedures that are reasonably designed to ensure that the advisor votes proxies in the best interest of its clients
- the advisor describes its proxy voting procedures to its clients and provides copies on request
- the advisor discloses to its clients how they may obtain information on how the advisor voted their proxies

At the time of entering into an agreement with Foothills Asset Management, Ltd., you are required to make an election whether you will grant us the authority to receive all shareholder communication and vote all proxies relating to securities held in your account or whether you reserve the right to receive shareholder communication and vote proxies as the shareholder of record.

If you authorize us to vote proxies, we will vote in your best interest. However, there may be instances when certain votes are not in your best interest, such as when the cost of voting the proxy exceeds any benefit to you.

Through an agreement with Broadridge Investor Communication Solutions (“Broadridge”), a nationally known shareholder service and proxy voting provider, Foothills utilizes their services to act as an independent voting agent to ensure that voting procedures are carried out and documented.

In deciding proxy voting matters, we may monitor and review Broadridge's recommendations for corporate actions such as changes in the state of incorporation or governance; mergers and other corporate restructurings; anti-takeover provisions; changes to capital structure, including increases and decreases of capital and preferred stock issuance; stock option plans and other management compensation issues; and social and corporate issues.

You may obtain a copy of our complete proxy voting policies and procedures upon request. You may also obtain information about how particular proxies were voted on behalf of your account.

¹³ An investment advisor holds a position of special trust and confidence with a client. As a fiduciary, the advisor is required to act with undivided loyalty to the client. This includes disclosure of how the advisor is to be compensated and any corresponding conflicts of interest.

ITEM 18 - FINANCIAL INFORMATION

As a registered investment advisor, we are required to provide you with certain financial information or disclosures about our financial condition. Foothills Asset Management, Ltd. has no financial commitment that impairs its ability to meet its contractual and fiduciary commitments and we have not been the subject of any bankruptcy proceeding.