



**Part 2A of Form ADV: *Firm Brochure***

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This brochure provides information about the qualifications and business practices of Footprints Asset Management & Research, Inc. (FAMR). If you have any questions about the contents of this brochure, please contact us at 402-445-9333 or [info@famr.com](mailto:info@famr.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about FAMR also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 128040.

## **Item 2     Material Changes**

Material Changes included in our Disclosure Brochure may be found in the following sections:

Item 13: Brokerage Practices

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**Item 4 Advisory Business**

FAMR is a SEC-registered investment adviser with its principal place of business located in Nebraska. FAMR began conducting business in June 2003.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Stephen J Lococo, President

FAMR offers the following advisory services to our clients:

**INVESTMENT SUPERVISORY SERVICES ("ISS")  
INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to a client regarding the investment of client funds based on our Absolute Value Investment philosophy. We thoroughly discuss our philosophy with prospects to ensure that our style of investing is in alignment with their investment objectives and risk tolerance for the assets to be invested. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by our absolute value investment philosophy. Tax considerations are taken on an individual basis. It is our belief that if a client's portfolio is generating capital gains, the client should use those gains to pay for the tax liability they created. Realizing a capital loss from a current position may destroy

more value than paying taxes on realized gains.

Clients may tailor up to 20% of their portfolio to meet specific changing needs, such as income for retirement or cash for a large personal expenditure. Our style of investing is focused on long term (3 - 5 years minimum) wealth creation and accounts with FAMR should be treated as investment accounts. Clients are encouraged to utilize funds outside of their FAMR account(s) for on-going cash requirements.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Corporate debt securities (other than commercial paper)
- Covered call options contracts on securities
- Limited Partnerships (Footprints Partners LP)
- Mutual Funds (Footprints Discover Value Fund)

Because some types of investments involve certain additional degrees of risk, prospects should thoroughly understand our investment philosophy prior to investing with FAMR. Clients not investing for the long term should not invest their assets with FAMR. Individual portfolio tailoring is done by exception on a client by client basis and is restricted

to our Separately Managed Account (SMA) offering.

As of December 31, 2013, FAMR managed \$117,375,033 in assets.

## **Item 5 Pricing of Securities**

FAMR has adopted the provisions of SFAS No. 157, "Fair Value Measurements" (SFAS No. 157), that became effective January 1, 2008. Under SFAS No. 157, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. Although FAS 157 specifies a measurement or valuation date, it does presume the asset/liability's exposure to the market for a certain period to allow for usual and customary market activities.

In determining fair value, FAMR uses various valuation approaches. SFAS No. 157 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of FAMR. Market participants are buyers and sellers who are independent, knowledgeable, willing, and able to transact for the subject asset or liability in its principal or most advantageous market. Unobservable inputs reflects

FAMR's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that FAMR has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

**Level 2** - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Level 2 inputs include:

- A. Quoted prices for similar assets or liabilities in active markets
- B. Quoted prices for identical/similar securities in markets that are not active; i.e., in which there are few transactions for the security, the prices are not current, or price quotations vary over time or among market makers (some brokered markets), or in which little information is released publicly ( a principal-to-principal market).

- C. Observable inputs other than quoted prices for the security (e.g., interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- D. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

**Level 3** - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by FAMR in determining fair value is

greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined by the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Market participants are buyers and sellers who are independent, knowledgeable, willing, and able to transact for the subject asset or liability in its principal or most advantageous market. Therefore, even when market assumptions are not readily available, FAMR's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. FAMR uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observable prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

## **Procedures**

### *Valuation Techniques*

FAMR values all securities held in client accounts as of the last business day of each calendar month.

FAMR values investments in securities and securities sold short that are freely tradable and are listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of each month. These are categorized as Level 1 securities.

The fair value of corporate bonds is estimated using recently executed transactions, market price quotations (where observable), or dealer market bid-ask inputs. Corporate bonds may be categorized as Level 1 or 2 securities. In instances where significant inputs are unobservable, they are categorized as Level 3 securities.

CMBS and ABS are estimated using recently executed transactions, market price quotations (where observable), or dealer market bid-ask inputs. CMBS and ABS are categorized as Level 2 securities when external pricing data is observable and as Level 3 when external pricing data is unobservable.

#### *Dealer Market Inputs*

Certain securities (those in dealer markets) use inputs based on bid and ask prices that can be observed in the marketplace. The bid prices reflect the highest price that the marketplace participants are willing to pay for an asset. Ask prices represent

the lowest price that the marketplace participants are willing to accept for an asset. For securities whose inputs are based on bid-ask prices, FAMR's valuation policies require that fair value be within the bid-ask range. For those securities valued by using a broker's quote, FAMR will determine whether the quote or price is based on actual transactions, reflects the willingness of the broker to trade at that price, or is based on a model or another methodology. When the information is based on other than actual transactions, FAMR will periodically go back and compare the actual prices realized on any sale to the fair values used. Then, determine the reasons for any wide gaps and implement improvements in pricing processes.

## **Item 6 Fees and Compensation**

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT FEES**

The annualized fee for Investment Supervisory Services for our SMA offering is charged, in arrears, as a percentage of assets under management, including assets purchased on margin, according to the following schedule:

<b>Assets Under Management</b>	<b>Annual Percentage Fee</b>
\$0 to \$100,000	2.00%
\$100,001 to \$500,000	1.75%
\$500,001 to \$1,000,000	1.50%
\$1,000,001 and above	1.00%

A minimum of \$200,000.00 of assets **per account**

is required for this service. This account size may be negotiable under certain circumstances. There is a minimum annual fee of \$1,000/account. FAMR groups household related accounts for the purpose of determining quarterly fees and distributes fees pro-rata across household accounts. Fees are directly debited from client accounts quarterly unless specifically directed otherwise by client. FAMR distributes clients quarterly invoices that show the calculation of fees based on agreed upon fee schedule, and lists the client accounts and the amount of debited fees. Clients are encouraged to review invoices and custodial statement for accuracy. Should any discrepancy be identified, client should contact FAMR directly.

SMA clients are permitted to transfer and hold unsupervised securities within their FAMR account. We will **not** include unsupervised assets in the management fee calculation; thus, we will not provide reporting on or supervision of those positions.

**Limited Negotiability of Advisory Fees:** Although FAMR has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include total assets to be placed under management, anticipated future additional assets and related accounts. The specific annual fee schedule is identified in the contract between the adviser and each client.

Discounts not generally available to our advisory

clients may be offered to staff and family members and friends of associated persons of our firm.

**Footprints Discover Value Fund Fees:** FAMR is the investment advisor for the fund and receives a management fee from the fund for services rendered. See the Fund's prospectus for the fund's fee details. Footprints Asset Management & Research, Inc. does not charge additional advisory fees or sales charges to clients who invest in the fund.

**Footprints Partners, LP:** FAMR is the General Partner and portfolio advisor to the Partnership. Footprints Asset Management & Research receives a management fee from the Partnership and has the right to collect performance-based fees, as detailed in the Private Placement Memorandum. Initial investment minimum is \$500,000 and the client must be an accredited investor.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 13) of this Form ADV for additional information.

**Mutual Fund Fees:** All fees paid to FAMR for investment advisory services are separate and distinct from the fees and expenses charged by



mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

### **General Information**

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason. FAMR will provide **30** days written termination notice to our client. Clients are encouraged to provide prior notice. Upon termination of any account, the client will be charged for the advisory services rendered up to the day of termination. Final invoice will be mailed to client and fees will be debited from client's account(s).

### ***Grandfathering of Minimum Account Requirements:***

Advisory clients are subject to FAMR's minimum

account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

***ERISA Accounts:*** FAMR is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, FAMR may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, *or conversely*, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset FAMR's advisory fees.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Prepayment of Fees:*** FAMR charges quarterly advisory fees in arrears and under no circumstances do we require or solicit payment of fees in advance of services rendered.

## **Item 7 Performance-Based Fees and Side-By-Side Management**

### **Performance-Based Fees**

As we disclosed in Item 6 of this Brochure, our firm accepts a performance-based fee from the client. Such a performance-based fee is calculated based on a share of capital gains on or capital appreciation of the assets of the client. To qualify for a performance-based fee arrangement, a client (or Partnership or Fund investor, as applicable) must either demonstrate a net worth of at least \$2,000,000 or must have at least \$1,000,000 under management immediately after entering into a management agreement with us.

Clients should be aware that performance-based fee arrangement may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

Furthermore, as we also have clients who do not pay performance-based fees, we have an incentive to favor accounts that do pay such fees because compensation we receive from these clients is more directly tied to the performance of their accounts.

## **Item 8 Types of Clients**

FAMR provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Investment Companies (mutual fund)
- Other pooled investment vehicles (e.g., Limited Partnership)
- Corporations or other businesses not listed above

As previously disclosed in Items 6 and 7, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

## **Item 9 Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

***Fundamental Analysis.*** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis.** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## Investment Strategies

We use the following strategy(ies) in managing client accounts. Prospective clients and clients with changing needs should consider the appropriateness of such strategy(ies) to their investment objectives, risk tolerance, and time horizons, among other considerations.

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when we believe the securities to be currently undervalued.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Margin transactions.** We will purchase stocks and bonds for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings. Client accounts will be charged interest on the funds borrowed at the prevailing custodial rate.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option,

just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives the buyer the right to buy an asset at a certain price within a specific period of time.
- A put gives the buyer the right to sell an asset at a certain price within a specific period of time.

We limit our option strategy to "covered calls", in which we sell call options on securities clients own. In this strategy, clients receive a premium (cash) for making the option available, and the person purchasing the option has the right to buy the underlying security from clients at an agreed-upon price (strike price).

***Risk of Loss.*** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk and time horizon for assets invested.

## **Item 10      Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

## **Item 11      Other Financial Industry Activities and Affiliations**

### **Other pooled investment vehicles**

#### **Limited Partnership**

FAMR is the General Partner to Footprints Partners LP (LP). FAMR has primary responsibility for investment management and administrative matters, such as accounting tax and periodic reporting, pertaining to the LP. As the general partner, FAMR is eligible for investment advisory compensation, and performance-based fees. Due to our involvement with the LP, we do have a conflict of interest in soliciting client investments.

Because investment in the LP may involve certain additional degrees of risk, it will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability. Only accredited investors may participate. See Item 7 for guidance on qualifying as an accredited investor.

FAMR and our members, officers and employees will devote to the LP as much time as we deem necessary and appropriate to manage the LP's business. FAMR is not restricted from forming additional investment funds, entering into other investment advisory relationships or engaging in other business activities, even though such activities may be in competition with the LP and/or may involve substantial time and resources of our firm and our affiliates. Potentially, such activities could be viewed as creating a conflict of interest in that

the time and effort of our management personnel and employees will not be devoted exclusively to the business of the LP, but could be allocated between the businesses of the LP.

Investments in the LP may be recommended to advisory clients for whom a partnership investment may be more suitable than would a separate advisory account managed by our firm. Clients who invest in the LP are charged an advisory fee allocated to the limited partners of the LP.

The LP is not required to register as an investment company under the Investment Company Act of 1940 in reliance upon Section 3(c) (1), an exemption available to funds whose securities are not publicly offered. The LP is not required to register under the Securities Act of 1933 in reliance upon Section 4(a)(2) and Rule 506. FAMR manages the LP on a discretionary basis in accordance with the terms and conditions of the LP's offering and organizational documents.

An account of this affiliated entity is specifically disclosed on Schedule D of Form ADV, Part 1 at Item 7.B. Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.

Clients interested in investing in the partnership should refer to the partnership's private placement memorandum for more information specific to the partnership.

## **Mutual Fund**

FAMR previously disclosed in "Advisory Business" (Item 4) and "Fees and Compensation" (Item 6) of this brochure that our firm is the investment adviser to the Northern Lights Series Trust III Footprints Discover Value Fund, an investment company registered under the Investment Company Act of 1940. FAMR has primary responsibility for investment management and trading of the fund.

For additional information, the Fund Prospectus and Statement of Additional Information are available on-line at: [www.footprintsfund.com](http://www.footprintsfund.com). Prospective investors should review these documents carefully before making any investment in the Mutual Fund.

## **Registered Representatives**

Steve Lococo, President of FAMR, and Rebecca Hendrickson, Vice President of FAMR, are registered representatives of GVC Capital LLC, a broker-dealer. As registered representatives, Mr. Lococo is compensated by commissions for investment advice given on non-discretionary brokerage accounts that are not clients of FAMR. Commissions are generated through the buying and selling of securities in non-FAMR client accounts on an agency basis.

## **Item 12 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance

with applicable federal securities laws.

FAMR and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the pre-clearance of principal and employee account trades that are either held outside of our custodians or are traded at the account level and not aggregated with client trades, review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

FAMR's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [info@famr.com](mailto:info@famr.com), or by calling us at 402-445-9333.

FAMR and individuals associated with our firm are prohibited from engaging in principal transactions unless prior client consent has been obtained. Transactions will be done at the mid-point of the current bid ask of the position as indicated by the executing broker.

FAMR may, at times, effect an agency cross transaction for an advisory client, provided that the transaction is consistent with our firm's fiduciary duty to the client and that all requirements outlined in Sec. 206(3)-2 of the Investment Advisers Act of 1940 are met.

An agency cross transaction is a transaction where our firm acts as an investment adviser in relation to a transaction in which FAMR acts as broker for both the advisory client and for another person on the other side of the transaction. Prior approval from both sides will be obtained prior to execution. Transaction will be done at the mid-point of the current bid ask of the position as indicated by the executing broker.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to

our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to any pending transaction(s) being implemented for advisory accounts. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons

of the firm.

5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his designee.
6. We have established procedures for the maintenance of all required books and records.
7. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
8. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
9. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
10. Any individual who violates any of the above restrictions may be subject to termination.

### **Item 13 Brokerage Practices**

FAMR will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates

and prices, research, trading platform, and other services which will help FAMR in providing investment management services to clients. FAMR may, therefore recommend (or use) the use of a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

Consistent with obtaining best execution for clients, FAMR may direct brokerage transactions for clients' portfolios to brokers who provide research and execution services to FAMR and, indirectly, to FAMR's clients. These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment our own internal research and investment strategy capabilities. This may be done without prior agreement or understanding by the client (and done at our discretion). Research services obtained through the use of soft dollars may be developed by brokers to whom brokerage is directed or by third-parties which are compensated by the broker. FAMR does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research we receive will help us to fulfill our overall duty to our clients. FAMR may not use each particular research service, however, to service each client. As a result, a client may pay

brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client. Broker-dealers we select may be paid commissions for effecting transactions for our clients that exceed the amounts other broker-dealers would have charged for effecting these transactions if FAMR determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or our overall duty to its ('brokerage') discretionary client accounts.

Certain items obtainable with soft dollars may not be used exclusively for either execution or research services. The cost of such "mixed-use" products or services will be fairly allocated and FAMR makes a good faith effort to determine the percentage of such products or services which may be considered as investment research. The portions of the costs attributable to non-research usage of such products or services are paid by our firm to the broker-dealer in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934.

When FAMR uses client brokerage commissions to obtain research or brokerage services, we receive a benefit to the extent that FAMR does not have to produce such products internally or compensate third-parties with our own money for the delivery of such services. Therefore, such use of client brokerage commissions results in a conflict of interest, because we have an incentive to direct client brokerage to those brokers who provide



research and services we utilize, even if these brokers do not offer the best price or commission rates for our clients.

Within our last fiscal year, we have obtained the following products and services on a soft-dollar basis:

Bloomberg Research

NYSE Data

BCA Research

Credit Sights Research

### **Trade Aggregation**

The aggregation or blocking of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall trade executing fees to clients. Our firm's policy is to aggregate client transactions where possible and when advantageous to clients. In these instances clients participating in any aggregated transactions will receive an average share price.

FAMR will typically aggregate trades among clients whose accounts can be traded at a given broker. FAMR's block trading policy and procedures are as follows:

1) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable FAMR to seek best execution for each client participating in the aggregated order. This requires a

good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.

2) The portfolio manager allocates shares purchased or sold among our three advisory client groups: Footprints Partners LP (LP), Footprints Discover Value Fund (Fund), and Separately Managed Accounts (SMAs). The portfolio manager uses discretion to allocate among the LP, Fund, and SMAs. This creates a potential conflict of interest. As previously noted in Section 11, we have an incentive to allocate to the LP due to performance based fees.

The buy allocations target a percent of portfolio ownership across all SMA accounts. The portfolio manager will allocate shares to client accounts based on level of ownership and other factors but not limited to:

- current cash availability
- margin buying power
- frequency of distribution requests
- upcoming distribution requests
- general or specific client restrictions
- household exposure to position
- tenure of client
- level of account assets
- on-going investment contributions

Based on the portfolio manager's knowledge of each clients' circumstances and portfolio history, the portfolio manager will allocation shares to those accounts that have passed the initial filters.

The investment process of becoming fully invested in a position takes time. As the manager steps into a position, shares will tend to be allocated to accounts with lower ownership percentage. Our goal is to allocate whole lots to client accounts to reduce the transaction costs of multiple allocations. Though, the price may move away from the portfolio manager's target, ceasing the purchase of additional shares for unallocated portfolios, until such time the price aligns with the portfolio manager's target. This may not happen, creating a potential conflict of interest in allocating whole lots to clients vs. pro-rate shares across all accounts.

As partial sell lots are filled, whether the manager is lightening up on a position or selling out of a position, we will allocate shares on a descending order to accounts with the highest percentage of the asset owned. Our goal is to allocate whole lots to client accounts to reduce the transaction costs of multiple allocations.

3) FAMR's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

4) Funds and securities for aggregated orders are clearly identified on FAMR's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

5) SMAs are allocated as to not favor one over another. Proprietary accounts of the adviser and employees of FAMR may be allocated shares prior to full allocation to client accounts. Client accounts are allocated shares based on an average price obtained for the aggregated block trade.

6) FAMR will periodically conduct post-execution trade reviews of allocations and executions to ensure that no client or group of clients benefited from FAMR's trade allocation and execution practices over time.

### **Brokerage Accounts**

Charles Schwab & Co., Inc.

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

Schwab provides FAMR with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon our firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Institutional also makes available to our firm other products and services that benefit FAMR but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that

- provide access to client account data (such as trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide research, pricing and other market data;
- facilitate payment of our fees from clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help us manage and further develop our business enterprise. These services may include:

- i. compliance, legal and business consulting;
- ii. publications and conferences on practice management and business succession; and
- iii. access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to FAMR. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of our personnel. In

evaluating whether to recommend or require that clients custody their 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 and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### GVC Capital, LLC

FAMR may recommend that clients establish brokerage accounts with the GVC Capital (GVC), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we recommend that clients establish accounts at GVC, it is the client's decision to custody assets with GVC. FAMR is independently owned and operated and not affiliated with GVC.

GVS brokerage services include the execution of securities transactions, custody through First Southwest Company, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, GVC generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that

are executed through GVC or that settle into GVC accounts.

GVC also makes available to our firm other products and services that benefit FAMR but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at GVC.

GVC's products and services that assist us in managing and administering our clients' accounts include software and other technology that

- provide access to client account data (such as trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide research, pricing and other market data;
- facilitate payment of our fees from clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

### Directed Brokerage

Clients may direct all or a portion of their account transactions to one or more brokers. In such cases, it is FAMR's policy that the client must negotiate execution costs/commissions or other fees associated with trading the account with the broker. FAMR may not be able to obtain best execution in

directed brokerage cases and cannot aggregate the account trades with other client trades.

### **Best Execution Review**

1. FAMR will periodically review our policies and procedures that are used to allocate brokerage business and the types of arrangements entered into on behalf of our clients and the Fund, including arrangements for directing brokerage in exchange for payment of expenses or receipt of research;
2. With respect to each broker to whom brokerage is allocated, we will track and retain records of:
  - a. The name of the broker
  - b. Total commissions paid
  - c. Average commission rate per share
  - d. The dollar amount of trades with the broker
  - e. Amount of trades as percentage of total client and total Fund trades
  - f. The reason for placing the trade with the broker;
3. The level of commissions paid by clients and the Fund as compared to the level of commissions paid by others in the industry, or such other information as is necessary to enable the assessment the commissions paid by clients and the Fund; and

4. The execution performance of the brokers FAMR selects for client and Fund transactions.

Trade executions will be adjusted according to findings that are not consistent with achieving best execution for client and fund transactions.

### **Item 14 Review of Accounts**

#### **Investment Supervisory Services (ISS) Individual Portfolio Management**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least monthly by the portfolio manager. Accounts are reviewed in the context of absolute value investing and each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: Steve Lococo, Portfolio Manager and President.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide our Separately Managed Account clients quarterly reports summarizing account performance, balances, holdings, and invoice for management fees. Clients should review the documents for accuracy in fee calculations and fee debits.

**Item 15 Client Referrals and Other Compensation**

It is FAMR's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is FAMR's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

**Item 16 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their

statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Our firm does not have actual or constructive custody of client accounts.

**Item 17 Investment Discretion**

Clients hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell
- determine where to buy or sell the securities (selection of executing broker)
- determine the broker/dealer to custody assets

Clients give us discretionary authority when they sign FAMR'S Advisory agreement.

**Item 18 Voting Client Securities**

We vote proxies for all client accounts; however, you always have the right to vote proxies yourself. You can exercise this right by NOT selecting the option within Schwab's account paperwork and by selecting the option in FAMR'S Advisory agreement that you want to vote proxies in your account.

FAMR will vote proxies in the best interests of its clients and in accordance with our established policies and procedures.

- Footprints Asset Management & Research will generally vote in favor of routine corporate housekeeping proposals such as the election of directors and selection of auditors absent conflicts of interest raised by an auditor's non-audit services.
- Footprints Asset Management & Research will generally vote against proposals that cause board members to become entrenched or cause unequal voting rights.

Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies.

If our firm has a potential or actual conflict of interest in voting a particular action, we may notify clients. If the proxy proposal is a Routine Proxy

Proposal, FAMR will typically adhere to the standard procedure of referring to the principles and guidelines described within our policy in deciding how to vote. Alternatively, FAMR may disclose the conflict to our clients and obtain their consent before voting or seek the recommendation of an independent third party in deciding how to vote.

If the proxy proposal is a Non-Routine Proxy Proposal, FAMR will take an appropriate course of action as described in our policy.

Steve Lococo currently resides on the Board of Directors for Wegener Corporation, creating a potential conflict of interest in voting client shares of Wegener Corporation.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting the office by telephone, email, or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

We will ***neither advise nor act on behalf of*** the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable

efforts to forward such notices in a timely manner. With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, clients should contact the office by telephone, email, or in writing.

You can instruct us to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing. You can also instruct us on how to cast your vote in a particular proxy contest by contacting us at [info@famr.com](mailto:info@famr.com) or 402.445.9333.

## **Item 19 Financial Information**

Under no circumstances do we require or solicit payment of fees in advance. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. FAMR has no additional financial circumstances to report.

FAMR has not been the subject of a bankruptcy petition at any time during the past ten years.