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Form ADV, Part 2A Brochure

March 17, 2011

This brochure provides information about the qualifications and business practices of Foothill Financial Advisors. If you have any questions about the contents of this brochure, please contact us at 909-267-3770. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Any reference to or use of the terms "registered investment adviser" or "registered," does not imply that Foothill Financial Advisors or any person associated with Foothill Financial Advisors has achieved a certain level of skill or training.

Additional information about Foothill Financial Advisors is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2 - MATERIAL CHANGES

Revised March 17, 2011

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

This brochure is a new document prepared according to the SEC's new requirements and rules. Therefore, this document is materially different in structure and requires certain new information that our previous brochure did not require. In the future, this item will discuss only specific material changes that we made to the brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

Foothill Financial Advisors reviews and updates our brochure at least annually to make sure that it is still current.

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ITEM 4 - ADVISORY BUSINESS

Description of Advisory Firm

Foothill Financial Advisors (“Foothill,” “we,” “our,” or “us”) is a privately owned Corporation headquartered in Claremont, California. In 2009, John Graham and Henry Ford founded Foothill. In 2010, Foothill registered as an investment adviser with the U.S. Securities and Exchange Commission.

Foothill offers investment advisory and financial planning services to individuals, families, trusts, and businesses. We specialize in providing investment advice and financial solutions for the unique needs of women.

Advisory Services Offered

Foothill offers the following services to advisory clients:

Investment Advisory Services

Foothill offers advice to clients regarding asset allocation and the selection of investments. Our investment advisory services are generally inclusive of financial planning, asset allocation, and portfolio management services. We design, implement, and provide continued monitoring of client portfolios. Foothill will invest the account on a fully discretionary basis, limited only by the client’s individual needs and any restrictions imposed on the account.

Foothill recommendations for new investments will primarily include exchange-traded funds (ETFs). Additionally, Foothill’s recommendations, depending on the individual investment objectives and needs of the client may include:

1. Equity securities, including stocks and foreign securities listed on US exchanges (ADRs)
2. Fixed income securities, including corporate, government, and municipal bonds, commercial paper, and certificates of deposit (CDs)
3. Mutual funds
4. Securities with Equity and Debt Characteristics, including convertible bonds, preferred stocks or other preferred securities

Foothill may also occasionally offer advice regarding additional types of investments if they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry. Foothill may also offer investment advice on any investment held by the client at the start of the advisory relationship. We describe the material investment risks for many of the securities that we recommend under the heading ***Specific Security Risks*** in ***Item 8*** below.

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

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

Non-Discretionary Accounts

Foothill also offers investment advisory services to clients on a non-discretionary basis. For these clients Foothill will contact the client before making recommendations it deems appropriate for the client. See also ***Item 16 – Investment Discretion*** below.

Financial Planning and Consulting Services

Foothill offers a range of financial planning services, from broad planning to custom planning focused on specific areas requested by the client. Our investment management clients may receive a financial plan. We may also offer financial planning services as a standalone service.

As part of the financial planning process, Foothill collects information about the client's financial situation and needs, which may include: net worth, income, expenses, taxes, investments, retirement plans, life insurance, disability insurance, health insurance, long term care insurance, business agreements, divorce papers, pre-nuptial agreements, estate documents, and any other documents that pertain to their overall financial picture. In addition, Foothill asks the client about their future goals and objectives. Foothill then develops a personalized plan including specific recommendations in all applicable areas. Typically, we develop the plan with the client over several in-person meetings.

Foothill may also work with the client to provide advice regarding a particular aspect of the client's financial situation. Areas of focus might include:

1. Preparing for or living in retirement
2. Investment strategies
3. Estate planning strategies
4. Income tax planning
5. Stock option analysis and planning
6. Insurance: life, disability, medical, long-term care insurance
7. Family savings and cash flow planning
8. Education planning and funding
9. Charitable gifting
10. Debt management
11. Employee benefit usage
12. Other, as determined between Foothill and the client

Our financial planning services do not include preparation of any kind of income tax, gift, or estate tax returns nor preparation of any legal documents, including wills or trusts.

We describe fees charged for financial planning services below under ***Item 5 - Fees and Compensation***.

Limitations on Investments

In some circumstances, Foothill's advice may be limited to certain types of securities.

Limitation by Plan Sponsor/Employer

In the event Foothill is managing assets within a retirement plan such as 401(k), 529 plans, or other employer plan, Foothill is limited to those investment providers and investment options chosen by the plan administrator. Similarly, when we provide services to participants in an employer-sponsored plan, the participant may be limited to investing in securities included in the plan's investment options. Therefore, Foothill can only make recommendations to the client from among the available options, and will not recommend or invest the client's account in other securities, even if there may be better options elsewhere.

Non-managed Assets

With respect to investment management services, Foothill will only be responsible for the supervision and management of securities we recommend. Foothill will not be responsible for the supervision or management of non-managed assets. Non-managed assets may include securities held in a client's account that is under management with Foothill that were:

1. Delivered into the account by the client;
2. Purchased by the client;
3. Purchased by Foothill at the request of the client as an accommodation; or
4. Designated by the client to be non-managed securities by written notification.

Limitation by Type of Security

Limitation on Equities

Generally, Foothill utilizes equity-related ETFs rather than invest in individual equity securities. However, there may be instances when we make the determination that an individual equity security is more appropriate than equity-related ETFs investment options available. We may also hold individual positions as an accommodation to clients.

Mutual Fund Limitations

No Load Mutual Funds

Foothill generally limits recommendations of mutual funds to no load funds or equivalent investment products.

REIT Funds

Foothill generally does not utilize individual real estate investment trusts (REITs), but may recommend ETFs and/or mutual funds that include REITs within the underlying fund holdings.

Limitation by Custodian

There may also be limitations on the mutual funds that we recommend. All clients establish brokerage accounts with Schwab Institutional®, a division of Charles Schwab & Co., Inc. ("Schwab"), registered broker-dealer, Member SIPC. Foothill is limited to the mutual funds available through Schwab.

Limitation by Client

Foothill may also limit advice based on certain client-imposed restrictions. For more information about the restrictions clients can put on their accounts, see ***Tailored Services and Client Imposed Restrictions*** in this Item below.

Tailored Services and Client Imposed Restrictions

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

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

Wrap Fee Programs

Foothill does not manage accounts as part of a wrap or bundled fee program.

Assets Under Management

Foothill manages client assets in both discretionary and non-discretionary accounts on a continuous and regular basis. As of 02/11/2011, the total amount of assets under our management was:

Discretionary Assets	\$ 85,117,920
Non-Discretionary Assets	\$ 3,074,000
Total Assets	\$ 88,191,920

ITEM 5 - FEES AND COMPENSATION

Fee Schedule

Investment Advisory Services

Foothill charges advisory fees for investment management services. Foothill's advisory fees are charged based on a percentage of the market value of the portfolio, per the following schedule:

<u>Assets Under Management</u>		<u>Annual Fee</u>
<u>From</u>	<u>To</u>	
\$0	\$1,000,000	1.00%
\$1,000,001	\$3,000,000	0.75%
\$3,000,001+		Negotiable

Once the portfolio reaches a breakpoint, Foothill bills all assets under management in the portfolio at the lower rate.

Foothill reserves the right to negotiate all fees and terms with clients. Lower fees for comparable services may be available from other sources. At Foothill's discretion, services may be provided without charge to employees and their family members.

Financial Planning and Consulting Services

Foothill offers financial planning and consulting services on a fixed-fee basis. Foothill will quote the client a fixed fee that is based on the estimate of time to complete the project multiplied by an hourly rate of \$225. This fee may be negotiable depending on the nature and complexity of each client's circumstances. In these instances, we will provide an estimate of the total hours required at the start of the relationship. Foothill may also provide services at a reduced rate or free of charge for certain clients (such as family members).

Billing Method

Investment Advisory Services

Foothill's advisory fees for investment advisory clients will be billed 3 months in advance. Our fees are based on the market value of the assets in the account as of the last business day of the prior calendar quarter. The formula used for the calculation is as follows: $(Annual\ Rate) \times (Total\ Assets\ Under\ Management\ at\ Month\ End) / 4$.

For new investment advisory clients, the initial fees will be invoiced at the beginning of the first full month under management and for three months in advance. The market value will be based on the assets in the account as of the month-end when assets are transferred.

Foothill may aggregate client accounts that have family relationships with each other for purposes of calculating the advisory fees applicable to each client.

With client authorization, Foothill will automatically withdraw Foothill's advisory fee from the client's account held by an independent custodian. Typically, the custodian withdraws advisory fees from the client's account during the first month of each quarter based on Foothill's instruction. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee. The custodian will not determine whether the fee is properly calculated. It is the client's responsibility to verify the accuracy of the fee calculation.

Financial Planning and Consulting Services

Our fees for financial planning and consulting services will be due and payable upon delivery of the plan and/or consulting service.

Other Fees and Expenses the Client May Pay

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

In addition, any mutual fund shares held in a client's account may be subject to deferred sales charges, 12b-1 fees, and other fund-related expenses. The fund's prospectus fully describes the fees and expenses. All fees paid to Foothill for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds pay advisory fees to their managers, which are indirectly charged to all holders of the mutual fund shares. Consequently, clients with mutual funds in their portfolios are effectively paying both Foothill and the mutual fund manager for the management of their assets.

Termination

Investment Advisory Services

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

Foothill will refund any prepaid, unearned advisory fees based on the effective date of termination. Upon termination of the agreement, we will send the client a prorated refund of unearned advisory fees using the following formula: $(Fees\ Paid) \times (Days\ Remaining\ in\ Period) / (Total\ Number\ of\ Days\ in\ Period)$.

Financial Planning and Consulting Services

Foothill considers the planning phase of our services to be complete, and the agreement terminated upon delivery of a satisfactory planning project. In the event that either the client or Foothill wishes to terminate the financial planning agreement before completion of the plan, either party may terminate the agreement at any time by providing written notice to the other party. The client may terminate the agreement at any time by writing Foothill at our office.

Upon notice of termination, Foothill will provide you with an invoice for services provided through the date of termination.

Other Compensation

Foothill does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

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

ITEM 7 - TYPES OF CLIENTS

Foothill offers discretionary and/or non-discretionary investment advisory and financial planning services to individuals, high net worth individuals, trusts and estates, and individual participants of retirement plans. In addition, we offer advisory services to pension and profit sharing plans, charitable organizations, and businesses.

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

Methods of Analysis and Investment Strategies

We believe that asset allocation and diversification are the two most important principles of investing. Our investment strategy is to seek real capital growth proportionate with the level of risk the client is willing to take. Foothill treats each client account uniquely. Generally, we assist our clients to develop an investment profile. This profile typically outlines the client's investment objectives, time horizon, risk tolerance, tax considerations, target asset allocation, and income needs. Foothill will then make recommendations that are consistent with the client's investment profile.

Foothill chooses the asset allocation based on the clients' attitudes about risk and their need for capital appreciation or income. Different instruments involve different levels of exposure to risk. Within each investment category, Foothill selects individual securities with characteristics that are most consistent with the client's objectives. We deal with any client restrictions on an account-by-account basis.

Since Foothill treats each client account uniquely, client portfolios with a similar investment objectives and asset allocation goals may own different securities. Timing and tax factors also influence Foothill's investment decisions. Clients who buy or sell securities on the same day may receive different prices.

When changes are necessary in the model allocations, discretionary portfolio allocations are generally traded and rebalanced before non-discretionary portfolios.

Methods of Analysis for Selecting Securities

Foothill may use fundamental and technical analysis in the selection of individual securities. Fundamental analysis typically involves analysis of financial statements, the general financial health of companies, and /or the analysis of management or competitive advantages. Foothill may utilize technical analysis in an effort to determine market trends, logical profit objectives, and exit points. Foothill may use various sources of information including, but not limited to, data provided by Schwab, Morningstar, Argus Research Group, and/or Standard & Poor's.

Additionally, Foothill may use specific strategies or resources in the method of analysis and selection of ETFs, mutual funds and fixed income securities.

ETFs

In analyzing ETFs we may review liquidity, expense ratios, and how performance compares to a specific index.

Mutual Funds

In analyzing mutual funds we review key characteristics such as historical performance, consistency of returns, risk level, and size of fund.

Equity Funds

Regarding equity mutual funds we review key characteristics such as historical performance, consistency of returns, risk level, and/or size of fund. Expense ratio and other costs are also significant factors in fund selection.

Debt Securities (Fixed Income)

Foothill relies on credit rating agencies such as Standard & Poor's to help determine the financial strength of issuing creditors. We also use prospectuses and other relevant information from bond underwriters to help in analysis and selection of fixed income securities.

Investment Strategies for Managing Portfolios

Foothill primarily uses Modern Portfolio Theory to manage portfolios. We also utilize a tactical asset allocation, may use cash as a strategic asset, and believe in a long-term holding strategies when constructing and managing client portfolios.

MPT

Foothill uses the Modern Portfolio Theory, which has a basic concept of using diversification in an effort to help optimize the risk and potential return of a portfolio.

Tactical Asset Allocation

Foothill may use tactical asset allocation strategies in the management of client accounts. Tactical asset allocation is an active management portfolio strategy that re-balances the percentage of assets held in various asset categories in an effort to take advantage of market pricing anomalies or strong market sectors. This strategy provides an opportunity for Foothill to create extra value by taking advantage of

certain situations in the marketplace. Foothill considers this a moderately active strategy since we return the portfolio to its original strategic asset mix if we achieve desired short-term profits or the perceived opportunity ends. There is no guarantee that this strategy will be successful and we make no promises or warranties as to the accuracy of our market analysis.

Cash as a Strategic Asset

Foothill may use cash as a strategic asset and may at times move or keep client's assets in cash or cash equivalents. Foothill makes no guarantees, promises, or warranties as to the accuracy of our market analysis.

Long-term Holding

Foothill does not generally purchase securities for clients with the intent to sell the securities within 30 days of purchase, as Foothill does not use short-term trading as an investment strategy. However, there may be times when Foothill will sell a security for a client when the client has held the position for less than 30 days.

Investing Involves Risk

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

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

Specific Security Risks

General Risks of Owning Securities

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

Exchange-Traded Funds (ETFs)

An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) containing a basket of stocks. Typically, the objective of an ETF is to achieve the same return as a particular market index, including sector indexes. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market. Unlike traditional mutual funds, which

can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock mutual funds, the prices of the underlying securities and the overall market may affect ETF prices. Similarly, factors affecting a particular industry segment may affect ETF prices that track that particular sector.

Mutual Funds (Open-end Investment Company)

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads).

The benefits of investing through mutual funds include:

Professionally Managed

Mutual funds are professionally managed by investment advisers who research, select, and monitor the performance of the securities the fund purchases.

Diversification

Mutual funds typically have the benefit of diversification, which is an investing strategy that generally sums up as "Don't put all your eggs in one basket." Spreading investments across a wide range of companies and industry sectors can help lower the risk if a company or sector fails. Some investors find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds.

Affordability

Some mutual funds accommodate investors who do not have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases, or both.

Liquidity

At any time, mutual fund investors can readily redeem their shares at the current NAV, less any fees and charges assessed on redemption.

Mutual funds also have features that some investors might view as disadvantages:

Costs Despite Negative Returns

Investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.

Lack of Control

Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

Price Uncertainty

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

Different Types of Funds

When it comes to investing in mutual funds, investors have literally thousands of choices. Most mutual funds fall into one of three main categories; money market funds, bond funds (also called “fixed income” funds), and stock funds (also called “equity” funds). Each type has different features and different risks and rewards. Generally, the higher the potential return, the higher the risk of loss.

Money Market Funds

Money market funds have relatively low risks, compared to other mutual funds (and most other investments). By law, they can invest in only certain high quality, short-term investments issued by the U.S. Government, U.S. corporations, and state and local governments. Money market funds try to keep their net asset value (NAV), which represents the value of one share in a fund, at a stable \$1.00 per share. However, the NAV may fall below \$1.00 if the fund's investments perform poorly. Investor losses have been rare, but they are possible. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. That is why “inflation risk,” the risk that inflation will outpace and erode investment returns over time, can be a potential concern for investors in money market funds.

Bond Funds

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields. Unlike money market funds, the SEC's rules do not restrict bond funds to high quality or short-term investments. Because there are many different types of bonds, bond funds can vary dramatically in their risks and rewards.

Some of the risks associated with bond funds include:

Credit Risk

There is a possibility that companies or other issuers may fail to pay their debts (including the debt owed to holders of their bonds). Consequently, this affects mutual funds that hold these bonds. Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury Bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.

Interest Rate Risk

There is a risk that the market value of the bonds will go down when interest rates go up. Because of this, investors can lose money in any bond fund, including those that invest only in insured bonds or U.S. Treasury Bonds. Funds that invest in longer-term bonds tend to have higher interest rate risk.

Stock Funds

Although a stock fund's value can rise and fall quickly (and dramatically) over the short term, historically stocks have performed better over the long term than other types of investments. This is true for corporate bonds, government bonds, and treasury securities. Overall "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons—such as the overall strength of the economy or demand for particular products or services. Not all stock funds are the same. For example:

Growth Funds

Growth funds focus on stocks that may not pay a regular dividend but have the potential for large capital gains.

Income Funds

Income funds invest in stocks that pay regular dividends.

Small Cap Funds

Funds that invest in stocks of small companies involve additional risks. Smaller companies typically have higher risk of failure, and are not as established as larger blue-chip companies are. Historically, smaller-company stocks have experienced a greater degree of market volatility than the overall market average.

Mid Cap Funds

Funds that invest in companies with smaller market capitalizations involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

Index Funds

Index funds aim to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, by investing in all—or perhaps a representative sample—of the companies included in an index.

International Funds

International investments are subject to additional risks, including currency fluctuation, political instability, and potential illiquid markets.

Emerging Market Funds

Funds that invest in foreign securities involve special additional risks. These risks include, but are not limited to currency risk, political risk and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Sector Funds

Sector funds may specialize in a particular industry segment, such as technology or consumer products stocks. Funds that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risk.

REIT Funds

REIT Funds include REITs within the underlying fund holdings. REITs primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development, and/or long-term mortgage loans. REIT investments include illiquidity and interest rate risk.

TIPS Funds

Treasury Inflation Protection Securities (TIPS) are inflation-indexed securities structured to remove inflation risk.

Tax Consequences of Mutual Funds

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any *personal capital gains* when the investor sells shares, the investor may have to pay taxes each year on *the fund's capital gains*. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit that cannot be offset by a loss.

Exchange-Traded Notes (ETNs)

An ETN is a senior, unsecured, unsubordinated debt security by an underwriting bank whose primary objective is to achieve the same return as a particular market index. Similar to other debt securities, the credit of the issuer is the only backing for ETNs, which have a maturity date. Although performance is contractually tied to whatever index the ETN is intended to track, ETNs do not have any assets, other than a claim against their issuer for payment according to the terms of the contract. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETNs trade throughout the day on an exchange. ETNs, as debt instruments, are subject to risk of default by the issuing bank as counter party. This is the major design difference between ETFs and ETNs: ETFs are only subject to market risk whereas ETNs are subject to both market risk and the risk of default by the issuing bank.

Debt Securities (Bonds)

Issuers use debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when

interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

Certain additional risk factors relating to debt securities include:

Reinvestment Risk

When interest rates are declining, investors have to reinvest their interest income and any return of principal, whether scheduled or unscheduled, at lower prevailing rates.

Inflation Risk

Inflation causes tomorrow's dollar to be worth less than today's; in other words, it reduces the purchasing power of a bond investor's future interest payments and principal, collectively known as "cash flows." Inflation also leads to higher interest rates, which in turn leads to lower bond prices.

Interest Rate and Market Risk

Debt securities may be sensitive to economic changes, political and corporate developments, and interest rate changes. Investors can also expect periods of economic change and uncertainty, which can result in increased volatility of market prices and yields of certain debt securities. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

Call Risk

Debt securities may contain redemption or call provisions entitling their issuers to redeem them at a specified price on a date prior to maturity. If an issuer exercises these provisions in a lower interest rate market, the account would have to replace the security with a lower yielding security, resulting in decreased income to investors.

Usually, a bond is called at or close to par value. This subjects investors that paid a premium for their bond to a risk of lost principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called.

Credit Risk

If the issuer of a debt security defaults on its obligations to pay interest or principal or is the subject of bankruptcy proceedings, the account may incur losses or expenses in seeking recovery of amounts owed to it.

Liquidity and Valuation Risk

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

It may be possible to reduce the risks described above through diversification of the client's portfolio and by credit analysis of each issuer, as well as by monitoring broad economic trends and corporate and

legislative developments, but there can be no assurance that we will be successful in doing so. Credit ratings for debt securities provided by rating agencies reflect an evaluation of the safety of principal and interest payments, not market value risk. The rating of an issuer is a rating agency's view of past and future potential developments related to the issuer and may not necessarily reflect actual outcomes. There can be a lag between the time of developments relating to an issuer and the time a rating is assigned and updated.

Bond rating agencies may assign modifiers (such as +/-) to ratings categories to signify the relative position of a credit within the rating category. Unless we state otherwise, clients should include any security within that category without considering the modifier when reading their investment policies based on ratings categories.

Cash and Cash Equivalents

The account may hold cash or invest in cash equivalents. Cash equivalents include:

1. commercial paper (for example, short-term notes with maturities typically up to 12 months in length issued by corporations, governmental bodies or bank/corporation sponsored conduits (asset-backed commercial paper));
2. short-term bank obligations (for example, certificates of deposit, bankers' acceptances (time drafts on a commercial bank where the bank accepts an irrevocable obligation to pay at maturity)) or bank notes;
3. savings association and savings bank obligations (for example, bank notes and certificates of deposit issued by savings banks or savings associations);
4. securities of the U.S. government, its agencies or instrumentalities that mature, or may be redeemed, in one year or less; and
5. corporate bonds and notes that mature, or that may be redeemed, in one year or less.

Cash and cash equivalents are the most liquid of investments. Cash and cash equivalents are considered very low-risk investments meaning, there is little risk of losing the principal investment. Typically, low risk also means low return and the interest an investor can earn on this type of investment is low relative to other types of investing vehicles.

Financial Planning

The financial planning tools Foothill uses to create financial plans for clients rely on various assumptions, such as estimates of inflation, risk, economic conditions, and rates of return on security asset classes. All return assumptions use asset class returns, not returns of actual investments, and do not include fees or expenses that clients would pay if they invested in specific products.

Financial planning software is only a tool used to help guide Foothill and the client in developing an appropriate plan, and we cannot guarantee that clients will achieve the results shown in the plan. Results will vary based on the information provided by the client regarding the client's assets, risk tolerance, and personal information. Changes to the program's underlying assumptions or differences in

actual personal, economic, or market outcomes may result in materially different results for the client. Clients should carefully consider the assumptions and limitations of the financial planning software as disclosed on the financial planning reports and should discuss the results of the plan with a qualified investment professional before making any changes in their investment or financial planning program.

ITEM 9 - DISCIPLINARY INFORMATION

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

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

In connection with our advisory services, Foothill employees may offer advice to clients regarding insurance and may recommend insurance products. While we do not sell insurance products to our advisory clients, Foothill's personnel may, in their individual capacities, be licensed as insurance agents. This presents a potential conflict of interest as Foothill employees may earn a commission on the sale of insurance products in addition to the fee earned for investment management or financial planning services. Therefore, clients are advised that if they elect to act on these insurance recommendations, the client is under no obligation to transact the insurance purchase through Foothill's employee.

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

Code of Ethics

Foothill believes that we owe clients the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. Foothill's personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

Foothill's Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. Foothill's personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, and adherence to applicable federal securities laws. Foothill prohibits all personnel from acting upon any material, non-public information, as defined under federal securities laws and our Code of Ethics insider trading policy. Additionally, individuals who make securities recommendations to clients, or who have access to nonpublic information regarding any clients' purchase or sale of securities, are subject to personal trading policies governed by the Code of Ethics (see below).

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

Personal Trading Practices

Foothill and our personnel may purchase or sell securities for themselves, regardless of whether the transaction would be appropriate for the client account. Foothill and our personnel may purchase or sell securities for themselves that we also recommend to clients. This includes related securities (e.g., warrants, options, or futures). This presents a potential conflict of interest as we may have an incentive to take investment opportunities from clients for our own benefit, favor our personal trades over client transactions when allocating trades, or to use the information about the transactions we intend to make for clients to our personal benefit by trading ahead of clients.

Our policies to address these conflicts include the following:

1. Foothill's personnel seek to ensure that they do not personally benefit from the short-term market effects of their recommendations to clients and their personal transactions are regularly monitored.
2. Foothill's personnel must generally place transactions in personal accounts after placing similar transactions in client accounts on a given day (unless Foothill's personnel's personal transactions are included in the block and aggregated with client accounts, see **Aggregation with Client Orders** below).
3. Conflicts of interest also may arise when Foothill's personnel become aware of Limited Offerings or IPOs, including private placements or offerings of interests in limited partnerships or any thinly traded securities, whether public or private. Given the inherent potential for conflict, Limited Offerings and IPOs demand extreme care. Foothill's personnel are required to obtain pre-approval from the Chief Compliance Officer before trading in these types of securities.
4. For non-discretionary clients, Foothill will contact the client to make recommendation(s) it deems appropriate for the client. Foothill will not effect the transaction until it receives verbal or written instructions from the client. If Foothill does not receive instructions regarding the recommendation(s) within 24 hours, Foothill may effect the buy or sell for their own personal account.

Aggregation with Client Orders

Foothill generally effects transactions for each client independently, unless we determine that it is in the interest of other clients to purchase or sell the same securities at approximately the same time. Foothill may (but is not obligated to) aggregate orders for clients in the same securities in an effort to seek best execution, negotiate more favorable commission rates, and/or allocate differences in prices, commissions, and other transaction costs equitably among our clients. These are benefits of aggregating orders that we might not obtain if we placed those orders independently.

Foothill may also aggregate trades in like securities of client accounts with accounts of Foothill and our personnel as long as we follow the policies described below. However, this does present a potential

conflict of interest as we may have an incentive to allocate more favorable executions to our own accounts or the accounts of our personnel. Our policies to address this conflict are as follows:

1. We will disclose our aggregation policies in this brochure;
2. We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek best execution (which includes the duty to seek best price) for our clients. The trade also needs to be consistent with the terms of our investment advisory agreement with each client that has an account included in the aggregation;
3. No account will be favored over any other account. This includes accounts of Foothill or any of our personnel. Each account in the aggregated order will participate at the average share price for all of our transactions in a given security on a given business day (per custodian). All accounts will pay their individual transaction costs.
4. Before entering an aggregated order, we will prepare a written statement (the "Allocation Statement") specifying the participating accounts and how we intend to allocate the order among those accounts;
5. If the aggregated order is filled entirely, we will allocate shares among clients according to the Allocation Statement; if the order is partially filled, we will allocate it pro-rata according to the Allocation Statement.
6. However, we may allocate the order differently than specified in the Allocation Statement if all client accounts receive fair and equitable treatment. (See also **Item 12 – Brokerage Practices** below.) In this case, we will explain the reasons for a different allocation in writing, which the CCO must approve.
7. If an aggregated order is partially filled and we allocate it differently than the Allocation Statement specifies, no participating account may purchase or sell the security for a reasonable period following the execution of the block trade. This only applies when the participating account sells or receives more shares than it would have if the aggregated order been completely filled;
8. Our books and records will separately reflect each aggregated order and the securities held by, bought, and sold for each client account;
9. Funds and securities of clients participating in an aggregated order will be deposited with one or more qualified custodians. Clients' cash and securities will not be held collectively any longer than is necessary to settle the trade on a delivery versus payment basis. Following settlement, cash or securities held collectively for clients will be delivered out to the qualified custodian as soon as practical;

10. We do not receive additional compensation or remuneration of any kind as a result of aggregating orders; and
11. We will provide individual investment advice and treatment to each client's account.

ITEM 12 - BROKERAGE PRACTICES

The Custodian and Brokers We Use

Clients must maintain assets in an account at a "qualified custodian," generally a broker-dealer or bank. We require that our clients use Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated, and unaffiliated with Schwab. Schwab will hold your assets in a brokerage account, and buy and sell securities when we instruct them to.

While we require that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so.

How We Select Brokers/Custodians

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

1. Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
2. Capability to execute, clear, and settle trades (buy and sell securities for your account)
3. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
4. Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
5. Availability of investment research and tools that assist us in making investment decisions
6. Quality of services
7. Competitiveness of the price of those services (commission rates and other fees) and willingness to negotiate the prices
8. Reputation, financial strength, and stability
9. Prior service to us and our other clients
10. Availability of other products and services that benefit us, as discussed below (see ***Products and Services Available to Us From Schwab***)

Your Brokerage and Custody Costs

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services. However, Schwab receives compensation by charging you commissions or other fees

on trades that it executes or that settle into your Schwab account. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise. We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see ***How We Select Brokers/Custodians***).

Products and Services Available to Us from Schwab

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab’s business serving independent investment advisory firms like us. They provide Foothill and our clients with access to its institutional brokerage, trading, custody, reporting, and related services, many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts; others help us manage and grow our business. Schwab’s support services generally are available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200.

Following is a more detailed description of Schwab’s support services:

Services That Benefit You

Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit you and your account.

Services That May Not Directly Benefit You

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and that of third parties. We may use this research to service all or a substantial number of our clients’ accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

1. Provide access to client account data (such as duplicate trade confirmations and account statements)
2. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
3. Provide pricing and other market data
4. Facilitate payment of our fees from our clients’ accounts
5. Assist with back-office functions, recordkeeping, and client reporting

Services That Generally Benefit Only Us

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

1. Educational conferences and events (which may include Schwab paying for related travel expenses, entertainment and meals associated with attending)
2. Consulting on technology, compliance, legal, and business needs
3. Publications and conferences on practice management and business succession
4. Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

Our Interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients.

Foothill primarily support our selection of Schwab by the scope, quality, and price of Schwab's services (see ***How We Select Brokers/Custodians***, above) and not Schwab's services that benefit only us.

Brokerage for Client Referrals

Foothill does not receive client referrals from any broker-dealer or third party in exchange for using that broker-dealer or third party.

Directed Brokerage

Foothill does not allow clients to direct Foothill to use a specific broker-dealer to execute transactions. Clients must use Schwab to work with us. Not all investment advisers require their clients to trade through specific brokerage firms. By requiring clients to use the broker-dealers that Foothill recommends, we believe that we may be able to more effectively manage the client's portfolio, achieve favorable execution of client transactions, and overall lower the costs to the portfolio.

Aggregation and Allocation of Transactions

We describe our aggregation practices in detail under ***Item 11 - Aggregation with Client Orders*** above.

ITEM 13 - REVIEW OF ACCOUNTS

Account Reviews

John Graham and/or Henry Ford, who are both principals at Foothill, review the client's accounts and financial plans.

Investment Advisory Services

We manage portfolios on a continuous basis and generally review all positions in client accounts at least quarterly. Accounts are reviewed for consistency with the investment strategy and overall performance. Reviews may be triggered by changes in an account holder's personal, tax, or financial status. Macroeconomic and company specific events may also trigger reviews.

Financial Planning and Consulting Services

Foothill offers ongoing financial planning clients an annual review of the plan.

Account Reporting

Each client receives a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period. In addition, Foothill provides investment advisory clients with access to quarterly performance reports. If requested in writing by the client, Foothill will mail a hardcopy of these performance reports to clients on a quarterly basis.

Depending on the client's financial circumstances, Foothill generally provides investment advisory clients financial and asset allocation plans initially and annually thereafter. Ongoing financial planning clients who provide Foothill with the necessary information will receive an updated financial plan, annually.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

Schwab Support Products and Services

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see **Item 12 – Brokerage Practices**). We do not base particular investment advice, such as buying particular securities for our clients, on the availability of Schwab's products and services to us.

Professional Referrals

Foothill may refer clients to unaffiliated professionals for a variety of services such as insurance, mortgage brokerage, real estate sales, tax planning & preparation and estate planning. In turn, these professionals may refer clients to Foothill. We do not have any agreements with individuals or companies that we refer clients to, and we do not receive any compensation for these referrals. However, it could be concluded that Foothill is receiving an indirect economic benefit by referring clients

to such unaffiliated professionals, as the relationships are mutually beneficial. For example, there could be an incentive for us to recommend services of firms who refer clients to Foothill.

Foothill only refers clients to professionals we believe are competent and qualified in their field. It is ultimately the client's responsibility to evaluate the provider. We will generally provide the client with a list of professionals that the client can contact, and it is solely the client's decision whether or not to engage a recommended firm. Clients are under no obligation to purchase any products or services through these professionals, and Foothill has no control over the services provided by another firm. Clients who chose to engage these professionals will sign a separate agreement with the other firm. Fees charged by the other firm are separate from and in addition to fees charged by Foothill.

If the client desires, Foothill will work with these professionals or the client's other advisers (such as an accountant and/or attorney) to help ensure that the provider understands the client's financial plan and/or investments and coordinate services for the client. Foothill will never share information with an unaffiliated professional unless first authorized by the client.

ITEM 15 - CUSTODY

Foothill has limited custody of some of our clients' funds or securities when the clients authorize us to deduct our management fees directly from the client's account. A qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution) holds clients' funds and securities. Clients will receive statements directly from your qualified custodian at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of our fee.

Clients should carefully review the account statements you receive from your qualified custodian. When clients receive statements from Foothill as well as from the qualified custodian, clients should compare these two reports carefully. Clients with any questions about your statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive their statement from your qualified custodian at least quarterly should also notify us.

ITEM 16 - INVESTMENT DISCRETION

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

However, certain client-imposed conditions may limit Foothill's discretionary authority, such as where the client prohibits transactions in specific security types. See also **Item 4 - Tailored Services and Client Imposed Restrictions** above.

For non-discretionary accounts, Foothill will contact the client before making recommendations it deems appropriate for the client. Non-discretionary clients should be aware that recommendations are typically time sensitive and the following circumstances may cause market movements to work against the client:

1. Foothill will not effect the transaction until it receives verbal or written instructions from the client;
2. Foothill generally will not aggregate transactions for non-discretionary accounts with discretionary accounts; and
3. Transactions for non-discretionary accounts will generally be effected after transactions in discretionary accounts.

ITEM 17 - VOTING CLIENT SECURITIES

Proxy Voting

Foothill does not accept or have the authority to vote client securities. Foothill will not be deemed have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent.

ERISA

For accounts subject to ERISA, an authorized plan fiduciary other than Foothill will retain proxy voting authority. Our investment advisory agreement and/or the plan's written documents will evidence and outline this authority.

Mutual Funds

The investment adviser that manages the assets of a registered investment company (i.e., mutual fund) generally votes proxies issued on securities held by the mutual fund.

Class Actions

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

ITEM 18 - FINANCIAL INFORMATION

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. Foothill does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.