

FORM ADV, PART II

BAKER ELLIS ASSET MANAGEMENT LLC

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JAN. 1, 2011

This brochure provides updated information about the qualifications and business practices of our firm. If you have any questions about the contents of this brochure, please contact us at the above telephone number, or by email at Barnes@BakerEllisllc.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 Baker Ellis Asset Management LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

1. Initial Filing on Jan. 1, 2011: This is our initial filing of what is commonly known as the “New Part 2” of our Form ADV. We developed this document in response to new requirements adopted and imposed by the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940. Although this brochure is in a different format and contains additional details about our business practices, it does not contain material changes from information provided in earlier versions of this form.
2. In future filings, this section of the brochure will address only those material changes that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website, www.adviserinfo.sec.gov.
3. We may update this brochure at any time and send you a copy or offer to send you a copy by email or in hard-copy form.
4. If you would like another copy of this brochure, please download it from the SEC website as indicated above or contact Barnes Ellis, our chief compliance officer, at 503.227.5778 or barnes@bakerellisllc.com.

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Item 4 – Advisory Business

1. **Our history:** Baker Ellis was founded in March 2002 by Brian C. Baker, CFA, and Barnes C. Ellis. The two founding partners each own 50% of the firm. We have no outside owners or affiliated firms. The investment team has not changed since our founding.
2. **Our services:** Baker Ellis manages investment accounts for individuals, trusts, businesses and foundations. We are value investors who utilize fundamental analysis to identify attractive investments. Our accounts may include equities of any market capitalization or country; mutual funds; bonds; and other assets.
3. **Individual accounts:** Our accounts are individually managed and client funds are not co-mingled. We are able to customize accounts to address the unique needs of individual clients, including complex tax considerations and socially conscious restrictions.
4. **Assets under management:** We currently manage approximately \$346 million in assets. Our advisory contracts give us full discretion over all accounts. We occasionally accommodate requests from clients to manage their own accounts in consultation with us. Such accounts amount to approximately \$4 million of our assets under management and are excluded from our performance composite.

Item 5 – Fees and Compensation

1. **Fees:** Our fee is calculated as a percentage of assets under management. Our fee is 2% or less annually. We do not have a fixed fee schedule, but consider account size and investment objectives in determining our fee. Fees are negotiable.
2. **Automatic deduction:** Fees are deducted from accounts quarterly in advance. We calculate the amount due based on the closing value of the account at the end of the previous quarter. The custodian does not validate or check our fee, and we recommend that you do so. For clients who have multiple amounts, we can deduct our fee from a single account upon request. We also may make exceptions for clients who prefer to receive a bill from us and pay our fee separately. Fees are non-refundable.
3. **Additional fees and expenses:** Advisory fees payable to us do not include all the fees associated with your account. Although we may pay certain transaction costs, such as routine commissions on equity trades placed through our primary broker, you may see occasional other charges to your account. Such charges may include processing fees for the purchase or sale of no-load mutual funds; commissions and fees for stocks purchased or sold through other brokers; commissions and fees on foreign trades; and custodial fees if charged by your custodian. In addition, mutual funds have internal operating

expenses. We do not benefit from any of these fees, and attempt to minimize them on your behalf.

Item 6 – Performance-Based Fees and Side-By-Side Management

We do not charge performance fees. Our advisory fee is calculated only on assets under management. Although clients occasionally tell us they like the idea of a performance-based fee, we believe such arrangements are problematic in that they can encourage excessive risk-taking by the manager.

Item 7 – Types of Clients

We provide services to a number of types of clients:

- Individuals, including high-net-worth individuals
- Trusts, estates and charitable organizations
- Corporations or other business entities
- Retirement plans

Our minimum investment usually is \$1 million per household, although we make exceptions.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

1. **Analysis:** We rely primarily upon fundamental analysis to identify attractive investment opportunities. We perform our own research, and we also receive research from third parties. Through our research, we seek to identify companies that appear undervalued to us based on cash flows, growth potential and/or assets. We also analyze and compare asset classes, countries and macroeconomic policies in an effort to shape our broader thinking about how we want to position our client accounts at any given time.
2. **Investment Strategies:** We generally are long-term investors, seeking to participate in the growth of companies through various economic cycles. We do not try to time the market, although we constantly seek to lean in the direction of opportunity and away from areas of greatest risk. We believe in balance and diversification. Our accounts generally have a wide range of equities and fixed-income exposure, including equities of various market capitalizations, industries and countries.
3. **Risk of Loss:** All investments in securities include a risk of loss.

Item 9 – Disciplinary Information

No member of Baker Ellis has ever been the subject of any professional complaint or legal, financial or disciplinary action.

Item 10 – Other Financial Industry Activities and Affiliations

We do not have any other professional relationships or arrangements that are material to our advisory business or our clients.

Item 11 – Code of Ethics

Baker Ellis has adopted a Code of Ethics that governs a number of potential conflicts of interest that we may have in providing our services to you. This Code of Ethics is designed to ensure that we meet our fiduciary obligation to you and to prevent violations of securities laws. Our Code is comprehensive and is distributed to each employee at the time of hire. We also supplement the Code with an annual compliance meeting and ongoing monitoring of personal trading activity by members of the firm.

Our Code includes the following:

- Requirements related to client confidentiality
- Prohibitions on insider trading and other prohibited activities
- Limitations on giving or receiving gifts from colleagues or clients
- Guidelines on priority of transactions when trading for personal accounts
- Procedures for monitoring employee holdings

We believe it is important for members of the firm to own the same securities as we purchase for clients. However, we recognize that this has the potential to create conflicts, particularly when trading thinly traded securities. Our Code requires investment professionals to exercise judgment and sensitivity in priority of transactions in such cases, always placing the interests of our clients first.

For a complete copy of our Code, please contact us at the address, telephone or email on the cover page of this brochure.

Item 12 – Brokerage Practices

1. **Selecting brokers:** We work with an array of brokerage firms and custodians. Most of our accounts are held at Fidelity Investments, which we believe has provided us with high-quality executions, low fees and a high level of financial stability. However, we are able to work with other custodians in certain cases. We do not receive any compensation in exchange for utilizing a particular custodian.
2. **Brokerage charges and fees:** We cover most trading costs as part of our advisory fee when buying or selling equities through Fidelity Investment's trading floor for accounts held at Fidelity. However, if we trade through other brokers or purchase certain mutual funds, you may see occasional additional charges to your account. We do not benefit from these charges and attempt to minimize them for you.

3. **Research and prime brokerage:** We may occasionally execute trades through other brokers and then transfer the shares to your account. In such cases, we select brokers on the basis of overall assistance to the firm and our clients with regard to transaction abilities, commissions, responsiveness and value of research services. Such services benefit us because we do not have to pay for the research we receive. When we trade away in this manner, the commission or mark-ups paid to the executing broker may be higher than the lowest available. In addition, our custodians may restrict our ability to allocate shares of such trades to accounts of a minimum size or we may trade away for some accounts and not others, resulting in higher net expenses on certain trades for some clients.
4. **Soft-dollar arrangements:** We do not participate in any arrangements in which we guarantee order flow to brokers in return for research or other benefits.
5. **Directed brokerage:** Clients occasionally ask us to utilize a particular brokerage or custodian. We try to accommodate such requests, although clients should recognize that their choice of broker or custodian may result in higher commissions, fees and expenses, given our inability to negotiate bulk pricing arrangements.
6. **Order aggregation:** In some cases, we may aggregate orders for multiple accounts, in which case each client receives the same average price in a transaction. In other cases, we may execute orders individually for an account or accounts. Aggregating orders can help us conduct our business more efficiently and provides consistency in the price received by each client.

Item 13 – Review of Accounts

1. **Periodic reviews:** The two partners of Baker Ellis review all accounts on a periodic basis. We perform a comprehensive review in conjunction with the production of performance reports that we send to clients each quarter. We also perform reviews of individual accounts on a rolling basis. We also review accounts in response to various triggers, such as deposits or withdrawals, transfers, contacts with clients and changes in client objectives.
2. **Quarterly reports:** We generate individualized performance reports for each client on a quarterly basis. These reports show account performance relative to various market benchmarks, net of fees. We also provide a quarterly newsletter with commentary on economic trends and investment strategy. In addition, our account custodians provide monthly brokerage statements to clients. These statements show current balances, holdings and transactions, including deduction of any management fees or other costs. Clients may also have online access to accounts through their custodian. Monthly statements from Fidelity Investments are branded with the Baker Ellis logo but are produced independently by Fidelity.

Item 14 – Client Referrals and Other Compensation

We occasionally receive client referrals from sources including Fidelity Investments. Fidelity has performed due diligence on our firm and may introduce us, along with other advisory firms, to clients seeking the services of an independent advisor. Our acceptance

of these referrals does not constitute a solicitation arrangement, joint venture or partnership with Fidelity, and we do not compensate Fidelity for these referrals. Although Fidelity undoubtedly hopes that we will hold such accounts at Fidelity, we are not required to do so, nor are we required to purchase any Fidelity products or trade through Fidelity's trading floor for such accounts.

Item 15 – Custody

We do not have custody of client assets. The only time that we are able to access your money is to deduct our management fees. The custodian does not verify the accuracy of fee calculations. We encourage you to verify their accuracy.

We do not accept checks for deposit to your account in our office. Checks should be sent directly to the custodian. The custodian also issues withdrawals directly from your account. We act as an intermediary, processing your requests.

We perform daily reconciliations of your account using a sophisticated portfolio management system. We use this system to generate the quarterly reports we send to you. The values on our reports may vary slightly from the monthly statements you receive from the custodian. Common reasons for this include dividends that may be received after the end of a reporting period, and differences in how bond interest is treated. We encourage you to compare the statements you receive from your custodian and the reports we send you. For tax and other purposes, the custodial statement is the official record of your account and assets.

Item 16 – Investment Discretion

Our contract with you gives us full discretion to select securities for your account, including amount, timing of transactions and the brokers that we use. We also have discretion over commission rates paid when we choose to use certain brokers.

Item 17 – Voting Client Securities (Proxy Voting)

Unless you specifically request otherwise, we vote proxies related to securities in portfolios that we manage for you. We seek to vote proxies in the best economic interest of our clients. We will not subordinate the economic interest of our clients to any other entity or interested party, including Baker Ellis or its principals. We have a Proxy Voting Policy that we are happy to share with you upon request. We also are happy to share with you how we have voted or plan to vote on any proposals involving securities in our portfolios.

Item 18 – Financial Information

We do not have any financial condition that could impair our ability to meet our contractual obligations to you. Because we do not solicit or require payment of fees more

than six months in advance, we are not required to provide a balance sheet or audit from an accounting firm.

Item 19 – Requirements for State-Registered Advisors

(Not applicable)

Part 2B of Form ADV: *Brochure Supplement*

Item 1 – Cover Page

This brochure supplement is provided on Brian C. Baker, CFA

Brian's contact information is:

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Jan. 1, 2011

This brochure supplement provides information about Brian C. Baker, CFA, to accompany our Form ADV, Part 2 (brochure, attached). You should have received a copy of that brochure as we include this supplement with all copies. Please contact Brian if you did not receive our brochure or if you have any questions related to the brochure of this supplement.

Additional information about Brian is available on the SEC's website at

www.adviserinfo.sec.gov

Item 2 – Educational Background and Business Experience

Brian, 45, co-founded Baker Ellis in 2002 and has served as principal and chief investment officer of the firm since its inception. He holds a BA in history from the University of California at Berkeley (1986). He has earned the designation of Chartered Financial Analyst, an international professional certification offered by the CFA Institute to financial analysts who complete a series of three examinations. Brian is a member of the Portland (Ore.) Society of Financial Analysts.

Item 3 – Disciplinary Information

Brian has never been the subject of any material investment-related legal or disciplinary actions.

Item 4 – Other Business Activities

Brian is not engaged in any other substantial investment-related business or occupation.

Item 5 – Additional Compensation

Brian does not receive compensation for providing advisory services outside Baker Ellis.

Item 6 – Supervision

Brian's work is monitored and reviewed by Barnes Ellis, our Chief Compliance Officer. Barnes may be reached at 503.227.5778 or barnes@bakerellisllc.com.

Part 2B of Form ADV: *Brochure Supplement*

Item 1 – Cover Page

This brochure supplement is provided on Barnes C. Ellis

Barnes's contact information is:

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Jan. 1, 2011

This brochure supplement provides information about Barnes C. Ellis to accompany our Form ADV, Part 2 (brochure, attached). You should have received a copy of that brochure as we include this supplement with all copies. Please contact Barnes if you did not receive our brochure or if you have any questions related to the brochure of this supplement.

Additional information about Barnes is available on the SEC's website at

www.adviserinfo.sec.gov

Item 2 – Educational Background and Business Experience

Barnes, 45, co-founded Baker Ellis in 2002 and serves as principal and chief compliance officer of the firm. He holds a BA in Government from Harvard College (1987).

Item 3 – Disciplinary Information

Barnes has never been the subject of any material investment-related legal or disciplinary actions.

Item 4 – Other Business Activities

Barnes is not engaged in any other substantial investment-related business or occupation.

Item 5 – Additional Compensation

Barnes does not receive compensation for providing advisory services outside Baker Ellis.

Item 6 – Supervision

Barnes's work is monitored and reviewed by Brian C. Baker, our chief investment officer. Brian may be reached at 503.227.5778 or brian@bakerellisllc.com.