

Item 1 – Cover Page

Baker Avenue Asset Management, LP

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San Francisco, CA 94111

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www.bakerave.com

September 15, 2011

Form ADV, Part 2, our “Disclosure Brochure” or “Brochure” is required by the Investment Advisers Act of 1940. This Brochure provides information about our qualifications and business practices.

If you have any questions about the contents of this Brochure, please contact us at info@bakerave.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 Regulatory Authority.

We are a registered investment adviser with the Securities and Exchange Commission. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, is information you use to evaluate us, and other advisers, which are factors in your decision to hire us.

Additional information about our firm and our employees is available to you for free, by using the Securities and Exchange Commission “public disclosure” website. This site is called “Investment Adviser Public Disclosure” and is available at www.adviserinfo.sec.gov. To use Public Disclosure, click the link, type in our Firm Name and search. Click on our name in the search results and you will find our Part 1 and this Part 2.

Item 2 – Material Changes

Baker Avenue updates this document annually, or more frequently in the event of certain material changes.

This section addresses only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) www.adviserinfo.sec.gov.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

This disclosure document, dated September 15, 2011, includes material changes since the last annual update on March 25, 2011. If you would like another copy of this Brochure, please download it from the SEC website or contact our Chief Compliance Officer, Stacey Kruus at 415-986-1110 or sk@bakerave.com

Amendment to Item 4 – Advisory Business

1. Assets under management have been amended to \$639.3m (\$567.9m on a discretionary basis and \$71.4m on non-discretionary).
2. Deletion of the Active Small Cap Long Short strategy and addition of the Small and Mid Cap strategy (see Item 8 for full details).

Amendment to Item 5 – Fees and Compensation

1. Baker Avenue no longer charges a performance fee on any strategy.

Amendment to Item 6 – Performance Based Fees and Side-by-Side Management

1. Baker Avenue no longer charges a performance fee on any strategy. Therefore, any conflict of interest created by managing performance fee and non-performance fee accounts side-by-side is gone. Baker Avenue’s policies and procedures regarding fair and equitable allocation of investment opportunities remain unchanged.

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

1. The description of the Active Long Short strategy has been removed.
2. The description of the Small and Mid Cap strategy has been added:

The Small and Mid Cap Core strategy is designed to capture the upside of the small and mid cap asset classes while reducing market exposure in periods of market volatility. The investment team utilizes fundamental research to select a portfolio of small and mid cap stocks which the manager believes to have favorable risk/reward metrics. During volatile markets, the manager reduces market exposure and uses an increased allocation (up to 100%) to cash in an attempt to reduce risk and protect capital.

Although BAAM is the investment adviser of record for the Small and Mid Cap Core strategy, the actual portfolio management services are provided under a sub-advisory relationship by an affiliated Investment Adviser, Great Gable Partners, LP (SEC File No. 801-63605). We are affiliates because both BAAM and Great Gable Partners share executive officers.

Under our advisory agreement with you, BAAM has the discretionary authority to hire Great Gable Partners to manage your assets under the Small and Mid Cap Core strategy. The advisory fees you pay to BAAM include the advisory fees we pay to Great Gable for their services in the management of your portfolio.

Baker Avenue has the following specific responsibilities:

- *Account opening process and determination of suitability;*
- *Processing of all account paperwork;*
- *Reconciliation of transactions and positions;*
- *Calculation of the advisory fees due and payable (as stipulated in the contract; both base fee and performance fee); and*
- *Monitoring of the portfolio management services provided by Great Gable.*

Great Gable has the following responsibilities:

- *Market research to identify securities to purchase or sell to meet the strategy;*
- *Determination of the specific securities to purchase or sell;*
- *Determination of the amount of your account value to expose to the markets (through long positions in individual stocks, mutual funds and exchange traded funds or through short exposure via inverse exchange traded funds);*

Amendment to Item 12 – Brokerage Practices

1. In the sub-section on Soft Dollars, the reference to the Active Long Short strategy has been removed and a reference to the Small and Mid-Cap strategy has been added.

However, our affiliate, Great Gable Partners, LP, sub-adviser to our Small and Mid-Cap Strategy, does execute its Client transactions (excluding the Small and Mid-Cap

Strategy they sub-advise for us) based upon a number of factors, including research products and services.

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Item 4 – Advisory Business

Baker Avenue Asset Management, LP is an SEC-registered investment advisor founded in 2004. Principal owner is Simon Baker.

As of September 12, 2011, Baker Avenue managed a total of \$567.9m on a discretionary basis and \$71.4m on a non-discretionary basis for a total of \$639.3m

Baker Avenue Asset Management, LP (Baker Avenue, BAAM) provides portfolio management services to our Clients. We provide our services on an investment discretionary basis and for certain clients (and when requested, only) on a non-discretionary basis. For non-discretionary Clients, it is imperative that BAAM has all necessary contact information to gain your consent/approval to any transaction we may recommend for purchase or sale. If we cannot reach you, for your specific consent, we cannot place any transactions with your custodian / broker or dealer.

Our advisory services are based upon each Client's unique facts and circumstances as they regard general investing or, for certain of our investment products, your suitability will be matched to the particular product or strategy (for example, our Active Long/Short portfolio).

Services include the following and each is described in more detail in Item 8:

- All Cap Core Style
- Global Tactical Indexing Strategy
- Small and Mid Cap Core
- Taxable Fixed Income
- Dividend Opportunity
- Blue Chip Core

Services Provided to Introduced Clients of Third Party Firms

In addition to the services described above, BAAM acts as an investment adviser to Clients referred from the below firms. The investment styles provided to clients introduced to BAAM by these third parties are the same as described above. Currently, BAAM acts as an investment adviser to Clients who have entered into agreements with BAAM through the following firms:

- 1st Discount Brokerage, Inc., (1DB) a registered broker dealer with the Financial Services Regulatory Authority (FINRA) a fully disclosed, introducing broker dealer

clearing through Penson Financial Services, and a registered broker dealer with FINRA. 1DB is also registered with the Securities and Exchange Commission (SEC) as a Registered Investment Adviser (file number 801-68634, located in West Palm Beach, Florida). As part of its Freedom Account program with its clients, 1DB will recommend that clients establish an investment adviser relationship with BAAM. The client has an Investment Management Agreement (“IMA”) with 1DB and a separate IMA with BAAM. The Client then pays both 1DB and BAAM separate and distinct advisory fees as stipulated in the contract(s) with each entity. Each quarter, BAAM will calculate our advisory fees due and forward an invoice on to 1DB for payment. Clients are responsible to evaluate the fees charged by 1DB and by BAAM to determine the reasonableness of the fees charged for the services provided.

1st Discount Brokerage provides non-discretionary portfolio management services directly to their clients. BAAM, however, provides investment discretionary services to 1DB clients who are introduced to us. This means we purchase and sell securities for your account without obtaining your specific consent and authorization prior to the transaction. Please see Item 12 – Brokerage Practices, below.

- WrapManager, Inc. is an SEC registered investment adviser (“WrapManager”), (SEC File Number 801-57629, located in San Francisco, CA.). WrapManager is a co-sponsor of the “Private Investment Managers Platform (PMP),” a Wrap Fee program. This program is also co-sponsored by Wells Fargo Advisors Consulting Services Group (also known as Wells Fargo Advisors).
 - Please see the separate Form ADV, Schedule H, wrap fee program disclosure document prepared and provided by WrapManager for complete program details.

This program is offered to WrapManager Clients who may select BAAM to manage their assets on a discretionary basis. Clients will have a separate agreement with both WrapManager and BAAM and pay both WrapManager and BAAM a fee for their respective services (billed quarterly, in arrears). The qualified custodian of the PMP Program is First Clearing, LLC a securities broker dealer registered with the SEC and FINRA. First Clearing LLC is a wholly owned subsidiary of Wells Fargo and an affiliate of Wells Fargo Advisors.

BAAM will invoice First Clearing to have the advisory fees due to us directly debited from the Client’s custodial account (as authorized by each Client in their contractual

relationship with BAAM). As stipulated in the agreement we have with you, WrapManager has negotiated a fee of .50% (fifty basis points) of the assets you invest under the PMP program (for the All Cap Core Strategy). This fee is lower than we typically charge clients of the All Cap Core product we obtain on our own. Clients are responsible to evaluate the total fees charged by WrapManager to determine the reasonableness of the fees charged for the services provided. In addition, Clients that participate in the WrapManager program are required to have securities transactions for their accounts placed at First Clearing as the wrap fee charged by WrapManager includes the pre-payment of commissions and transaction costs under the program. Please see Item 12 – Brokerage Practices.

Item 5 – Fees and Compensation

Asset Based Fee Schedule for Portfolio Management Services:

We charge an annual, asset based fee for each strategy. The fees are the same across all strategies:

First \$2.5 million	1.25% (125 basis points)
\$2.5 million to \$5 million	1.00% (100 basis points)
\$5 million up to \$10 million	0.90% (90 basis points)
\$10 million and above	0.80% (80 basis points)

Minimum Account Size is \$500,000 and is negotiable.

Fees are paid quarterly, in advance. For accounts opened during a calendar quarter, the fee due and payable will be calculated on a pro-rated basis for the balance of the quarter.

For additions at or above 5% of the current account value, BAAM will charge a pro-rated advisory fee for the balance of the quarter. For withdrawals from the account (or portfolio) the advisory fee due and payable to BAAM (or due to Client in the form of refund of un-earned and pre-paid fees) will be pro-rated for the number of days within a calendar quarter that the service(s) were not provided.

Fees are subject to negotiation.

Fees may be deducted from a client account or billed to the client. In most cases, Clients may choose whichever method they prefer. The specific manner in which fees are charged by Baker Avenue is established in a client's written agreement with Baker Avenue.

Advisory Fees Charged to Clients Introduced by Third Party Firms

As indicated above, BAAM provides portfolio management services to Clients introduced to us by 1st Discount Brokerage and WrapManager, Inc. The advisory fees charged to Clients introduced to us by these firms are based upon, but are lower than the stated Tiered Fee schedule we use for Clients obtained directly by us (125 basis points (1.25%) on the first \$2.5 million of assets under management, billed quarterly, in advance). The actual fee charged in these various programs are lower, and in some cases, substantially lower than our standard tiered advisory fee.

General Information on Advisory Services and Fees

Termination and Refunds of Pre-Paid and Un-Earned Advisory Fees: All contracts with Clients may be terminated at any time by either party (you or us) delivering written notice to the other. All transactions placed at your Custodian up to our receipt of the termination notice will be completed by your broker custodian; no other transactions will be placed by us after receipt of the termination notice.

All un-earned, pre-paid advisory fees will be promptly refunded to Client by BAAM upon termination. In the case of the Active Long/Short we will charge the performance based fee due and payable up through the date of termination.

Termination of our advisory relationship is completed as soon as practically possible.

Additional Expenses: The portfolio management services provided by BAAM include the investment in ETF and Mutual Fund securities in the portfolios. In addition to transaction costs borne by you, these securities also charge additional fees and expenses to their shareholders. These are in the form of advisory / management fees, distribution fees (in the case of Mutual Funds), administrative and operational expenses, among others. Therefore, in evaluating our portfolio management services, please take into consideration not only BAAM's advisory fee, but also the fees and expenses of the ETF and Mutual Funds that we purchase on your behalf. This information is available from the Mutual Fund Prospectus and other information on the securities, or, you may contact BAAM to discuss these additional expenses or costs.

Services available from other sources: Clients should also be aware that similar advisory services may be available from other sources at fee levels higher or lower than those charged by BAAM. In addition, Clients do not need to hire BAAM to invest in securities (including ETFs or Mutual Funds); however, you would not receive the value of BAAM's proprietary analysis if you did not hire us to manage your assets.

Performance Fees: BAAM does not charge our fees on the performance or appreciation of the funds or securities held in client portfolios (so-called performance or incentive fees).

Services to Family and Friends of BAAM: Certain family members or friends of BAAM principals (please see Item 6,, below) may receive the same or similar advisory services as Clients for advisory fees and/or performance fees that are zero or negotiated at a rate lower than available to our Clients. These lower advisory fees charged to family or friends are not available to Clients. In addition, BAAM employees may invest in the Active Long/Short strategy without having to qualify as a Qualified Client due to their employment with the firm. Employees may not be charged the performance fee.

Non-Discretionary portfolio management services: BAAM has, in the past, provided certain clients with non-discretionary portfolio management services; however, BAAM no longer makes this service available to new Clients.

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

Performance or Incentive Fee

BAAM does not charge our fees on the performance or appreciation of the funds or securities held in client portfolios (so-called performance or incentive fees).

Item 7 – Types of Clients

Baker Avenue provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, trusts, and other U.S. institutions.

Minimum account size is \$500,000 and is negotiable.

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

All Cap Core

The All Cap Core style is designed to provide consistent above-average returns through stock selection and capital appreciation. To off-set portfolio risk, the strategy attempts to preserve capital by moving to cash. As a result, your account may be fully invested in the market, partially invested in the market or fully (100%) allocated to cash or cash equivalents (money market accounts). We use proprietary fundamental research coupled with proprietary technical analysis and market timing (increasing or decreasing our equity

exposures as we may deem appropriate) to make these determinations to be fully invested, partially invested or “in cash.” We may move or hold our decisions for extended periods of time, based upon market activity and domestic or world events. The All Cap Core style invests in publicly traded and liquid securities traded on major exchanges or the Over-the-Counter market.

Global Tactical Indexing Strategy

It is our belief that the Global Tactical Indexing strategy is a complement to the All Cap Core style. The Global Tactical Indexing Strategy is actively managed with an investment objective to achieve long-term, tax-efficient returns that outperform the overall stock market. The strategy includes core assets, opportunistic and special situational components as opportunities arise. In negative market environments, the strategy may reduce market exposure by allocating capital to inverse exchange traded funds for lower turnover and efficient tax purposes.

The Global Tactical Indexing strategy invests opportunistically in sectors, industries, and asset classes on a global basis that we believe to offer a high probability of return. It invests broadly in all equity classes across all market capitalizations in domestic and international markets. It may also invest in commodities and other alternative asset classes. The strategy employs the use of Exchanged Traded Funds (ETFs) to represent the asset classes it seeks to invest in the portfolio. In down markets, the strategy attempts to minimize portfolio losses by proactively raising cash and employing inverse ETFs to reduce exposure to the market.

Small and Mid Cap Core

The Small and Mid Cap Core strategy is designed to capture the upside of the small and mid cap asset classes while reducing market exposure in periods of market volatility. The investment team utilizes fundamental research to select a portfolio of small and mid cap stocks which the manager believes to have favorable risk/reward metrics. During volatile markets, the manager reduces market exposure and uses an increased allocation (up to 100%) to cash in an attempt to reduce risk and protect capital.

Although BAAM is the investment adviser of record for the Small and Mid Cap Core strategy, the actual portfolio management services are provided under a sub-advisory relationship by an affiliated Investment Adviser, Great Gable Partners, LP (SEC File No. 801-63605). We are affiliates because both BAAM and Great Gable Partners share executive officers.

Under our advisory agreement with you, BAAM has the discretionary authority to hire Great Gable Partners to manage your assets under the Small and Mid Cap Core strategy. The advisory fees you pay to BAAM include the advisory fees we pay to Great Gable for their services in the management of your portfolio.

Baker Avenue has the following specific responsibilities:

- Account opening process and determination of suitability;
- Processing of all account paperwork;
- Reconciliation of transactions and positions;
- Calculation of the advisory fees due and payable (as stipulated in the contract; both base fee and performance fee); and
- Monitoring of the portfolio management services provided by Great Gable.

Great Gable has the following responsibilities:

- Market research to identify securities to purchase or sell to meet the strategy;
- Determination of the specific securities to purchase or sell;
- Determination of the amount of your account value to expose to the markets (through long positions in individual stocks, mutual funds and exchange traded funds or through short exposure via inverse exchange traded funds);

Taxable Fixed Income

The objective of the Taxable Fixed Income strategy is to provide current income and preserve capital by investing in ETFs to replicate a broadly diversified portfolio of bonds. The portfolio provides exposure to US government bonds, investment grade corporate bonds, high yield bonds, TIPS (Treasury Inflation Protected Securities) and international bonds denominated in foreign currencies.

Dividend Opportunity

The strategy seeks to invest in a broadly diversified portfolio of income-generating Exchange Traded Funds (ETFs) across multiple asset classes, sectors, and industries. The objective of the Dividend Opportunities ETF strategy is to provide yields greater than those of most short and intermediate-term bonds. In addition to providing for current income, the strategy attempts to protect principal in down markets by tactically allocating away from high dividend equities toward high grade short-term fixed income. This strategy is appropriate for investors seeking income from their investment portfolios and protection of principal in severe down markets.

Blue Chip Core

The objective of the Blue Chip Core strategy is to outperform the S&P 500 by investing in high quality, blue chip stocks in low-risk markets, and protecting portfolio principal in high-risk markets by moving 100% to cash. The strategy proactively evaluates the risk-reward opportunities of owning equities versus protecting capital by remaining in cash.

Investing in securities involves risk of loss that clients should be prepared to bear. Risks include price risk (will the price of a security in your portfolio rise or fall?), liquidity risk (how easily can you sell a position at a fair price?), event risk (will something unforeseen happen?), market volatility (is the market in general going through a period of upheaval?) and manager risk (how well did our picks perform?) among others.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Baker Avenue Asset Management, LP or the integrity of its management. Baker Avenue Asset Management, LP has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

The principal executive officer, Simon Baker, is also the Managing Member of BAAM GP, LLC the general partner of BAAM. He is also the President and Founder of Great Gable Partners, LP (“GGP”) an affiliated registered investment adviser. He is also a Managing Member of Great Gable Investments, LLC, the general partner to Great Gable Partners, LP.

As such, Mr. Baker may spend as much as 20% of his time on activities other than investment advice provided by BAAM.

BAAM shares executive officers Great Gable Partners, LP. GGP is a Delaware limited partnership. Great Gable is also the investment manager of the following private investment limited partnerships (hedge funds):

- Great Gable Capital Fund, LP (Delaware LP)
- Great Gable Fund II, LP (Delaware LP)
- Great Gable Offshore Fund, Ltd, (Cayman Islands exempted company)
- Great Gable Master Fund, Ltd, (Cayman Islands exempted company)

The general partner of Great Gable Partners, LP is Great Gable Investments, LLC, with two Managing Members (please see the Form ADV, Part 1 of Great Gable Partners, LP).

These Great Gable private funds invest and trade in a wide variety of securities and financial instruments, domestic (U.S.) and foreign, without specific limitations or restrictions. This includes publicly traded or privately placed securities, including, but not limited to, the following:

- Common and preferred stocks
- Convertible securities
- Options
- Warrants
- Currencies and monetary instruments, and
- Cash or cash equivalents

Through his position as Managing Member of Great Gable Investments, Mr. Baker may have an interest in securities (private funds) that are offered to certain qualified clients that may also be BAAM clients. In addition, the General Partner of GGP may have investments in the Great Gable domestic or off-shore funds. Please see the Form ADV Part 2 for Great Gable Partners, LP and the Confidential Offering Document and Subscription Agreements of the Private Funds (if qualified) for additional detail.

Item 11 – Code of Ethics

Baker Avenue Asset Management, LP has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Baker Avenue Asset Management, LP must acknowledge the terms of the Code of Ethics annually, or as amended.

Personal and Proprietary Trading:

At Baker Avenue, like many investment advisers, we follow our own advice. However, we recognize our fiduciary duty to you, our client, and we are obligated to follow the Regulations, Rules and interpretations under the Investment Advisers Act of 1940. Our fiduciary obligations to you require us to place your interests first.

When we purchase or sell securities for our own accounts or those of a beneficial nature to us (family and other accounts), we recognize the potential conflict of interest that is inherent in this activity. To meet both our fiduciary and regulatory obligations to you, we have developed and implemented the following controls to address this potential conflict of interest with you. Our controls include:

1. Code of Ethics
 - a. Restrictions and limitations on the personal trading of *all employees*;
 - b. Disclosure of brokerage accounts, security holdings;
 - c. Restrictions and limitations on the receipt of or providing gifts, entertainment and political contributions;
2. Prevention and restrictions on activity when in possession of material, non-public, inside information.

In summary, our Code:

- Allows for employees to trade in the same securities recommended to Clients or the Funds advised by GGP;
- Allows employees to own securities that may be subsequently purchased for the Clients or the Funds advised by GGP;
- Allows employees to purchase securities that would otherwise not be suitable for, or purchased by, Baker Avenue for clients or sub-advised clients or the Funds advised by GGP;
- Prohibits giving preference to orders for employees over the orders for clients or sub-advised clients;
- Requires, when client or sub-advised client and personal trades are aggregated (blocked together) that the shares purchased over time will be “average priced” so all participants receive the same price;
 - If partial fills are completed, client or sub-advised client orders are completely filled before employee or related accounts.

Additional Requirements Include:

- Act with integrity, competence, diligence, respect in an ethical manner with the public, Clients and affiliates, employees, colleagues, vendors, suppliers and other investment professionals encountered in day-to-day activity;
- Place the integrity of the investment profession, the interests of the clients ahead of our own (or the employee’s) interests;
- Prohibits the use of an employee’s position at Baker Avenue (or affiliates) to enrich the employee (or family) or Baker Avenue and affiliates;

- Identify potential conflicts of interest and engage our Chief Compliance Officer;
- Conduct all personal securities trading in compliance with our Code, Policies and Procedures;
- Use reasonable care and prudence, including sound judgment, when conducting investment analysis, making investment recommendations or engaging in other professional activities on behalf of GGP (or other affiliates);
- Promote the integrity of Baker Avenue and the profession while encouraging (by example) these standards.

Specific Requirements Related to Personal Securities Trading required by Baker Avenue:

- Pre-Clear certain personal securities transactions;
- Report personal securities accounts, holdings and members of the employees household (and beneficial ownership accounts) initially (at time of employment) and annually thereafter;
- Report all reportable securities transactions on a quarterly basis to the Chief Compliance Officer.

You may request a copy of the Baker Avenue Code of Ethics by contacting Stacey Kruus, Chief Compliance Officer at 415.986.1110 or via email at sk@bakerave.com.

Item 12 – Brokerage Practices

Baker Avenue seeks to use a broker-dealer and custodian who will safely hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other providers. We look at many factors in deciding on which brokers to recommend, including transaction costs, execution capability, financial strength and quality of service, among others.

Brokerage Discretion: For certain of our Clients, BAAM has the discretionary authority to pick the broker dealer to use. Typically, but not always, BAAM uses one of the four broker dealers discussed below. However, BAAM does have the authority for some (but not all) Clients to trade away from their broker or custodian. Often times, BAAM will have to evaluate the additional costs or charges that are charged by the broker / custodian and evaluate whether the additional charges to trade away (either on a Prime Broker basis, or on a Trade Away basis) is in each Client's best interest. Due to the types of securities we typically purchase or sell for Client accounts, we will often determine that the additional

costs involved in a Prime Broker or Trade Away transaction are inconsistent with our fiduciary obligations of best execution.

Clients may request to place limits on the broker dealer discretionary authority, however, in our experience this has not been requested. BAAM reserves the right to not work with you if you determine you would like to restrict or limit our brokerage discretionary authority.

Brokerage Activity:

Your assets must be maintained in an account at a “qualified custodian”, generally a broker-dealer. BAAM recommends several different broker dealer / custodians to Clients in need of brokerage and custodial services, including:

- Fidelity Investments
- Charles Schwab and Company

We believe both companies are financially solid and provide the range of services necessary at reasonable costs. We primarily recommend Fidelity Brokerage Services LLC (“Fidelity”) a registered broker dealer and investment adviser with FINRA and the SEC. Fidelity clears all securities transactions on a fully disclosed basis through National Financial Services, LLC (“NFS”) a registered broker dealer. BAAM has negotiated with Fidelity commissions, custodial and other charges that are beneficial to our Clients and discounted from Fidelity’s standard rates. In addition, Fidelity makes available to BAAM certain institutional mutual funds that would otherwise not be available to BAAM and our Clients due to higher purchase minimums imposed by mutual funds. Fidelity also provides prime brokerage services to any BAAM Client portfolio that is in excess of \$125,000. We may, but are not obligated to, aggregate block trades and select broker or dealers other than Fidelity to execute those transactions (with settlement at Fidelity); this may allow us to obtain a negotiated or better price.

Clients whose portfolios are under \$125,000 are not qualified for prime brokerage and as a result, all securities transactions for these Clients are executed solely at Fidelity at the pre-negotiated commission / transaction charges.

We also recommend Charles Schwab and Company, Inc. and Schwab’s Institutional program which is similar to the program offered by Fidelity except to qualify for prime broker trading (away from Schwab); the portfolio minimum is \$100,000.

Clients whose portfolios are under \$100,000 are not qualified for prime brokerage and as a result, all security transactions for these Clients are executed solely at Schwab at the pre-negotiated commission / transaction charges.

Clients, before selecting a broker or custodian (Schwab or Fidelity) need to evaluate (independently) each firm. As part of the evaluation, the following are commission charges imposed by each of these firms for BAAM's Clients (note that only equity, ETF or mutual fund pricing is provided):

Transaction Type	Fidelity	Schwab
Equity / ETF Trades	\$8.00 per transaction – electronic; If Client is part of Wealth Advisory Services (referral program)	NA
Equity / ETF Trades – Electronic	\$10.95 per transaction up to 3,000 shares, over 3,000 shares add an additional \$.01 per share (Clients not part of the Wealth Advisory Services program)	\$12.95 per transaction
Equity / ETF Trades – Manual (telephone or fax)	\$24.95 to \$29.95	NA

1DB/Penson and WrapManager, Inc. / First Clearing:

Dual contract clients are clients that have a contract both with 1DB or Wrap Manager and a separate contract with BAAM. BAAM does not recommend either Penson or First Clearing. For these dual contract clients, trades are placed at Penson Financial Services or First Clearing, LLC, a securities broker dealer and wholly owned subsidiary of Wells Fargo. Through these dual contract relationships, all participating Clients in these programs

instruct us to place transactions for their program accounts at these broker dealer/custodians as the management or wrap fee payable to the sponsor includes the pre-payment of commissions and transaction costs. Commission charges imposed by these firms for BAAM Clients are:

Wrap Manager: BAAM does not know the commission charges as the wrap fee payable to WrapManager is all inclusive of WrapManager and First Clearing's services, including security transactions.

1DB: \$10.00 for electronic trading
\$19.95 if called in (placed over the telephone)

Limitation on Trade Away Trades: For Clients who have their accounts held at Schwab or Fidelity, Baker Avenue does not typically use Trade Away transactions as to do so would require us to establish trades accounts at other broker dealers for the execution of Client transactions. Due to the size of our firm and the volume of our trading, the benefits we would expect to achieve in Trade Away transactions are not available to us or our Clients.

Our criteria for the selection or recommendation of a broker dealer or custodian are consistent across all our decision making when it comes to your transactions. As a fiduciary to you, we are obligated to use broker dealers that we believe provide best execution to BAAM and our Clients. Best Execution, however, is not a defined term, it is a concept. In seeking best execution for Client transactions we evaluate brokers on the following factors and these may vary transaction-by-transaction. The ultimate goal is not necessarily the best price or lowest commission charge. The ultimate goal of Best Execution is to achieve, at that point in time, the best overall execution for our Clients for a particular transaction. We evaluate brokers on the following criteria:

- Actual execution
- Ability to promptly and reliably effect transactions
- Commission charges / spreads
- Market of the security
- Consistency of process (minimal trade errors)
- Willingness to work with us
- Clearing and settlement
- The broker's operational efficiency with which transactions are effected, taking into account the size of the order and the difficulty of the transactions
- The financial strength, integrity and stability of the broker

- The confidential treatment of BAAM's block trades that the broker is working for us
- Competitiveness of commission rates and charges
- Support services that may be provided (non-soft dollars)

Soft Dollars: BAAM does not participate in soft dollars or avail itself of the safe harbor under Section 28e of the Exchange Act.

However, our affiliate, Great Gable Partners, LP, sub-adviser to our Small and Mid-Cap Strategy, does execute its Client transactions (*excluding* the Small and Mid-Cap Strategy they sub-advise for us) based upon a number of factors, including research products and services.

BAAM Clients should understand that BAAM may receive directly or indirectly a benefit from the Soft Dollar products and services purchased by Great Gable in the management of their Client assets (specifically the hedge funds listed under Item 10).

Directed Brokerage: This section applies to Clients who have assets held at 1DB, WrapManager / First Clearing, LLC (a subsidiary of Well Fargo), Schwab (under the Prime Brokerage Minimum) or Fidelity (under the Prime Brokerage Minimum). Certain of our Clients may decide to direct BAAM to place all of their security transactions at a designated broker or dealer ("directed brokerage") as we manage their account.

Clients who direct us to use a particular broker or dealer need to understand that in these situations, BAAM will not be in a position to negotiate commissions, block trades, achieve volume discounts or achieve best execution. Clients may direct us to use a specific broker or dealer for all of the Client's transactions or only when all other considerations are equal (which may never be achieved due to limitations inherent in directed brokerage instructions). Clients have, therefore, negotiated their own commissions or other transactions costs with the broker.

Exception: As indicated above, Client accounts under minimums imposed by the broker custodians we recommend will be traded on a directed brokerage basis. We will not seek other brokers for your transactions, nor will we utilize step-outs for your account due to the additional charges (\$25.00) per transaction charged by Schwab and Fidelity when trades are executed at other broker dealers.

Directed Brokerage Clients may inquire from BAAM the commissions, custodial, execution and other variables negotiated by or monitored by BAAM for Clients who do not direct BAAM to use a particular broker or dealer in an effort to evaluate their Directed Broker.

Rotational System: To treat all of our clients in a fair and equitable manner, BAAM has developed and uses the following system to determine which Client transactions are implemented first. This process only applies when we determine to purchase or sell a security across all of our investment products or across all Client accounts (as the case may be).

When the investment decision is made, BAAM places orders by Broker Dealer / Custodian.

Places orders for all Client Accounts held at Fidelity Investments, then

We rotate (on a random basis) Client Accounts held at Schwab, 1DB,
WrapManager / First Clearing, LLC.

Trade Allocations / Block Trading: BAAM may, but is not obligated to, aggregate trades for more than one Client with transactions in the same securities at the same time. The benefit to block trading is the ability for BAAM to negotiate price and commission and achieve better (best) execution versus placing the transactions separately. This also allows BAAM to allocate limited investment opportunities across a number of clients in a fair and equitable manner. BAAM:

- Will identify the aggregate amount of the security needed for a complete fill
- Will ensure that each participating Client is identified prior to the trade being placed (pre-allocation)
- Will average the prices of multiple transactions executed on a given day to obtain the full amount of the security (the average price of all transactions which is provided to each participating Client)
- For partial fills we will utilize a proportional or random allocation across all participating Client Accounts
- If a pre-execution allocation was not completed, BAAM will allocate as follows:
 - Random or proportional (pro-rated) allocation will be made based on a number of factors such as account suitability, cash available, size of the portfolio, etc.
- BAAM permits the aggregate blocking of Personal Securities Transactions with those of Clients if the block is filled on the same day (average price for all participants);
 - If the order is partially filled or takes multiple days to fill, shares for Employee accounts are allocated on a prorated or random basis along with Clients (thus, employee accounts could be allocated shares and Client accounts could not or vice-versa) or else the Employee accounts are excluded from the allocation and Clients are allocated on a prorated or random basis
 - Under no circumstance will a partial fill be allocated solely to an Employee account
- Allocation Exceptions: if the executed amount is deemed by the CIO to be de minimis, shares may be allocated to the participating Client Accounts that are the

smallest (i.e., complete fills, for example share allocations of 150 or less) or allocated to an account that is out of line with the desired allocation or sector weighting)

- For sale transactions, allocations may be given to accounts in need of cash

Item 13 – Review of Accounts

All accounts are reviewed by the lead advisor on the Client Account. These reviews are conducted on at least an annual basis. The review looks at the conformity of the account holdings with Client investment objectives and guidelines. We do not assign a specific number of accounts to any specific lead advisor; we do allocate the resources to geographic regions across the United States.

In addition, the Portfolio Managers of BAAM continually monitor markets, world and economic events, including securities held by our Clients. This work by the Portfolio Managers provides each Client account or portfolio with an indirect and continual portfolio review.

We do request that Clients contact your lead advisor should any changes occur in your personal financial situation which may impact the portfolio management services we provide to you.

Reports:

BAAM provides each of our Clients within a household that has an AUM of \$1mm or more a quarterly report showing holdings and performance of your portfolio(s).

This includes information related to realized gains or losses, interest and dividend income and other specific details. BAAM has engaged a third party service provider (Black Diamond Reporting) to facilitate the generation and delivery of Client Reports. We use data provided by your custodian to generate these reports.

BAAM reports are provided in addition to the monthly reports each client receives directly from their custodian. BAAM is provided with this same information either by mail, electronically through data downloads or through access to the Custodian's website or other electronic systems.

Notice for all clients: Under SEC rules that took effect March 12, 2010 related to custody of client funds or securities; all SEC registered investment advisers (such as BAAM) are required, if we send periodic reports on your accounts to you, to disclose the following

information (this statement will also be included in your quarterly reports you receive from us):

BAAM encourages each Client to review your custodial reports you receive directly from your (qualified) custodian with those quarterly reports you receive from BAAM. If you have any questions on the information provided by the custodian or BAAM, please contact your Baker Avenue Advisor.

Item 14 – Client Referrals and Other Compensation

Schwab and Fidelity Programs provided to Independent Registered Investment Advisers (such as BAAM):

BAAM receives economic benefit from these broker / custodians (at no cost to us) through BAAM's participation in the independent adviser service program. Although the benefits received through our participation in these programs provide economic benefit to us, they are not considered research services under Sec28e.

The economic benefits provided to BAAM (and our Clients who custody at Fidelity) include:

- Access to dedicated trading desks;
- Client confirmations and bundled statements for all Client Accounts;
- Block trading and prime brokerage services;
- Electronic communication networks for client information access / portfolios and trading;
- Software, tools and information relevant to independent investment advisers;
- Access to educational or due diligence programs;
- Marketing and other support
- Deduction of investment advisory fees due BAAM from Client Accounts (based on a spreadsheet request to custodian from BAAM);
- Among others.

Fidelity Investments Wealth Advisor Services Referral Program:

BAAM participates in the Fidelity Investments Wealth Advisor Services Referral program, a referral program designed to introduce high net worth investors to independent registered investment advisors. BAAM does not pay a fee to participate in the Wealth Advisor Solutions Program. Our participation in the program may raise potential conflicts of interest in that we may have an incentive to recommend that clients custody assets with Fidelity.

Under this program, BAAM has entered into an agreement with Fidelity whereby Fidelity will refer its clients to at least three independent registered investment advisers, including BAAM. Upon notification from Fidelity, BAAM contacts the prospective client and will meet with the prospective client either in person or over the telephone. At the time of the meeting, BAAM presents our sales and marketing materials, discusses the services provided and provides a copy of our Part 2 of Form ADV (this disclosure document).

Item 15 – Custody

Under government regulations, we are deemed to have custody of your assets if you have authorized us to instruct your custodian to deduct your advisory fees directly from your account. However, the qualified custodian (Fidelity, Schwab, Penson or First Clearing) maintains actual custody of your assets.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains your investment assets. Baker Avenue urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Baker Avenue provides investment discretionary portfolio management services to Clients. This means that we have the authority provided to us in the agreement with you, to purchase or sell securities for your account, and determine the amount of the securities to purchase or sell without obtaining your consent to the transactions. Of course, we determine the securities based on your needs, risk tolerances and other factors that govern our portfolio management services. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

In addition, you may impose certain limitations or restrictions on our services, for example, excluding certain stocks or bonds of companies (sin stocks, anti-union stocks, weapons manufactures, etc.) or sectors or industries or concentrations in any sector or industry. However, Baker Avenue reserves the right to reject or not engage you as a Client or

terminate an agreement with a Client, if we determine the investment restrictions you intend to impose prohibit us from delivering our services as defined in our agreement with you. All limitations or restrictions must be provided to Baker Avenue, in writing, and will not be accepted or implemented until signed (accepted) by Baker Avenue.

Item 17 – Voting Client Securities

As stipulated in our advisory agreements with Clients, we do not vote and have no responsibility to vote proxies or other matters related to the issuers of securities in your portfolios. In account set-up paperwork, the custodian of your account will be instructed to deliver all proxy related materials directly to your address of record.

Exception: If Client is subject to ERISA, and the plan has not specifically withheld the proxy voting responsibility to a named fiduciary and is delegating that activity to BAAM as a named fiduciary, we will vote proxies for ERISA Account / Plan subject to specific written instructions, copies of the plan and trust documents governing our advisory services and the proxy voting responsibility. In addition, BAAM will vote proxies solely as indicated in the proxy voting guidelines provided by the ERISA Client to us (which must be in writing, with updates forward to us for our use as they may be updated from time-to-time).

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Baker Avenue's financial condition. Baker Avenue has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.