

FIRM BROCHURE

A Client Guide to

BAKER ELLIS ASSET MANAGEMENT LLC

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MARCH 1, 2015

This brochure provides information about the history, policies and practices of our firm. If you have any questions about the information in 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 at our website, www.bakerellis.com, and on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

There have been no material changes since our last brochure dated March 1, 2014.

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Advisory Business

1. **Our history:** Baker Ellis was founded in March 2002 by Brian C. Baker, CFA, and Barnes C. Ellis. Both of us have extensive experience in the investment industry. We 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 utilize fundamental analysis to identify what we consider 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. Each of our services is customized to the client's needs. Therefore, we do not manage "model" portfolios. Each client can instruct us to avoid trading a security, industry or investment vehicles if so desired. Due to the unique treatment of each client account, there may be instances where one account will not hold the same securities or perform similarly to other managed accounts.
4. **Assets under management:** As of December 31, 2014, we managed approximately \$467 million in assets. Our advisory contracts give us full discretion over all accounts, although we may occasionally accommodate requests from clients to manage all or part of their accounts on a consultative basis.

Fees and Compensation

1. **Fees:** Our fee is calculated as a percentage of assets under management. Fees are 1.5% 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 an invoice from us and pay our fee separately. Fees are non-refundable.
3. **Additional fees and expenses:** Your account will be subject to certain expenses in addition to our management fee. Routine commissions on equity trades placed through our primary broker typically are included in our fee. Please refer to the Brokerage Practices section on how we select the broker-

dealers. However, other fees may occasionally be charged to your account, such as 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.

Performance-Based Fees and Side-By-Side Management

We do not charge performance fees. Our advisory fee is calculated only on assets under management. We believe this arrangement best aligns our interests with yours.

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 occasional exceptions.

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 value 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 that clients should be prepared to bear. Stocks may decline either because of general market weakness or factors specific to a company or industry. Bonds carry interest-rate risk, which means they may lose value in an environment of rising interest rates. Bonds also carry credit risk, or the risk that the issuing entity may default. Baker Ellis invests globally, and our foreign holdings could be adversely affected by political and economic conditions in other countries or by unexpected reductions in liquidity or fluctuations in currencies.

Disciplinary Information

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

Other Financial Industry Activities and Affiliations

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

Code of Ethics

Baker Ellis has adopted a Code of Ethics that governs 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 encourage 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 involving thinly traded securities. Our Code requires investment professionals to exercise judgment and sensitivity in priority of transactions, always placing the interests of our clients first.

A complete copy of our Code of Ethics is available upon request.

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 provides 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 Fidelity or any other 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, utilize other custodians 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 on your behalf.
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. We may also trade away for some accounts and not others, resulting in higher net expenses on certain trades for some clients. We believe such differences are negligible.
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.
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.

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. **Reports and statements:** We generate individualized written 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.

Client Referrals and Other Compensation

In connection with our participation in the Fidelity Wealth Advisor Solutions® Program (the “WAS Program”), we have entered into a contractual agreement with Strategic Advisers, Inc. (“SAI”) to solicit clients for Baker Ellis. Under this agreement, Baker Ellis will pay a fee to SAI for clients referred. In addition, Baker Ellis has agreed to pay SAI a minimum annual fee amount in connection with its participation in the WAS Program. The compensation is not a factor in determining the percentage Baker Ellis will charge for its investment management fee, nor do clients pay a higher advisory fee due to being referred by SAI.

SAI is required to furnish each potential client with (i) a copy of Baker Ellis’s Form ADV Part 2 as required by Rule 204-3 under the Advisers Act and (ii) a disclosure statement of SAI’s status as required by Rule 206(4)-3(b) under the Advisers Act.

As a result of its participation in the WAS Program, we may have a potential conflict of interest with respect to our decision to use certain affiliates of SAI, including Fidelity, for execution, custody and clearing for certain client accounts, and we may have a potential incentive to suggest the use of Fidelity and its affiliates to our advisory clients, whether or not those clients were referred to us as part of the WAS Program. Pursuant to these arrangements, Baker Ellis has agreed not to solicit clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other custodians for referred clients other than when our fiduciary duties would so require; therefore, we may have an incentive to suggest that referred clients and their household members maintain

custody of their accounts with affiliates of SAI. However, participation in the WAS Program does not limit our duty to select brokers on the basis of best execution.

Custody

We do not have physical 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 (e.g., Fidelity). The custodian also issues withdrawals directly from your account. Typically, we can have money sent from your account to an identically titled account or payable to you at your address of record without a signature. We will ask you to complete a form to send money to a third party.

We perform daily reconciliations of your account using a leading 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 the accounting treatment of accrued interest. 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 should serve as the official record of your account and assets.

Investment Discretion

Our advisory contract 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, although in most cases when we trade equities we absorb the cost for you.

Voting Client Securities (Proxy Voting)

Unless you specifically request otherwise, we vote proxies related to securities in portfolios that we manage. 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. In the event of a potential conflict of interest, Baker Ellis may choose to refrain from voting, defer the vote to the client, or obtain a recommendation from an independent third party.

A copy of our Proxy Voting Policy and how we have voted or plan to vote on any proposals involving securities in our portfolios is available upon request.

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.

Brochure Supplement

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Jan. 29, 2014

This brochure supplement provides information about Brian C. Baker, CFA, to accompany our Firm Brochure. Please contact Brian if you did not receive our brochure or if you have any questions related to the brochure or this supplement.

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

Educational Background and Business Experience

Brian, born April 1, 1965, 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.

Disciplinary Information

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

Other Business Activities

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

Additional Compensation

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

Supervision

Given that Brian is a principal of the Firm, he is not under the direct supervision of any one individual.

Brochure Supplement

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This brochure supplement provides information about Barnes C. Ellis to accompany our Firm Brochure. Please contact Barnes if you did not receive our brochure or if you have any questions related to the brochure or this supplement.

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

Educational Background and Business Experience

Barnes, born April 6, 1965, 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).

Disciplinary Information

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

Other Business Activities

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

Additional Compensation

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

Supervision

Given that Barnes is a principal of the Firm, he is not under the direct supervision of any one individual.

Brochure Supplement

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Jan. 29, 2014

This brochure supplement provides information about Philip Bagdade to accompany our Firm Brochure. Please contact Barnes if you did not receive our brochure or if you have any questions related to the brochure or this supplement.

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

Educational Background and Business Experience

Philip, born September 7, 1989, joined Baker Ellis in 2012 and serves as an analyst. He holds Bachelor of Science and Business Administration from the University of Arizona.

Disciplinary Information

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

Other Business Activities

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

Additional Compensation

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

Supervision

Philip is under the direct supervision of Brian, our Chief Investment Officer. Brian may be contacted at 503.227.5778.

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