

# Part 2A of Form ADV: DISCLOSURE BROCHURE

Item 1 Cover Page

March 28, 2017



7250 N. 16<sup>TH</sup> Street, Suite 412  
Phoenix, Arizona 85020  
(602) 248-9099

[www.barnesinvest.com](http://www.barnesinvest.com)

This brochure provides information about the qualifications and business practices of Barnes Investment Advisory, Inc. If you have any questions about the contents of this brochure, please contact us at 602-248-9099 or [info@barnesinvest.com](mailto:info@barnesinvest.com). **The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.**

**Additional information about Barnes Investment Advisory, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).** You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 108145.

## **Item 2 Material Changes**

In this summary of Material Changes, we discuss only the material changes since the last update of this brochure on February 16, 2017. We recommend that all of our clients review this document upon receipt. Clients can access our disclosure brochure at any time at [www.barnesinvest.com](http://www.barnesinvest.com) (under “Disclosures” tab).

- Item 4 has been amended to reflect our assets under management and account totals as of December 31, 2016.
- Item 8 has been amended to remove our Leveraged Equity Investment Strategy as we no longer offer this strategy.
- Item 15 has been amended to more clearly describe the issue of custody.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 90 days of the close of our business’ fiscal year end which is December 31<sup>st</sup>. We will provide other ongoing disclosure information about material changes as they occur.

### Item 3 Table of Contents

Item 1	Cover Page .....	1
Item 2	Material Changes .....	2
Item 3	Table of Contents.....	3
Item 4	Advisory Business .....	4
Item 5	Fees and Compensation .....	8
Item 6	Performance-Based Fees and Side-by-Side Management .....	10
Item 7	Types of Clients.....	10
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	11
Item 9	Disciplinary Information.....	14
Item 10	Other Financial Industry Activities and Affiliations.....	14
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	14
Item 12	Brokerage Practices.....	17
Item 13	Review of Accounts.....	23
Item 14	Client Referrals and Other Compensation.....	26
Item 15	Custody.....	26
Item 16	Investment Discretion.....	27
Item 17	Voting Client Securities.....	27
Item 18	Financial Information.....	29

#### **Item 4 Advisory Business**

Barnes Investment Advisory, Inc. (BIA) is an independent SEC-registered<sup>1</sup> investment adviser with its principal place of business located in Phoenix, Arizona. BIA began conducting business in 1989 and is wholly owned by:

- Stephen Paul Barnes, Vice President, Corp. Secretary
- Kathie Beck Barnes, President, Treasurer

as Trustees of the Stephen and Kathie Barnes Trust.

BIA offers the following advisory services to clients:

#### **INVESTMENT MANAGEMENT SERVICES**

Our firm provides ongoing investment management of client assets through two distinct programs: our Managed Account Program (“MAP”) and our Automated Investment Management (“AIM”) Service. In our Managed Account Program clients retain us to provide investment management services on a discretionary basis. In this context, discretionary management means that we will direct, in our sole discretion and without specific client approval for each transaction, the investment and reinvestment of the assets in the client’s account. For additional information, please see also the Investment Discretion section of this brochure (Item 16). We develop an Investment Policy Statement (“IPS”) for each client based on discussions and data gathering about client objectives and constraints, time horizons, risk tolerance, liquidity needs, investment experience and individual or family needs. Each client portfolio is managed pursuant to the objectives and constraints detailed in the IPS.

Account supervision is guided by the client's stated investment objectives (i.e. current cash income, inflation protection, low volatility, and long term growth), as well as tax considerations and financial planning objectives and constraints.

Once the portfolio has been established, we review it regularly and maintain it in accordance with the individual client's objectives and constraints. A detailed description of review processes is provided in Item 13, Review of Accounts.

Our investment recommendations will generally include the following securities asset classes:

- Liquidity: Cash and cash equivalents such as bank accounts, money market funds, foreign currency funds and other short-term highly-liquid investments, directly or through

---

<sup>1</sup> Registration does not imply any level of skill or training. The contents of this brochure provide important information about the experience and credentials of our advisors and the nature of our advisory business.

mutual/exchange-traded products investing in these securities.

- Fixed Income: Bonds (sovereign, corporate or municipal), preferred stock, directly or through mutual/exchange-traded products investing in these securities
- Equities: Common stock of domestic or foreign issuers, directly or through mutual/exchange-traded products investing in these securities.
- Other: Precious metals (gold, silver, etc.), commodities, inverse-return mutual/exchange-traded products, short-selling strategies and other strategies designed to capture risk premiums from asset classes uncorrelated with traditional stock and bond markets, directly or through mutual/exchange-traded products.

In our Automated Investment Management (“AIM”) Service we provide portfolio management services through Institutional Intelligent Portfolios™, an automated, online investment management platform for use by independent investment advisors and sponsored by Schwab Wealth Investment Advisory, Inc. (the “Program” and “SWIA,” respectively). Through the Program, we offer clients a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange traded funds (“ETFs”) and a cash allocation. The client may instruct us to exclude up to three ETFs from their portfolio. The client’s portfolio is held in a brokerage account opened by the client at SWIA’s affiliate, Charles Schwab & Co., Inc. (“CS&Co”). We are independent of and not owned by, affiliated with, or sponsored or supervised by SWIA, CS&Co or their affiliates (together, “Schwab”). The Program is described in the Schwab Wealth Investment Advisory, Inc. Institutional Intelligent Portfolios™ Disclosure Brochure (the “Program Disclosure Brochure”), which is delivered to clients by SWIA during the online enrollment process.

We, and not Schwab, are the client’s investment advisor and primary point of contact with respect to the Program. We are solely responsible, and Schwab is not responsible, for determining the appropriateness of the Program for the client, choosing a suitable investment strategy and portfolio for the client’s investment needs and goals, and managing that portfolio on an ongoing basis. SWIA’s role is limited to delivering the Program Disclosure Brochure to clients and administering the Program so that it operates as described in the Program Disclosure Brochure.

We have contracted with SWIA to provide us with the technology platform and related trading and account management services for the Program. This platform enables us to make the Program available to clients online and includes a system that automates certain key parts of our investment process (the

“System”). The System includes an online questionnaire that helps us determine the client’s investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that we will recommend a portfolio via the System in response to the client’s answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but we then make the final decision and select a portfolio based on all the information we have about the client. The System also includes an automated investment engine through which we manage the client’s portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).

We charge clients a fee for our services as described below under *Item 5 Fees and Compensation*. Our fees are not set or supervised by Schwab. We do not receive any portion of a wrap fee for our services to clients through the Program. Clients do not pay brokerage commissions or any other fees to CS&Co as part of the Program. Clients do not pay fees to SWIA in connection with the Program. Schwab does receive other revenues in connection with the Program, as described in the Program Disclosure Brochure.

We do not pay SWIA fees for its services in the Program so long as we maintain \$100 million in client assets in accounts at CS&Co that are not enrolled in the Program. If we do not meet this condition, then we pay SWIA an annual fee of 0.10% (10 basis points) on the value of our clients’ assets in the Program. This fee arrangement gives us an incentive to recommend or require that our clients with accounts not enrolled in the Program be maintained with CS&Co.

## **AMOUNT OF MANAGED ASSETS**

As of 12/31/2016, we were actively managing \$138,960,409 of clients’ assets on a discretionary basis in 173 custodial accounts.

## **FINANCIAL PLANNING**

Our firm may provide financial planning services to clients enrolled in the Managed Account Program in connection with investment management services at no additional fee. Financial planning is not offered to clients enrolled in the Automated Investment Management Service. We believe financial planning is critical to success in investment management. Financial planning is the analysis of a client’s current and future financial situation using assumptions to assist clients in making judgments regarding cash flow, retirement options, asset values and distribution planning. Each client interested in financial planning is asked to complete a Financial Analysis Input Form covering a wide range of financial information. A completed input form, coupled with in-depth personal interview provides us with the information

necessary to complete a financial plan. Depending on the level of planning desired, clients may receive a financial analysis binder designed to organize their financial information.

Our financial analysis might include any or all of the following areas:

- **PERSONAL/GENERAL SUMMARY:** We believe it is critical to have as much basic data as possible about our clients. We gather the following data: current personal information such as birthdates, social security numbers, contact information for clients, parents, heirs; current contact information for other advisors, such as accountant, attorney, insurance agent; short term and long term financial planning goals.
- **NET WORTH STATEMENT:** We believe that monitoring net worth is critical to financial planning, whether it is increasing, decreasing or we are merely monitoring all the assets and liabilities. Annually, we prepare an unaudited statement of net worth for many of our clients.
- **RETIREMENT PROJECTION:** We believe that each client should have some sense of their retirement roadmap. Our retirement projection is focused on our clients living to age 100. We project expenses such as ordinary income taxes, capital gains taxes, social security taxes, mortgages, other loans, savings and general household expenses. We project income such as earnings, social security, pensions, distributions from trusts, and required minimum distributions from qualified plans. We also use assumptions to project account values. From this projection, clients are able to see year-by-year how their income compares to their expenses.
- **INSURANCE SUMMARY:** We believe that insurance analysis is best completed by insurance advisors. We are not insurance advisors and therefore only ask that clients provide us with a summary of their insurance protection, including personal liability, personal property, health, disability, long term care and life insurance.
- **INVESTMENT ANALYSIS:** We believe that thorough investment analysis must be coupled with financial planning. It is at this point in the financial planning process that we work through the client investment analysis. (See Investment Management Services, above.)
- **TAX PLANNING:** We do not prepare income nor estate tax returns for our clients. We believe, however, that tax planning is critical to investment success. We work closely with clients and their tax preparers to understand and optimize each client's tax situation.
- **ESTATE SUMMARY:** We prepare a summary of beneficiaries, trusts and other estate details that clients care to share with us. We also provide a workbook to all clients to organize their final wishes. The workbook is entitled: 'Answers for Those You Love'.

Implementation of the financial planning recommendations is at the discretion of the client. However, we keep an ongoing ‘Action List’ that reminds clients of our recommendations.

## **Item 5 Fees and Compensation**

### **INVESTMENT MANAGEMENT FEES - MAP SERVICE**

The fee for Portfolio Management Services will be charged as a percentage of assets under management, according to the following standard schedule:

<b><u>Assets Under Management</u></b>	<b><u>Fee</u></b>
<b>\$1,000,000 and under</b>	<b>1.00%</b>
<b>\$1,000,001 to \$5,000,000</b>	<b>0.75%</b>
<b>\$5,000,001 and over</b>	<b>0.50%</b>
<b>Minimum Fee:</b>	<b>\$1,250 per Quarter</b>

### **INVESTMENT MANAGEMENT FEES – AIM SERVICE**

The fee for Automated Investment Management Services will be charged as a percentage of assets under management, according to the following standard schedule:

<b><u>Assets Under Management</u></b>	<b><u>Fee</u></b>
<b>Up to \$10,000</b>	<b>1.00%</b>
<b>\$10,001 to \$20,000</b>	<b>0.75%</b>
<b>\$20,001 to \$30,000</b>	<b>0.50%</b>
<b>Over \$30,000</b>	<b>0.25%</b>
<b>Minimum Fee:</b>	<b>None</b>
<b>(Minimum Account: \$5,000)</b>	

As described in *Item 4 Advisory Business*, clients do not pay fees to SWIA or brokerage commissions or any other fees to CS&Co as part of the Program. Schwab does receive other revenues in connection with the Program, as described in the Program Disclosure Brochure. Brokerage arrangements are further described below in *Item 12 Brokerage Practices*.

We reserve the right to waive, discount, or change our annual management fee percentages and minimum fee amount.

Management fees are calculated in arrears on a quarterly basis, based on account values at the end of each



quarter. Management fees are deducted directly from each client's account based on the fee schedule as outlined in the Managed Account Agreement. Please note that all advisory fees are rounded to the nearest dollar. For example, if your fee is \$100.39, we will debit your account for \$100 and if your fee is \$100.61, we will debit your account \$101.

Under certain circumstances the fees will be pro-rated to reflect funds that were in the account for less than the full quarter. Fees are deducted directly from the designated client account. At the client's discretion, arrangements can be made in advance to pay by check rather than having fees deducted from each account.

We also provide Portfolio Management and Financial Planning Services at no charge to our employees who are interested in such services.

For California Residents: Subsection (j) of Rule 260.238, California Code of Regulations requires that all investment Advisors disclose to their clients that lower fees for comparable services may be available from other sources. Pursuant to California Rule 260.235.2, if a conflict exists between the interests of the Advisor or its associated persons and the interest of the client; the client is under no obligation to act upon this Advisor's or associated person's recommendations. If the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the Advisor or its associated person when the person is an agent with a licensed broker-dealer or through any associate or affiliate of such person.

## **FINANCIAL PLANNING FEES**

BIA offers financial planning services to clients enrolled in the Managed Account Program in connection with investment management services, at no additional fee.

## **GENERAL INFORMATION**

**Termination of the Advisory Relationship:** Either the client or BIA may terminate the advisory relationship by providing written notice to the other. Clients enrolled in the Automated Investment Management Program may terminate their relationship through the online System. Such termination of any Agreement will not affect (a) the validity of any action previously taken by us under the Agreement; (b) liabilities or obligations of the parties from transactions initiated before termination of the Agreement; or (c) client's obligation to pay advisory fees (prorated through the date of termination).

**Mutual Fund/Exchange Traded Product Fees:** All fees paid to BIA for investment advisory services are separate and distinct from the fees and expenses charged to their shareholders by mutual funds or exchange traded products ("ETPs"). These fees and expenses are described in each fund's prospectus.

These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Clients can invest in mutual funds/ETPs directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining the identity and amount of a mutual fund/ETP or funds/ETPs most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by BIA.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for any fees and transaction costs that may be charged by broker dealers and custodians. Please refer to the 'Brokerage Practices' section (Item 12) of this Form ADV brochure for additional information.

**Grandfathering of Minimum Fee Requirements:** Pre-existing advisory clients are subject to BIA's fee schedule in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum fee requirements may differ among clients.

**Advisory Fees in General:** Clients should note that higher or lower fees for comparable services may be available from other sources.

**Prepayment of Fees:** BIA does not require or accept fees paid in advance of services rendered.

## **Item 6 Performance-Based Fees and Side-by-Side Management**

In this context, 'side-by-side management' describes a practice where an adviser manages a hedge fund "side-by-side" with mutual funds or separate accounts, and is not applicable to our firm.

BIA does not charge performance-based fees.

## **Item 7 Types of Clients**

BIA provides advisory services to the following types of clients:

- Individuals and High Net Worth Individuals
- Pension and Profit Sharing Plans

Clients eligible to enroll in the AIM Service include: individuals, joint tenants/tenants in common, IRAs and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, are not eligible for the AIM Service. The minimum investment required to open an account in the AIM Service is \$5,000. The Program Disclosure Brochure describes related minimum required account balances for maintenance of the account, automatic rebalancing, and tax-loss harvesting.

**Retirement or Employee Benefit Plan Accounts Subject to ERISA:** Clients appoint us, and we accept appointments, as an ‘investment manager’ for purposes of the Employee Retirement Income Security Act of 1974 (“ERISA”) and the Internal Revenue Code of 1986 (the “Code”). We acknowledge that we are a ‘fiduciary’ within the meaning of Section 3(21) of ERISA and Section 4975 (e) (3) of the Code (but only with respect to the provision of services described in the section of this brochure entitled Investment Management Services). If we manage only a part of the assets of a Plan, clients understand that we will have no responsibility for the diversification of all of the Plan investments, and that we will have no duty, responsibility or liability for client assets that are not in the account or accounts that we manage.

Effective July 1, 2012 the Department of Labor issued new regulations (29 CFR Part 2550.408B-2) which required Registered Investment Advisers to provide specific disclosures to ERISA plan sponsors who fall under the ERISA Rules, regarding the fiduciary and non-fiduciary services provided. All clients affected by the new regulations received an initial disclosure notice in advance of the above mentioned deadline.

## **Item 8 Methods of Analysis, Investment Strategies and Risk of Loss**

### **METHODS OF ANALYSIS**

While we are generally long-term oriented investors focused on what is traditionally considered ‘fundamental analysis’, we are open to any credible analysis that we believe can help us optimize our decision-making process. The following represent the methods of analysis we use most often.

**Asset Allocation:** The distribution of financial assets among various types of stocks and bonds is the primary determinant of the variability of returns to an investment portfolio. Because we believe no one can predict, with any sufficiently consistent level of success, which class of financial assets will generate optimal returns over any period of time, we recommend prudent exposure to multiple asset classes. Each recommended asset class offers what we believe to be an attractive rate of return over time. However, each recommended asset class is expected to generate its returns in a pattern that is different from other recommended asset classes.

One risk of asset allocation is that the benefits (different patterns of return) can dissipate during market panics – precisely the moment they would be needed most. Another risk is that the ratio of the asset classes will change over time due to market movements and, if not corrected, may no longer be appropriate for the client’s goals.

**Fundamental Analysis:** We attempt to determine the intrinsic value of a security by focusing on the economic and financial factors that affect a company’s current operations and its future prospects. Having

established an intrinsic value (or range of values), the current share price may then be revealed to be undervalued (below our intrinsic value – often a good time to buy) or overvalued (above our intrinsic value – often a good time to sell).

Fundamental analysis is silent with regard to anticipating the direction, timing and size of market movements. This presents a potential risk as the price of a security can move up or down along with the overall market irrespective of the economic and financial factors considered in evaluating the security.

**Mutual Fund and Exchange Traded Product (ETP) Analysis:** We look at the experience and track record of the manager of the mutual fund or ETP in an attempt to determine if that manager has demonstrated an ability to invest successfully over a period of time that includes different economic and market conditions. We also look at the expenses charged by a fund to judge whether we are paying a reasonable price for the benefits we expect to receive. We study the actual assets that comprise the fund's portfolio to verify that they are following their stated investment strategy and to determine if there is meaningful overlap in the underlying investments and our clients' other holdings.

A risk of mutual fund or ETP analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. Additionally, because we do not control the underlying investments in a fund or ETP, managers of various funds held by our clients may buy or sell the same security, increasing our clients' exposure to owning (or not owning/being short) that security. As suggested above, there is also a risk that a manager may deviate from the stated investment mandate of the fund or ETP, rendering ownership less suitable.

**Qualitative Analysis:** We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and estimate the impact of such factors on intrinsic value.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

**Technical Analysis:** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and quantify the direction, likelihood and timing of meaningful price changes for individual securities or market indices.

A risk of technical analysis is that it does not consider the underlying financial condition of a company and can therefore introduce the risk of a poorly-managed or financially-challenged company that underperforms irrespective of the price patterns identified.

**Cyclical Analysis:** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to measure the direction, likelihood and timing of a meaningful price change.

**Charting:** In this version of technical analysis, we review charts of market and security activity in an attempt to ascertain whether there is a general trend (up or down) and to judge the probability of a continuation or reversal of that trend.

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

## **INVESTMENT STRATEGIES**

We intend to use the following strategies in managing client portfolios, provided the strategies are appropriate to the objectives and constraints for each client.

**Long-term purchases:** By holding assets for a long period, we increase the probability of generating positive absolute returns by reducing transaction costs (commissions, spreads, etc.). There is a limit to the number of correct decisions any human can make. We insist on hoarding our precious transactional ammunition for truly worthy targets. Furthermore, in the presence of taxes, it is imperative that an investor benefit from the tax-free compounding and possible lower long-term capital gains tax rate to generate an acceptable after-tax rate of return.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we are forgoing possible short-term gains that might be attainable.

**Short-term purchases:** From time to time we may identify opportunities that are unlikely to be long-term in nature. In some of these situations, we may judge the higher expenses (commissions, spreads, taxes, etc) to be justified by the magnitude and likelihood of the potential benefit.

**Short sales:** If authorized by a client, we may use short sales to profit from an anticipated decline in a stock or to hedge a portfolio against anticipated volatility. In a short sale, we borrow the intended stock from a broker and sell it with the proceeds deposited to the client's account. At a later date we will close the position by buying the shares back and returning them to the broker. If bought back at a lower price than originally sold, the client earns a profit. If bought back at a higher price, the client suffers a loss.

**Margin Transactions:** If authorized by a client, we may make investments or engage in other permissible transactions which may result in borrowing (margin transactions). Such transactions are utilized for client convenience only and not for the purpose of leverage.

**Cash Management in Accounts:** We use cash as a strategic asset in tactically managing equity portfolios. Under most circumstances, cash positions will range from fully invested (0% cash) to 25% cash. However, as market risks increase, we may raise cash levels in client portfolios. For example, 30% to 50% cash levels would represent an extreme position, signifying a financial market risk/return profile that is extremely negative. Although possible, we believe it unlikely we would raise portfolio cash levels beyond 50%, even under the most extreme circumstances.

**Automated Investment Management Service:** The AIM Service Program Disclosure Brochure (provided separately by CS&Co/SWIA) includes a discussion of various risks associated with the Service including the risks of investing in ETFs as well as risks related to the underlying securities in which ETFs invest. In addition, the AIM Service Program Disclosure Brochure discusses market/systemic risks, asset allocation/strategy/diversification risks, investment strategy risks, trading/liquidity risks, and large investment risks.

## **Item 9 Disciplinary Information**

We are required to disclose any material legal or disciplinary events to a client or prospective client.

Neither our firm nor our management personnel have been subject to any disciplinary action.

## **Item 10 Other Financial Industry Activities and Affiliations**

Stephen Barnes, CFA, CFP® serves on the Board of Directors of Desert Schools Federal Credit Union.

Kathie Beck Barnes, CFP® serves on Desert Southwest Conference of the United Methodist Church Board of Pension and Health Benefits.

Stephen Paul Barnes and Kathie Beck Barnes have purchased a minority interest in Cambria Investment Holdings, LLC through their Revocable Trust, “The Stephen and Kathie Barnes Trust dated July 11, 2007”. They are “members” of the LLC. No clients will be solicited to invest in Cambria.

BIA has entered into a client transition agreement with another registered investment adviser to assist BIA’s clients in the event of Kathie and/or Stephen Barnes’ disability or death.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Generally, we seek to avoid material conflicts of interest.

Accordingly, none of our principal or staff personnel receive any third-party direct monetary

compensation (i.e., commissions or other fees) from brokerage firms, custodians or mutual fund companies.

However, certain additional services and non-direct monetary or other forms of compensation are offered and provided to BIA as a result of its relationship with our custodian, Charles Schwab & Co., Inc. (“Schwab”) and other firms through whom we execute transactions. For example, our investment advisors and employees may be invited to attend educational conferences or entertainment events sponsored by Schwab.

Additionally, BIA may receive economic benefit from brokers in the form of research as well as investment and financial information, and electronic interfaces to facilitate account review, reconcile cash balances, and place trades. Please also see Item 12 (Brokerage Practices) in this brochure.

BIA and/or its employees may buy or sell securities that it also recommends for clients.

As required under Rule 204A-1 of the Investment Advisers Act of 1940, BIA has adopted a written Code of Ethics, with which all employees are required to comply.

The provisions of the Code of Ethics are not all-inclusive, but are intended to insure that client interests are placed ahead of those of the firm and its employees. Transactions for clients take precedence over personal transactions. Should any situation arise which is not specifically governed by this Code of Ethics, this general intent will govern the resolution of the matter. The Code of Ethics addresses:

- Personal trading by supervised persons (employees) of BIA, designed to prevent conflicts between employee interests and client interests when the same or similar securities are bought or sold. This includes requiring that employees obtain pre-approval of certain securities transactions before the securities can be traded in employee personal accounts.
- Reporting requirements for employees who must report personal securities transactions on a quarterly basis in addition to providing initial and annual holdings reports.
- Prohibitions against insider trading, which is the use of material non-public information.
- BIA's policy concerning giving and receiving gifts.
- Non-disclosure of confidential client information, security of confidential personal information, privacy notices and the protection of client nonpublic information.
- Policies for service by BIA's employees on a board of directors of any publicly traded company.

- Policies for recordkeeping.

Further, the Code of Ethics is based upon the basic principle that BIA employees owe a **fiduciary duty** to the firm's clients to conduct their affairs, including their personal securities transactions, in a manner that places client interests ahead of those of the firm and employees and to avoid taking advantage of their position of trust and responsibility with the firm. We have an affirmative duty to act solely in the best interests of our clients.

BIA and its employees are subject to the following specific fiduciary duties with respect to working with our clients and for the firm:

- The duty to have a reasonable, independent basis for the advice provided.
- The duty to obtain overall best execution for client transactions.
- The duty to ensure that investment advice is in the best interests of each client's individual objectives, needs and circumstances.
- A duty to be loyal to clients.

Each employee of BIA is provided a copy of the Code of Ethics and any amendments and is required to provide a written acknowledgment confirming that they have read, understand and agree to comply with the Code of Ethics.

BIA's Chief Compliance Officer ("CCO") is primarily responsible for implementing and administering the Code of Ethics. Employees are required to report any violations of the Code of Ethics or any applicable Federal and State laws. We require that all employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Failure to comply with the Code of Ethics may result in disciplinary action and/or termination.

BIA will provide a copy of the Code of Ethics to any client or prospective client upon request. To request a copy, please send an e-mail to [info@barnesinvest.com](mailto:info@barnesinvest.com) or call us at 602-248-9099.

Additionally and importantly, BIA complies with the **CFA Institute Code of Ethics and Standards of Professional Conduct** and the **Certified Financial Planning Board of Standards of Professional Conduct**. Together, these documents outline the ethical and practice standards required of CFA charter holders and program candidates, and CFP® certificants. Please also see Part 2B of Form ADV: Brochure



Supplements that provide detailed information about the advisors of BIA and the stringent requirements associated with achieving and maintaining their professional credentials.

## **Item 12 Brokerage Practices**

### **Brokerage Firms and Custodian, Generally**

In our written Managed Account Agreement, the client gives discretionary authority to BIA to select the broker dealer and give to them instructions for the investment and reinvestment of the assets in securities and cash or cash equivalents in the client's account. Clients may request us to sell or hold a specific security (such as a legacy holding with which the client has an attachment), and can change these requests in writing at any time.

Schwab is the primary custodian and broker for client securities accounts and The Vanguard Group, Inc. is the custodian for client variable annuities. Fidelity Brokerage Services, LLC is a secondary custodian and broker used only for clients with workplace retirement accounts called Fidelity BrokerageLink®. We do not accept directed brokerage requests from clients.

Schwab provides us with access to institutional<sup>2</sup> services and many lower-cost funds not typically available to retail investors. Custody and institutional trading are available to BIA on an unsolicited basis and at no additional charge (beyond the institutional commission schedule). Additionally, under Schwab's 'prime broker' program, we may trade through other brokers when we judge it beneficial to our clients to do so. These other brokers may be able to provide research, trade execution expertise, access to securities markets, and access to fixed income inventory and/or lower commissions.

### **Soft Dollars**

The term 'soft dollar arrangement' describes a brokerage practice in which investment advisers use client brokerage commissions to pay for goods or services. This practice can create a conflict of interest when an incentive exists to select a broker-dealer or execute trades based on an adviser's interest in generating funds to pay for the research or product. BIA has no agreement with any broker to participate in a soft-dollar arrangement.

While we do not participate in soft dollar programs, we do receive an economic benefit from the services that we obtain from Schwab and other brokers from time to time. Specifically, we receive research (broker-created or developed by a third party) to aid us in investment decision-making, access to Internet-

---

<sup>2</sup> Institutional investors, such as many investment advisers, are considered to be knowledgeable investors, generally with the authority to exercise investment discretion over the accounts of others. By aggregating a number of client accounts under our relationship, Schwab offers lower commission rates to clients of advisers that qualify under its institutional trading platform.

based platforms to execute trades, access to electronic interfaces to reconcile account transactions, and access to other client account information. These services may benefit accounts other than the one(s) for which trades are executed at any given time. Please see the section entitled Best Trade Execution, detailed below.

### **Block Trading (Aggregated Orders)**

BIA will trade shares in 'blocks' where possible and when advantageous to clients. This blocking of trades permits the trading of securities composed of assets from or for multiple client accounts.

Block trading may allow us to execute equity trades in a more timely and equitable manner, at an average share price. BIA's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's Managed Account Agreement with BIA or our firm's order allocation policy.
- 2) The portfolio manager must determine that the purchase or sale of the particular security involved is in compliance with each client's Investment Policy Statement.
- 3) The portfolio manager must reasonably believe that the order aggregation will enable BIA to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a '20-20 hindsight' perspective. Our Best Trade Execution Practices are discussed in greater detail, below.
- 4) Prior to entry of an aggregated order, a written trade order must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients. BIA creates a monthly spreadsheet workbook for all trades: ordered, allocated and posted, which is our written trade order.
- 5) If an order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges on smaller orders.

- 6) Generally, each client that participates in the aggregated order will do so at the average price for all separate transactions made to fill the order, and typically share in the commissions on a pro rata basis in proportion to the client's participation. However, under the client's account agreement with the custodian/broker, transaction costs may be based on the value of the account, client participation in electronic delivery of trade confirmations and statements, or the number of shares traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided on the allocation and/or order memoranda following the execution of the block trade.
- 8) Funds and securities for aggregated orders are clearly identified with participating client account numbers in BIA's records and to the broker-dealers handling the transactions.
- 9) No client or account will be favored over another.

### **Best Execution Practices**

BIA, as a fiduciary to our advisory clients, endeavors to seek best execution for client transactions, i.e., seeking to obtain not necessarily the lowest commission cost, but the best overall qualitative execution. As part of our firm's policy, our best execution practices include gathering relevant information, monitoring our trading activities and periodically reviewing and evaluating the services provided by broker-dealers, quality of executions, research, commission rates, and overall relationships, among other things.

BIA will generally arrange (typically upon its recommendation to the client) for the execution of securities brokerage transactions for the client's account through broker-dealers that are reasonably believed to provide "best execution".

The CCO will formally review trading and brokerage practices no less frequently than on an annual basis (quarterly for corporate and municipal bond transactions). A primary reason for this review is to improve upon our best execution process. To the extent that BIA provides investment management services to its clients, BIA will determine the general ability of a broker-dealer to provide best execution based on a number of factors (to the extent applicable to BIA's investment management activities), which may include the following:

- Ability to trade efficiently and at minimal costs.
- High level of trading expertise.

- Sufficient technological and administrative support, including the ability to maintain appropriate communication in difficult/high volume markets and the quality of disaster recovery/redundancy of facilities.
- Availability of research (in-house and third party) and other investment information.
- Providing access to inventory.
- Accommodation of special requests, such as prime brokerage services, custody services, etc.
- Financial soundness.
- History of fair dealing (including disciplinary problems).
- Willingness to provide feedback concerning - and to carry out improvements to - the quality of trade execution.
- Ability/willingness to implement instructions given by BIA to have another broker-dealer clear all or a portion of a trade.

Documents and information reviewed to assess execution may include:

- FINRA Broker Check.
- Each broker's order routing disclosure published pursuant to SEC Rule 606.
- Each broker's annual financial reports.
- The availability of excess SIPC insurance coverage.
- TRACE (the Trade Reporting and Compliance Engine) corporate bond data.
- EMMA (Electronic Municipal Market Access) municipal bond data.

Upon completion of the review and evaluation, BIA's staff will prepare a summary of the findings and recommendations for maintaining or changing brokers, as warranted by the findings.

### **Automated Investment Management (AIM)**

In addition to our portfolio management and other services, the AIM Service includes the brokerage services of CS&Co, a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use CS&Co as custodian/broker to enroll in the Program, the client decides whether to do so and opens its account with CS&Co by entering into an account agreement directly with CS&Co. We do not open the account for the client. If the client does not wish to place his or her assets with CS&Co, then we cannot manage the client's account through the AIM Service. As described in the AIM Service Program Disclosure Brochure, SWIA may aggregate purchase and sale orders for ETFs across accounts enrolled in the Program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the AIM Service.

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. Through Schwab Advisor Services, CS&Co provides us and our clients, both those enrolled in the AIM Service and our clients not enrolled in the AIM Service, with access to its institutional brokerage services – trading, custody, reporting and related services – many of which are not typically available to CS&Co retail customers. CS&Co also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. CS&Co's support services described below are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. The availability to us of CS&Co's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. Here is a more detailed description of CS&Co's support services:

CS&Co'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. CS&Co's services described in this paragraph generally benefit the client and the client's account.

CS&Co also makes available to us other products and services that benefit us but may not directly benefit the client or the client's 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 some substantial number of our clients' accounts, including accounts not maintained at CS&Co. In addition to investment research, CS&Co also makes available software and other technology that:

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

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

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and

- access to employee benefits providers, human capital consultants and insurance providers.

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

BIA makes regular and active use of the following from CS&Co:

- Technology providing access to client account data
- Technology facilitating trade execution and allocation for multiple client accounts
- Data feeds facilitating daily client account pricing and reconciliation
- Technology facilitating payment of our fees from client accounts
- Investment research, both from Schwab and that of third parties

BIA makes less regular or only occasional use of the following from CS&Co:

- Publications and conferences on practice management, compliance and business succession
- Educational conferences and events
- Occasional business entertainment

The availability of services from CS&Co benefits us because we do not have to produce or purchase them. We do not have to pay for these services, and they are not contingent upon us committing any specific amount of business to CS&Co in trading commissions or assets in custody. With respect to the AIM Service, as described above under *Item 4 Advisory Business*, we do not pay SWIA fees for its services in connection with the Program so long as we maintain \$100 Million in client assets in accounts at CS&Co that are *not* enrolled in the Program. In light of our arrangements with Schwab, we may have an incentive to recommend that our clients maintain their accounts with CS&Co based on our interest in receiving Schwab's services that benefit our business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. We acknowledge this to be a potential conflict of interest. However, we are confident that our selection of CS&Co as custodian and broker is in the best interests of our clients. Our confidence is primarily supported by the scope, quality and cost effective services CS&Co delivers to our clients as well as Schwab's services that benefit our firm. We have adopted policies and procedures designed to ensure that our use of Schwab's services is appropriate for each of our clients.

## Item 13 Review of Accounts

### INVESTMENT MANAGEMENT SERVICES

**Reviews:** Our Managed Account Program clients agree to meet with us no less than annually for the dual purpose of reviewing client circumstances and investment activity. We believe that these regular meetings are critical to our ability to facilitate our clients' financial success. If a client is unable or unwilling to comply with the annual review agreement, a letter is sent to the client reminding the client of their responsibility to advise us of any changes to their circumstances. Repeated failure to comply with this annual review agreement may result in the resignation of BIA from the relationship.

While the underlying securities within individual Managed Account Program accounts are continuously monitored, these accounts are reviewed at least monthly for conformity with existing recommendations. Accounts are reviewed in the context of each client's Investment Policy Statement. Specific reviews can also occur at the client's request and when individual circumstances change, when a client adds or withdraws funds from an account, when new positions are added or positions are sold, and when triggered by material changes in market, political or economic variables.

These accounts may be reviewed by any or all of the following:

Stephen Barnes, CFA, CFP®  
Kathie Barnes, CFP®

It is the responsibility of each reviewer to assure that client portfolios are in compliance with the respective client Investment Policy Statement.

In the course of reviewing client portfolios, BIA also reviews the pricing of assets for accuracy. We subscribe to third party pricing services for the daily valuation of client portfolios. Such services generally value securities at the last quoted sales price or an 'official closing price'. Securities for which there are no reported sales are valued within the range of the most recent bid and ask prices. Investment in open-end mutual funds is valued at the closing net asset value as reported by the respective fund sponsors. Securities for which market prices are not readily available or which may not be reliably priced (based on the sole judgment of BIA) will be valued under one or a combination of methods which include, but may not be limited to: fundamental analysis, matrix pricing or discounts from market prices for similar securities, or discounts applied due to the nature and duration of restrictions on the disposition of the securities. Due to the inherent uncertainty in valuations of such securities, the fair market values may differ significantly from the values that might have been used had a ready market for such investments existed.

**Reports on a Quarterly Basis:** In addition to the monthly statements and confirmations of transactions that Managed Account Program clients receive from the custodian, BIA will provide on a quarterly basis:

- **Portfolio Appraisal Report** will itemize and value all positions for which BIA provides supervisory services. The Appraisal will include the size of each position (number of shares/units), security name, unit and total cost, share/unit price as of quarter-end date, market value, percentage of total portfolio value held in each security, and current market yield.
- **Performance History Report** will reflect the time-weighted rate of return on the portfolio for the entire period for which client assets have been under our supervision, including the total return and annualized total return for each calendar year and since inception. Comparative returns will be provided for the same periods for 1) a benchmark appropriate for the client's risk and return profile as well as 2) a proxy for inflation.
- **Summary of Management Fees** for the quarter, for each account within the portfolio.

In addition, each January we include our Privacy Policy Statement addressing our safeguards in place for the handling, access, and storage of client confidential information.

**Reports for annual or periodic client review meetings:**

- **Client Objectives and Constraints, Risk Tolerance, and Financial Planning Goals** (summary).
- **Current Asset Allocation v. Target Allocation, by Asset Class.**
- **Statement of Client Net Worth, including Wealth Accumulation History.**
- **Portfolio Value History** (compares net invested capital with the value of the portfolio).
- **Performance History v. Benchmark** (for the entire period during which client assets have been under our management).
- **Other Information** per client requests or as deemed necessary by BIA.
- **Action List** (for follow up, includes points unique to client circumstances, and discussion points relating to investment management, financial planning updates, and general 'housekeeping').

**AIM Service**

**Reviews:** Our Automated Investment Management (AIM) clients agree to a telephonic or digital communication with us no less than annually for the dual purpose of reviewing client circumstances and the appropriateness of their investment strategy. We believe that these regular contacts are critical to our



ability to facilitate our clients' investment success. If a client is unable or unwilling to comply with the annual communication agreement, a letter or e-mail is sent to the client reminding the client of their responsibility to advise us of any changes to their circumstances. Repeated failure to comply with this annual contact agreement may result in the resignation of BIA from the relationship.

The underlying securities within each of the AIM accounts are continuously monitored by BIA and these accounts are continuously monitored by SWIA, and rebalanced if applicable to conform to each account's chosen investment strategy. This process is automatic and algorithmic and is implemented through an "Automated Investment Engine" operated by SWIA.

**Reports on a Quarterly Basis:** In addition to the monthly statements and confirmations of transactions that AIM clients receive from CS&Co, BIA will provide on a quarterly basis:

- **Portfolio Appraisal Report** will itemize and value all positions. The Appraisal will include the size of each position (number of shares/units), security name, unit and total cost, share/unit price as of quarter-end date, market value, percentage of total portfolio value held in each security, and current market yield.
- **Performance History Report** will reflect the time-weighted rate of return on the portfolio for the entire period for which client assets have been under our supervision, including the total return and annualized total return for each calendar year and since inception. Comparative returns will be provided for the same periods for 1) a benchmark appropriate for the client's risk and return profile as well as 2) a proxy for inflation.
- **Summary of Management Fee** for the quarter.

As part of the annual AIM client contact we deliver our Privacy Policy Statement addressing our safeguards in place for the handling, access, and storage of client confidential information.

## **FINANCIAL PLANNING SERVICES**

**Reviews:** BIA offers financial planning services to Managed Account Program clients in connection with investment management services, at no additional cost. Any reviews of financial planning matters normally will be conducted during the course of client reviews for investment advisory services.

**Reports:** Managed Account Program clients who request financial planning services will receive reports or plan documents according to the level and purpose of planning requested. This may or may not include a financial analysis binder, as described in Item 4 (Advisory Business).

## **Item 14 Client Referrals and Other Compensation**

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us. These products and services, how they benefit us, and the related conflicts of interest are described above under *Item 12 Brokerage Practices*. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

BIA does not engage solicitors or pay related or non-related persons for referring potential clients.

BIA does not accept or allow our related persons (this includes all personnel) to accept any form of compensation, including cash, awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients

## **Item 15 Custody**

In this context, 'custody' means holding directly or indirectly client funds or securities, or having the authority to obtain possession of them.

All client assets are held independently by qualified, third-party (unaffiliated) custodians. We do not have physical custody of client accounts or account assets.

Under the present regulatory regime, we would be deemed to have custody of your assets under certain, specific circumstances as discussed below.

- Your authorization to a custodian to debit our advisory fees from your account,
- Your authorization to us to direct checks or money transfers from your accounts to third parties,
- You send a check to us for deposit at the custodian but the check is not payable to the custodian, and
- An employee of BIA serves as trustee for a client or has full power of attorney at the client's request.

With the exception of the ability to debit a client account(s) for our advisory fees, BIA does not and will not have custody of client funds nor securities.

We strongly urge you to promptly and carefully review statements received from your custodian. We also urge you to compare each of the custodian's periodic account statements to all periodic reports you receive from us and to contact us immediately if you believe that there may any discrepancies.

BIA reconciles account data between the custodian and our internal accounting records on a daily basis to verify the accuracy of all client account holdings. A third party agent, BaySys Technology, LLC performs the daily download, update and reconciliation of data in BIA's portfolio accounting software.

## **Item 16 Investment Discretion**

Clients give us discretionary authority when they complete and sign a Managed Account Agreement and an Investment Policy Statement (“IPS”) with our firm. They can limit this authority by giving us written instructions in the IPS. Clients may also change such limitations at any time by providing us with written instructions.

Our preferred custodian for client assets is Charles Schwab and Co., Inc. for investment accounts and Vanguard for clients who have variable annuities. Additionally, some clients have retirement accounts that are held in custody at Fidelity Brokerage Services, LLC.

Clients with accounts at Schwab grant BIA limited authority over their accounts via Schwab’s Limited Power of Attorney authorizations. Such authority is limited to trading, access to client account information, deduction of management fees from client accounts, and disbursement of funds to a client via check, wire or journal. Clients with annuities through Vanguard grant BIA limited authority over their accounts via Vanguard’s Limited Power of Attorney Authorization and Indemnification Agreement. Such authority is limited to executing exchange transactions in the respective client’s annuity. Clients with accounts at Fidelity Brokerage Services, LLC grant BIA limited authority over their accounts via Fidelity Investments’ Trading Authority authorization. Such authority is limited to trading and access to client account information.

Once clients engage us to provide discretionary asset management services, we may place trades in a client account without receiving specific client approval for each transaction.

Our discretionary authority includes the ability to do the following:

- Determine the security to buy or sell.
- Determine the amount of the security to buy or sell.

As previously disclosed in Item 4 of this brochure (Advisory Business), our firm does not generally provide non-discretionary asset management services. Exceptions to this practice can include providing investment guidance to the children of clients who manage their own portfolio accounts.

## **Item 17 Voting Client Securities**

We vote proxies for all securities selected by BIA and held in managed accounts at Schwab, although clients always have the right to vote proxies themselves. The client can exercise this right by instructing us in writing not to vote proxies for them.

BIA does not currently have the availability to vote proxies for clients who have accounts with Fidelity

Brokerage Services, LLC or Vanguard.

As described in the AIM Service Program Disclosure Brochure, clients enrolled in the Service designate SWIA to vote proxies for the ETFs held in their accounts. We have directed SWIA to process proxy votes and corporate actions through and in accordance with the policies and recommendations of a third party proxy voting service provider retained by SWIA for this purpose. Additional information about this arrangement is available in the AIM Service Program Disclosure Brochure. Clients who do not wish to designate SWIA to vote proxies may retain the ability to vote proxies themselves by signing a special CS&Co form available from us.

We will vote proxies in the best interests of each Managed Account Program client and in accordance with our established policies and procedures. BIA maintains a separate document, Proxy Voting Policies and Procedures, that is furnished to clients with the Managed Account Agreement, Privacy Policy and a copy of this Disclosure Brochure at the time of engagement, and at other times upon request.

To assist us in carrying out our responsibilities with respect to proxy voting, we engage the services of Glass Lewis & Co., LLC, (Glass Lewis) an independent proxy analysis, advisory, voting and record-keeping service.

Assisted by Glass Lewis, we will retain all proxy voting records for the requisite period of time, including a copy of each written client request for information on how the adviser voted proxies. If our firm has a material conflict of interest in voting a particular proposal, we will vote the proxy regarding that proposal in one of the following ways:

- Refer the proposal to the client to obtain instructions from the client on how to vote the proxy relating to that proposal.
- Obtain client ratification after disclosing the conflict (if such disclosure information is not confidential).
- Use our predetermined voting policy, or
- Notify the client of the conflict and assign proxy votes outright to Glass Lewis, as an independent third-party.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies.

We vote proxies for some, but not all, of our clients. Clients may, at their election, choose to receive proxies related to their own accounts.

If a client opts out of our proxy voting services, that client retains exclusive responsibility for:

- Directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted.
- Making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting us via telephone (602-248-9099), email [info@barnesinvest.com](mailto:info@barnesinvest.com), or in writing. Clients may request, in writing, information on how proxies for their shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for their account(s), we will promptly provide such information to the client.

### **Participating in Class Action Litigation Claims**

To assist our clients in participating in the potential recovery of claims in class action securities law suits, we have retained the services of Chicago Clearing Corporation ("CCC"). CCC provides class action litigation monitoring and claim filing services. CCC charges a contingency fee of 20%, which it will subtract from the settlement before it is deposited to respective client accounts at Schwab. This service was offered to clients beginning in February, 2011. CCC will look back through available records and make filings for any and all cases that remain open for claims to be filed. Clients are automatically included in this service, but can Opt-Out by providing written notice to us. If a client Opts-Out, BIA and CCC will not monitor any class action from which that client may be entitled to a settlement.

BIA does not currently have the availability to extend CCC services to clients who have accounts with Fidelity Brokerage Services, LLC or Vanguard.

### **Item 18 Financial Information**

As a registered investment adviser, we are required to provide you with certain information or disclosures about our financial condition. BIA does not have financial commitments that impair the firm's ability to meet its contractual obligations and fiduciary responsibilities.

We do not require or solicit payment of fees in advance of services rendered.

Neither BIA nor its principals have ever been subject to a bankruptcy petition.

## Part 2B of Form ADV: *Brochure Supplement*

### Item 1 Cover Page

Kathie Beck Barnes, CFP®  
7250 N. 16th Street, Suite 412  
Phoenix, AZ 85020  
602-248-9099

[www.barnesinvest.com](http://www.barnesinvest.com)



March 28, 2017

This brochure supplement provides information about Mrs. Barnes that supplements the BIA brochure. Clients should have received a copy of that brochure. Please contact Stephen Barnes with inquiries about the BIA brochure or with questions about the contents of this supplement.

Additional information about Mrs. Barnes is available on the SEC website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 Educational Background and Business Experience

**Full Legal Name** Kathie Beck Barnes      **Born** 1950

### Education

- Arizona State University, Tempe, Arizona: Master of Counseling; 1979
- University of Northern Iowa, Cedar Falls, Iowa: Bachelor of Arts, Education, 1972


### Business Experience

- BIA: Certified Financial Planner, from 8/1989 to present
- Sun Financial Group: Registered Representative, from 7/1991 to 8/1995
- John Hancock Financial Services: Registered Representative, from 10/1983 to 7/1991

### Designations

Mrs. Barnes has earned the following designation(s) and is in good standing with the granting authority:

- CFP® certificant: Certified Financial Planner Board of Standards, Inc., 7/21/1989

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP® ( CFP®) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP® Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP® Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent

from a foreign university). CFP® Board's financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;

- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP® Board's *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP® Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

### **Item 3 Disciplinary Information**

Mrs. Barnes has no disciplinary history to report.

### **Item 4 Other Business Activities**

#### **A. Investment-Related Activities**

1. Mrs. Barnes is not engaged in any other investment-related activities.
2. Mrs. Barnes does not receive commissions, bonuses or other compensation on the



sale of securities or other investment products.

#### B. Non Investment-Related Activities

Mrs. Barnes serves as a voting member of the United Methodist Church Desert Southwest Conference Board of Pension and Health Benefits. Mrs. Barnes is not engaged in any other business or occupation that provides substantial compensation or involves a substantial amount of her time.

#### **Item 5 Additional Compensation**

Mrs. Barnes does not receive any economic benefit from a non-advisory client for the provision of advisory services.

#### **Item 6 Supervision**

**Supervisor:** Kathie Beck Barnes and Stephen Paul Barnes founded BIA in 1989. They own and manage the firm equally and as such, collaborate with "checks and balances" oversight, in all matters related to the operation of BIA.

**Title:** Stephen Paul Barnes, CFA, CFP®, Chief Compliance Officer, supervises the firm.

**Phone Number:** 602-248-9099

## Part 2B of Form ADV: *Brochure Supplement*

### Item 1 Cover Page

Stephen Paul Barnes, CFA, CFP®

7250 N. 16th Street, Suite 412

Phoenix, AZ 85020

602-248-9099

[www.barnesinvest.com](http://www.barnesinvest.com)



March 28, 2017

This brochure supplement provides information about Mr. Barnes that supplements the BIA brochure. Clients should have received a copy of that brochure. Please contact Stephen Barnes with inquiries about the BIA brochure or with questions about the contents of this supplement.

Additional information about Mr. Barnes is available on the SEC website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 Educational Background and Business Experience

**Full Legal Name** Stephen Paul Barnes      **Born** 1957

### Education

- Grand Canyon University, Phoenix, Arizona: Bachelor of Science, Business, 1982

### Business Experience

- BIA: Certified Financial Planner, from 8/10/1989 to present
- Sun Financial Group: Registered Representative, from 7/1991 to 8/1995
- John Hancock Financial Services: Registered Representative, from 1/1983 to 7/1991

### Designations


Mr. Barnes has earned the following designation(s) and is in good standing with the granting authorities:

- CFA (Chartered Financial Analyst): CFA Institute, 9/15/1996
- CFP® certificant: Certified Financial Planner Board of Standards, Inc., 7/24/1987

THE CHARTERED FINANCIAL ANALYST (CFA) designation is offered by the CFA Institute. To obtain the CFA charter, candidates must successfully complete three stringent exams and gain at least three (3) years of qualifying work experience, among other requirements. In passing these exams, candidates demonstrate their competence, integrity and extensive knowledge in accounting, ethical and professional standards, economics, portfolio management and security analysis.

Continuing Education Program (CE program): As an important part of its Code of Ethics and Standards of Professional Conduct for maintaining and improving professional competence, the CFA Institute recommends that members complete a minimum of 20 hours of continuing education activities each calendar year, inclusive of a minimum of 2 hours in the content areas of Standards, Ethics, and Regulations.

In each of the years since earning his CFA designation in 1996, Mr. Barnes has exceeded the 20 hours of continuing education recommended by the CFA Institute.

The CERTIFIED FINANCIAL PLANNER™, CFP® and CFP®  marks are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP® Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP® Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP® Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP® Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP® Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

### **Item 3 Disciplinary Information**

Mr. Barnes has no disciplinary history to report.

### **Item 4 Other Business Activities**

#### **A. Investment-Related Activities**

1. Mr. Barnes is a Founding Member of Canyon Angels, a Phoenix-based, 501(c)(6) member-led organization that serves as a facilitator to filter early-stage 'angel' investment opportunities for its member investors.

2. Mr. Barnes is not engaged in any other investment-related activities.

3. Mr. Barnes does not receive commissions, bonuses or other compensation on the sale of securities or other investment products.

#### **B. Non Investment-Related Activities**

Mr. Barnes serves as a Director and Vice-Chairman of Desert Schools Federal Credit Union (DSFCU). In his role as Director and Vice-Chairman Mr. Barnes provides direction to DSFCU's management team but has no direct involvement in the investment activities of DSFCU nor that of any of its subsidiaries. Mr. Barnes is not engaged in any other business or occupation that provides substantial compensation or involves a substantial amount of his time.

Mr. Barnes also serves as a member of the Grand Canyon University Colangelo College of Business Dean's Advisory Council. Council members are volunteers who contribute experience, expertise and real-world insights to enhance the educational experience of GCU students.

### **Item 5 Additional Compensation**

Mr. Barnes does not receive any economic benefit from a non-advisory client for the provision of advisory services.

### **Item 6 Supervision**

**Supervisor:** Stephen Paul Barnes and Kathie Beck Barnes founded BIA in 1989. They own

and manage the firm equally and as such, collaborate, with "checks and balances" oversight, in all matters related to the operation of BIA

**Title:** Stephen Paul Barnes, CFA, CFP®, Chief Compliance Officer, supervises the firm.

**Phone Number:** 602-248-9099