

# Barton Investment Management, LLC

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This Brochure provides information about the qualifications and business practices of Barton Investment Management, LLC (“Barton”). If you have any questions about the contents of this Brochure, please contact us at 610-226-4040. 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.

Barton Investment Management LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Barton Investment Management, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

This Firm Brochure is our disclosure document prepared according to the United States Securities and Exchange Commission's current requirements and rules. The Brochure provides you with a summary of Barton Investment Management, LLC services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things.

There have been no material changes since the previous release of the Firm Brochure.

This Item is used to provide our clients with a summary of new and/or updated information; we will inform of the revision(s) based on the nature of the information as follows:

- **Annual Update:** We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of the changes in this Item.
- **Material Changes:** Should a material change in our operations occur, depending on its nature, we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control, location, disciplinary proceedings, significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting the Chief Compliance Officer Janna Forte at 610-226-4040 or [Janna.Forte@bartonim.com](mailto:Janna.Forte@bartonim.com).

The SEC's web site also provides information about any persons affiliated with Barton Investment Management who are registered, or are required to be registered, as investment adviser representatives of Barton Investment Management.

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## **Item 4 – Advisory Business**

### Firm Description

Barton Investment Management, LLC (“Barton”) became registered with the Securities and Exchange Commission on June 29, 2006 and commenced business as an investment adviser in July 2006.

John Barton Riley holds a majority ownership interest in Barton and Henry Barton Riley maintains a minority ownership interest in the firm.

### Types of Advisory Services

#### *Investment Advisory and Portfolio Management Services*

Barton provides continuous and regular supervisory or management services. Barton gives continuous advice to its clients based on the individual needs of each client. Barton provides investment supervisory services to individuals, high net worth individuals, pension and profit sharing plans and charities. Barton manages accounts on a discretionary basis. Barton has discretionary authority regarding the securities to be bought or sold and the amount of securities to be bought or sold. Account supervision is guided by the stated objectives of the client (i.e., maximum capital appreciation, growth, income, or growth and income). Consideration is given to the allocation of assets to equity and fixed income securities and recommendations and selections are tailored to the individual's overall investment objective.

#### *Portfolio Monitoring Services*

Portfolio monitoring services are available to certain clients. This service is designed as a tool to assist clients in evaluating their portfolios. We retain discretionary authority to make trades, as needed, pursuant to the terms of the client's investment management agreement.

#### *ERISA Retirement Plan Advice*

Barton provides investment advice, on a discretionary basis, to sponsors of ERISA retirement plans. At the plan level, Barton assists the responsible plan fiduciary in analysis, selection, and monitoring of investment options.

## Assets Under Management

Barton's assets under management are calculated as of December 31, 2018 and reported below:

Discretionary Assets:	\$536,150,451.03
Non-Discretionary Assets:	\$0
Total:	\$536,150,451.03

## **Item 5 – Fees and Compensation**

Generally, a minimum of \$1,000,000 of assets under management is required for accounts, although there may be exceptions from time to time, at Barton's discretion. Under certain circumstances, some assets may be excluded from fee calculations.

### Termination

The client may terminate an investment advisory agreement at any time on written notice, and Barton may terminate the agreement after thirty days written notice.

### Method of Compensation and Fee Schedule

#### *Investment Advisory and Portfolio Management Services Fees*

Barton charges annual investment advisory fees based on total assets under management.

This is a blended fee schedule; the asset management fee is calculated by applying different rates to different portions of the portfolio. Barton may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

The fee schedule is as follows:

<u>Account Value</u>	<u>Fee</u>
On the first \$5 million	1.0%
\$5 million and above	0.8%

Fees are payable quarterly in advance based upon the calendar quarter end market value of the previous calendar quarter, as provided by the custodian (market value or fair market values in the absence of market value, plus any credit balance or minus any debit balance) of the client's account. A group of family accounts may be considered as one account in computing the annual fee. Fees are negotiable. Fees which may be paid in advance are refunded on a pro-rata basis if the service is terminated within the payment period.

Barton will send its statements to clients no less than quarterly. The fixed fee will be pro-rated for any portion of a billing period during which an agreement is in effect. Client will authorize Barton to invoice directly the custodian specified in the Advisory Services Agreement for such management fees earned by Barton. Where a fee is based on asset value, such value shall be determined by Barton, unless otherwise determined by the custodian, at the close of business on the last business day of the billing period.

#### *Portfolio Monitoring Services Fees*

We also offer our monitoring services for a 0.1% fee subject to a combined family minimum fee of \$10,000 per year. Monitored accounts may hold positions in mutual funds including ETFs and will bear a proportionate amount of the operating expenses of the various funds in which they are invested, including management fees that are paid to the funds' advisers. Barton has no financial interest in such payments. Monitoring services may include legacy clients, fixed income holdings, and assets that are not considered regulatory assets under management.

#### Additional Policies and Fee Information

Barton's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to Barton's fee, and Barton shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Barton considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

#### External Compensation for the Sale of Securities to Clients

Barton does not receive any external compensation for the sale of securities to clients, nor do any of the investment advisor representatives of Barton.

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

Barton does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

Barton provides portfolio management services to individuals, high net worth individuals, pension and profit-sharing plans, charitable organizations, trusts, estates and other business entities.

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

Investing in securities involves risk of loss that clients should be prepared to bear.

### Methods of Analysis

Our security analysis methods include fundamental analysis of industry sectors and individual securities. Our main sources of information are the inspection of corporate activities, annual reports, prospectuses and filings with the Securities and Exchange Commission and other regulators, research prepared by others, corporate ratings services and company press releases.

### Investment Strategies

We believe in focused investing because the universe of pioneering enterprises with profitable business models is always quite small. Our typical managed portfolios are concentrated in ten to fifteen specific holdings.

We believe in a fundamental understanding of each of our portfolio companies. We place significant emphasis on understanding the value-added service or product offering of each company. We endeavor to recast the income statements of each company to determine their ‘real’ economic earnings. We specifically embrace companies with meaningful ownership by founders and management.

We are long-term investors with a median holding period of more than three years. Within the subset of our most successful holdings, we rarely do more than periodically trim our positions in order to fully benefit from their entrepreneurial success. Most of our modest turnover involves recognizing errors in fundamental analysis.

Our portfolios are generally tax-efficient because we defer most of our portfolio gains for many years. In addition, most of our realized returns are in the form of tax-advantaged dividends and long-term capital gains.

Considering we often invest in younger companies, we accept the reality of significant short-term market value fluctuations. Our focus is on controlling risk by understanding company fundamentals.

In order to better serve many of our clients, we will also oversee 'monitored' portfolios of no-load mutual funds, existing low-cost basis equities, high quality debt securities, and cash equivalents.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time by providing written notice to Barton. Each client executes a client profile form or similar form that documents their objectives.

### Security Specific Material Risks

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks and should discuss these risks with Barton:

#### *Equities Risk*

Systematic risk: Economic crisis, interest rates, political turmoil, recession and a host of other factors can cause systematic risk. Systematic risk affects the market as a whole. A broad range of securities in an investor's portfolio are exposed to systematic risk. This risk impacts entire markets and cannot be mitigated through diversification.

Correlation risk is the risk that two assets will not move up or down in value as predicted. Correlation between stock price movements can also compound uncertainties. News pertaining to some stocks can trigger fluctuations in some other stocks with a high correlation.

Liquidity risk is the risk that a security is unable to be sold in a timely manner to prevent significant loss or to reap desired profits. Stocks that are traded in low volumes are referred to as illiquid and are difficult to sell.

Sector risk is the danger that the stocks of many of the companies in one sector (like health care or technology) will fall in price at the same time because of an event that affects the entire industry.

#### *Fixed Income Risk*

Bonds and bond funds will decrease in value as interest rates rise. Investment return and principal value will fluctuate so that a fixed income investment, when sold or redeemed, may be worth more or less than the original cost and potentially subject to capital gains taxes. Tax-exempt fixed income strategies invest in securities designed to pay income that is exempt from certain income taxes, but a portion of the income may be subject to federal or state income taxes or the alternative minimum tax. Federal or state changes in income or alternative minimum tax rates or in the tax treatment of municipal bonds may make them less attractive as investments and cause them to lose value.



The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation. If a rating agency gives a debt security a lower rating, the value of the debt security will decline because investors will demand a higher rate of return. As nominal interest rates rise, the value of fixed income securities held by a fund is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal, disciplinary or regulatory events that would be material to your evaluation of Barton or the integrity of Barton. Barton has not been involved in any such events or actions and has no information to report.

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

Barton is not involved in any other financial industry activities and has no other affiliations.

### **Item 11 – Code of Ethics**

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

Barton's employees and persons associated with Barton are required to follow Barton's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Barton and its affiliates may trade for their own accounts in securities, which are recommended to and/or purchased for Barton's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Barton will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Barton's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances

would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Barton and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Barton's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Barton will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

Barton's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Janna Forte.

It is Barton's policy that the firm will not effect any principal or agency cross securities transactions for client accounts. Barton will also not effect cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

Barton recommends its clients use a particular broker-dealer, for instance Charles Schwab & Co., Inc. ("Schwab"), as the custodian for clients' assets and as its broker-dealer to effect clients' transactions, but may use other custodians at Barton's discretion. Barton has evaluated Schwab and believes that it will provide its clients with a blend of execution services, commission costs and professionalism that will assist our firm to meet our fiduciary obligations to clients.

We reserve the right to decline acceptance of any client account for which the client directs the use of a broker other than Schwab if we believe that this choice would hinder our fiduciary duty to the client and/or our ability to service the account. In directing the use of Schwab, it should be understood that Barton will not have authority to negotiate

commissions or to necessarily obtain volume discounts, and best execution may not be achieved.

Clients should note, while Barton has a reasonable belief that Schwab is able to obtain best execution and competitive prices, our firm will not be independently seeking best execution price capability through other broker-dealers. Not all advisers require clients to direct it to use a particular broker-dealer.

Some clients, when undertaking an advisory relationship, may have an existing brokerage relationship, and may choose to instruct Barton to execute all transactions through the broker with which this brokerage relationship already exists.

In the event that a client directs Barton to use a particular broker-dealer, Barton may be unable, under those circumstances, to negotiate commissions and to obtain volume discounts or best execution and clients who direct Barton to use a particular broker or dealer may pay higher commission charges. In addition, under these circumstances there may be a disparity in commission charges to clients who direct Barton to use a particular broker or dealer.

Barton employs Baldwin Investment Management to execute trades made through Schwab, and to allocate trades made at outside brokers.

Barton allocates securities and advisory recommendations among its clients in a fair and equitable manner. From time to time, Barton may aggregate orders on behalf of its advisory clients. In these cases, transaction costs are shared proportionately by the account, as applicable, which are part of the block. If an aggregated trade is not completely filled, then the Adviser typically allocates the trade among the accounts, as applicable, on a pro rata basis based upon account size. Exemptions are permitted on a case-by-case basis when judged by the Adviser to be fair and reasonable to the accounts involved.

Barton has implemented procedures (the "Allocation Procedures") to prevent any client account from being systematically disadvantaged by the aggregation of orders. The Allocation Procedures require the distribution of investment opportunities among eligible client accounts based on a number of factors, including the client's goals, the investment guidelines for the accounts, the account's portfolios, the client's instructions to Barton, the available cash and purchasing power of the accounts and Barton's judgment.

### Best Execution

Investment advisors who manage or supervise client portfolios have a fiduciary obligation of best execution. The determination of what may constitute best execution and price in the execution of a securities transaction by a broker involves a number of considerations and is subjective. Factors affecting brokerage selection include the overall direct net economic result to the portfolios, the efficiency with which the transaction is affected, the ability to effect the transaction where a large block is involved, the operational facilities of the broker-dealer, the value of an ongoing relationship with such broker and the financial

strength and stability of the broker. The firm does not receive any portion of the trading fees.

### Soft Dollar

Barton receives unsolicited research reports from various broker-dealers that receive client commissions. Receipt of these unsolicited reports is not contingent upon any level of brokerage business and Barton has not entered into any contract or agreement concerning these reports. Barton does not receive any other research, products or services from any broker-dealer or third party in connection with client securities transactions ("soft dollar benefits").

### **Item 13 – Review of Accounts**

All accounts are reviewed by a portfolio manager at least quarterly. Management of accounts is continuous so review may also be undertaken because of changes in market conditions, changes of securities positions or changes in investment goals or policies. Clients receive quarterly reports outlining cost and market value of all assets, a history of transactions during the preceding period, and a summary of all gains and losses secured.

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

Barton is not involved in any client referral agreements for fees or other compensation.

### **Item 15 – Custody**

The custody rule under the Investment Advisers Act of 1940 defines custody as "holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them." Any arrangement or capacity that authorizes or permits the adviser or a related person of the adviser to withdraw client funds or securities, e.g. a general power of attorney or serving as trustee on a client's trust constitutes custody for advisers.

Barton may be deemed to have constructive custody of client funds or securities because it is authorized to transfer funds to third parties by the use of Standing Letters of Authorization, it directly debits client fees, and has the ability to withdraw client assets maintained with a qualified custodian upon instruction to the custodian.

Clients should receive, at minimum, a quarterly statement from the qualified custodian(s) of their advisory assets. Barton urges clients to carefully review such statements and compare such official custodial records to the account statements Barton may provide to clients. Statements provided by Barton may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please contact your Advisor or Barton regarding any statement discrepancies.

## **Item 16 – Investment Discretion**

For discretionary clients, Barton requests that it be provided with written authority to determine which securities are bought or sold and the amounts thereof.

Barton typically receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Investment discretion is granted to Barton by the client by the execution of a limited power of attorney. This power of attorney is a part of the Barton Investment Management Account and the brokerage account application.

When selecting securities and determining amounts, Barton observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Barton in writing.

Clients that select discretionary accounts have the opportunity to impose reasonable investment restrictions applicable to a client's assets. Investment restrictions must be reasonable, as solely determined by Barton, and must be complete and consistent with applicable law.

Barton will observe the investment restrictions that the client provides, if deemed reasonable, provided that Barton reserves the right to seek further direction from the client before any such investment restrictions are observed.

## **Item 17 – Voting Client Securities**

Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios.

On occasion, Barton will accept responsibility to vote client proxies. In those limited instances, J. Barton Riley is solely responsible for the voting. J. Barton Riley reviews all proxies for which he has voting responsibility and votes according to the clients' general instructions. Barton's clients or prospective clients may request a copy of the firm's Proxy Voting Procedures by contacting Janna Forte.

## **Item 18 – Financial Information**

Barton Investment Management has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.