

June 12, 2014

FORM ADV PART 2A ("FIRM BROCHURE")
FOR BARNETT FINANCIAL, INC.

Item 1 – Cover Page

Barnett Financial, Inc.

7000 N. Mopac, Suite 495

Austin TX 78731

(512) 454-5459

www.BarnettFinancial.com

This brochure provides information about the qualifications and business practices of Barnett Financial, Inc. If you have any questions about the contents of this brochure, please contact Christopher Lion, Chief Compliance Officer, at (512) 454-5459 and/or christopher@barnettfinancial.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Barnett Financial, Inc., also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

The purpose of this page is to inform you of any material changes since the last annual update to this brochure. If you are receiving this brochure for the first time, this section may not be relevant to you.

Barnett Financial, Inc., reviews and updates our brochure at least annually to make sure that it remains current. We have not made any material changes since the last annual update to this brochure, dated December 31, 2012.

We will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Our current brochure may be requested by contacting Christopher Lion, Chief Compliance Officer, at (512) 454-5459 or christopher@barnettfinancial.com.

Additional information about Barnett Financial, Inc., is also available via the SEC's website, www.adviserinfo.sec.gov. The SEC's website also provides information about any persons affiliated with Barnett Financial, Inc., who are registered, or are required to be registered, as investment adviser representatives of Barnett Financial, Inc.

Item 3 – Table of Contents

Item 1 – Cover Page	i
Item 2 – Material Changes	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business.....	1
About Barnett Financial, Inc.....	1
Financial Planning and Consulting.....	1
Investment Management	2
Trade Error Policy	3
Client Obligations	3
Disclosure Statement	3
Non-Participation in Wrap Fee Programs	3
Amount of Assets Under Management	3
Our Policy on Class Action Lawsuits	4
Item 5 – Fees and Compensation.....	5
Financial Planning	5
Investment Management	5
General Information Regarding Advisory Services and Fees.....	6
Termination	7
Item 6 – Performance-Based Fees and Side-By-Side Management.....	9
Item 7 – Types of Clients	10
Required Minimum Client Accounts.....	10
Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss	11
Investment Strategies.....	12
Risk of Loss.....	13
Item 9 – Disciplinary Information	16
Item 10 – Other Financial Industry Activities and Affiliations	17
Item 11 – Code of Ethics	18
Item 12 – Brokerage Practices	20

Research and Additional Benefits.....	21
Aggregation of Client Trades	21
Directed Brokerage.....	22
Item 13 – Review of Accounts	23
Reports to Clients.....	23
Item 14 – Client Referrals and Other Compensation.....	24
Item 15 – Custody.....	25
Item 16 – Investment Discretion	26
Item 17 – Voting Client Securities.....	27
Item 18 – Financial Information.....	28
 <u>Brochure Supplement:</u>	
Laura Barnett Lion	29

Item 4 – Advisory Business

About Barnett Financial, Inc.

Barnett Financial, Inc. (Barnett) is a corporation formed in 1999 in the state of Texas. The principal owner of the firm is Laura Barnett Lion.

This narrative brochure provides clients with information regarding Barnett and the qualifications, business practices, and nature of advisory services that should be considered before becoming an advisory client of Barnett.

Prior to engaging Barnett to provide services, clients are required to enter into an agreement with Barnett setting the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Barnett beginning services. If requested by the client, Barnett may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Barnett. If a client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. It remains the client's responsibility to promptly notify Barnett if there is ever any change in the client's financial situation or investment objectives for the purpose of reviewing/evaluating/revising Barnett's previous recommendations and/or services.

Financial Planning and Consulting

Barnett offers broad-based financial planning services. Such advice will typically involve providing a variety of services, principally advisory in nature, to clients regarding the management of the client's financial resources based upon an analysis of each client's individual needs. The process typically begins with an initial complementary consultation. During or after the initial consultation, if the client decides to engage Barnett for financial planning services, pertinent information about the client's personal and financial circumstances and objectives is collected. Financial planning clients may also be required to complete an investment related questionnaire as part of the information gathering process. As required, Barnett will conduct follow-up interviews for the purpose of reviewing and/or collecting financial data. Once such information has

been studied and analyzed, a written financial plan – designed to achieve the client's expressed financial goals and objectives – will be produced and presented to the client.

To the extent requested by the client, financial planning advice may be rendered in the areas of business planning, retirement planning, personal tax and cash flow planning, estate planning, insurance planning, college planning, and compensation and benefits planning, among others.

Financial plans are based on the client's financial situation at the time the plan is presented and are based on financial information disclosed by the client to Barnett. Clients are advised that certain assumptions may be made with respect to interest and inflation rates and use of past trends and performance of the market and economy. Past performance is in no way an indication of future performance. Barnett cannot offer any guarantees or promises that the client's financial goals and objectives will be met. As the client's financial situation, goals, objectives, or needs change, the client must notify Barnett promptly.

Investment Management

Upon completion of the initial financial planning services, Barnett will provide both ongoing financial planning and investment management on a *fee-only* basis. The scope of the ongoing annual financial planning and/or related consultation services to be rendered by Barnett as part of the annual fee is intended to generally be limited to reviewing/evaluating/revising Barnett's previous recommendations and/or services relative to a change in the client's financial situation and/or investment objectives.

Subject to any written guidelines, which the client may provide, Barnett will be granted discretion and authority to manage the account. Accordingly, Barnett is authorized to perform various functions, at the client's expense, without further approval from the client. Such functions include making all investment decisions on the (a) securities purchased/sold and (b) the amount of securities to be purchased/sold. Once the portfolio is constructed, Barnett provides ongoing supervision and rebalancing of the portfolio as changes in market conditions and client circumstances may require.

Barnett primarily allocates investment management assets of its client accounts among various mutual fund classes (and to a much lesser extent, among various individual debt and equity securities), on a discretionary basis, in accordance with the investment objectives of the client. Barnett primarily recommends that all investment management accounts be maintained at Charles Schwab & Co., Inc. ("*Schwab*"), Fidelity Investment Institutional Services Company, Inc. ("*Fidelity*"), and/or TIAA-CREF ("*CREF*").

After consultation with Barnett, clients may impose restrictions on investing in certain securities or types of securities. Other restrictions may be imposed by clients with respect to the (average or longest) maturity or credit quality of fixed income investments. In either case, all restrictions must be in writing.

Trade Error Policy

Should they occur, losses resulting from Barnett's trade errors shall be reimbursed by either Barnett or the custodian.

Client Obligations

In performing its services, Barnett is not required to verify any information received from the client or from the client's other professionals. Moreover, each client is advised that it remains his or her responsibility to promptly notify Barnett if there is ever any change in the client's financial situation or investment objectives during the client engagement.

Disclosure Statement

A copy of Barnett's written brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or at the same time as, the execution of the *Investment Advisory Agreement*. Any client who has not received a copy of Barnett's written brochure at least 48 hours prior to executing the *Investment Advisory Agreement* shall have five business days subsequent to executing the agreement to terminate Barnett's services without penalty.

Non-Participation in Wrap Fee Programs

Barnett, as a matter of policy and practice, does not sponsor any wrap fee program. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment supervisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.

Amount of Assets Under Management

As of February 12, 2014, Barnett provided advice on approximately \$107.2 million in assets. Ninety four percent of these assets are managed on a discretionary basis.

Our Policy on Class Action Lawsuits

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. Barnett has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. It also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Barnett has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where Barnett receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials, to the client. Electronic mail is acceptable where appropriate if the client has authorized contact in this manner.

Item 5 – Fees and Compensation

Financial Planning

Barnett offers financial planning to its clients based on a fixed fee that ranges between \$200 and \$6,000, depending on the scope and complexity of the contracted services. Typically, Barnett charges a minimum hourly fee of \$200; however, hourly fees are only available to current clients of Barnett. Barnett does not offer its financial planning services to new clients on an hourly basis.

When the scope of the financial planning services has been agreed upon, a determination will be made as to applicable fee, and an estimate will be provided to the client. The final fee, subject to negotiation, is directly dependent upon the facts and circumstances of the client's financial situation and the complexity of the financial plan or services requested. *In limited circumstances*, the cost/time could potentially exceed the initial estimate. In such cases, Barnett will notify the client and may request that the client pay an additional fee.

Barnett may require that the client pay an initial retainer in advance of any services rendered. The remaining balance is invoiced and payable at the end of each month. However, at Barnett's discretion, other fees and fee payment arrangements may be negotiated. The fees and terms of the financial planning services will be clearly set forth in the client agreement executed between the client and Barnett.

Investment Management

The annual fee for portfolio management services is billed quarterly in arrears and is based on the market value of client assets on the last day of the quarter. Fees will be assessed pro rata in the event the portfolio management agreement is executed at any time other than the first day of a calendar quarter. On an annualized basis, Barnett's fees for ongoing portfolio management services are based on the following tiered fee schedule:

<u>Portfolio Size</u>	<u>Annualized Fee</u> *
First \$1,000,000	1.00%
\$1,000,001 to \$3,000,000	0.70%
\$3,000,001 to \$5,000,000	0.45%
\$5,000,001 to \$8,000,000	0.35%
Over \$8,000,000	0.25%

*Client accounts may be aggregated for fee calculations.

Existing clients may have a different fee structure. Certain clients may negotiate a lesser fee based on certain circumstances. For example, at its discretion, Barnett may allow members of the same household to be aggregated for purposes of determining the advisory fee. Such aggregation may be allowed when the Firm services accounts on behalf of minor children of current clients, individual and joint accounts for a spouse.

Payment for management fees will be made by the qualified custodian holding the client's funds and securities, provided the client provides written authorization permitting the fees to be paid directly from the client's account. Barnett will not have access to client funds for payment of fees without client consent in writing. Further, the qualified custodian agrees to deliver a quarterly account statement directly to the client showing all disbursements from the account. The client is encouraged to review their account statements for accuracy. Barnett will receive a duplicate copy of the statement that was delivered to the client. Alternatively, Barnett may invoice clients directly for portfolio management fees. When clients are billed directly, payment is due upon receipt of Barnett's invoice.

General Information Regarding Advisory Services and Fees

Barnett does not represent, warrant, or imply that the services or methods of analysis used by Barnett can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections.

Advice offered by Barnett may involve investments in mutual funds. Clients are hereby advised that all fees paid to Barnett for investment supervisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders, as described in each fund's prospectus. These fees will generally include a management fee and other fund expenses. Further, transaction charges may be applicable when purchasing and selling securities. Barnett does not share in any portion of the brokerage fees and/or transaction charges imposed by the broker-dealer/custodian holding the client funds or securities. Clients should review all fees charged by mutual funds, Barnett, and others to fully understand the total amount of fees to be paid by the client.

Clients may also incur "account termination fees" upon the transfer of an account from one brokerage firm (broker-dealer/custodian) to another. These account termination fees are believed to range generally from \$0 to \$200 at present, but at times may be much higher. Clients should contact their custodians (brokerage firms, banks, or trust companies, etc.) to determine the amount of account termination fees which may be

charged and deducted from their accounts for any existing accounts which may be transferred.

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

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

The vast majority of clients pay Barnett's fees based upon a percentage of the assets advised upon. This is a very common form of compensation for registered investment supervisory firms and avoids the multiple inherent conflicts of interest associated with commission-based compensation (Barnett does not accept commission-based compensation of any nature, nor does Barnett accept 12b-1 fees).

Asset-advised-upon percentage method of compensation can still at times lead to conflicts of interest between our firm and our client as to the advice we provide. For example, conflicts of interest may arise relating to the following financial decisions in life: incur or pay down debt; gift funds to charities or to individuals; purchases of a (larger) home or cars or other non-investment assets; the purchase of a lifetime immediate annuity; expenditures of funds for travel or other activities; investment in private equity investments (private real estate ventures, closely held businesses, etc.), and the amount of funds to place in non-managed cash reserve accounts. Barnett's goal is that the firm's advice to the client remains at all times in the client's best interest, disregarding any impact of the decision upon Barnett.

Termination

The client may terminate any new agreement without penalty by providing written notice of such cancellation to Barnett within five (5) business days of the date of signing the agreement. Following the five-day cancellation period, the first period's fee is not refundable due to the large volume of initial work to be undertaken by Barnett.

Thereafter, either party may terminate the agreement without penalty upon notice in writing to the other party. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, with the refund calculations based pro rata to the date of termination. Upon the termination of the agreement, Barnett will not possess any obligation to recommend or take any action with regard to the securities, cash, or other investments in a client's account.

The agreement for Portfolio Management will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*.

Barnett believes that the charges and fees offered within its program are competitive with alternative programs available through other firms offering a similar range of services; however, lower fees for comparable services may be available from other sources. A client could invest in mutual funds directly, without the services of Barnett. In that case, the client would not receive the services provided by Barnett which are designed, among other things, to assist the client in determining which investments are most appropriate to each client's financial condition and objectives, undertake a disciplined approach to portfolio rebalancing while taking into account the tax ramifications of same, and to avoid ad hoc emotional reactions to shorter-term market events. Also, some of the funds used by the firm may not be available to the client directly without the use of an investment adviser granted access to such funds.

Barnett's relationship with each client is nonexclusive; in other words, Barnett provides investment supervisory services and financial planning services to multiple clients. Barnett seeks to avoid situations in which one client's interest may conflict with the interest of another of its clients. However, one circumstance which could arise is a sudden sharp downturn in the values of one or more stock asset classes, thereby triggering (under adopted investment policies with the vast majority of Barnett's clients) the need to rebalance the investment portfolios following the close of any business (trading) day. In this instance, Barnett seeks to rebalance each client's investment portfolio on a timely basis, keeping in mind that most mutual fund trades occur at the end of a trading day. In determining which client portfolios to attend to first, Barnett ranks clients by the amount of assets under advisement as of the last quarterly period from highest to lowest, and generally proceed to rebalance portfolios accordingly.

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

Item 6 is not applicable to Barnett. Barnett does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Such acceptance or management would pose a significant conflict of interest to our clients because performance-based fees may provide an incentive to favor such accounts over the accounts of clients under our other advisory programs. Barnett considers avoidance of such conflict a paramount policy in maintaining our fiduciary duty to our clients.

Item 7 – Types of Clients

Barnett offers personalized investment supervisory services to individuals, high net worth individuals, trusts, estates, charitable organizations, corporations, and business entities. Client relationships vary in scope and length of service.

Required Minimum Client Accounts

Barnett does not require an account minimum for investment management services. However, Barnett requires a minimum quarterly fee of \$1,500. Barnett, in its sole discretion, may charge a lesser management fee, or choose to reduce or waive the quarterly minimum fee, based upon certain criteria (i.e., pre-existing financial planning client, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

Before designing investment plans for clients, Barnett will evaluate the client's investments to determine whether the client's goals harmonize with the client's financial objectives. In designing investment plans for clients, Barnett relies upon the information supplied by the client and client's other professional advisors. Such information may pertain to the client's financial situation, estate planning, tax planning, risk management, short-term and long-term lifetime financial goals and objectives, investment time horizon, and perceived current tolerance for risk. Barnett will design and propose a portfolio to help clients attain their financial goals.

This information will become the basis for the strategic asset allocation plan which Barnett believes will best meet the client's stated long-term personal financial goals. The strategic asset allocation provides for investments in those asset classes which Barnett believes will possess attractive combinations of return, risk, and correlation over the long term.

When Barnett invests client assets, asset allocation techniques are used which include stocks and bonds of varying characteristics and from both the United States and foreign markets. Barnett invests for the long term and expects that not all investments in a given portfolio will perform in unison with other assets in the same portfolio. We manage money for our clients' downside protection, in addition to upside gain. Barnett does not systematically rebalance the portfolio on a regular basis, but monitor each portfolio's asset allocation to make adjustments where appropriate. Barnett's portfolio management decisions are made considering only the assets being managed and not with regards to other investments the client may hold.

Barnett may also provide advice on any type of investment held in a client's portfolio at the inception of the advisory relationship. Barnett will explore other investment options at the client's request. Additionally, Barnett reserves the right to advise clients on any other type of investment that it deems appropriate based on the client's stated goals and objectives.

When investment markets are experiencing extraordinary circumstances, Barnett may decide to move the assets in a client's account to cash and then resume asset allocation at a future time.

Barnett may utilize fundamental analysis. Fundamental analysis is performed on historical and present data, with the goal of making financial forecasts. The main

sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources that the firm may use include Morningstar mutual fund information, Morningstar stock information, and other internet-based resources.

Investment Strategies

The primary investment strategy used on client accounts is asset allocation based on Modern Portfolio Theory. Barnett develops a diversified investment portfolio by mixing different assets in varying proportions depending on client and current economic climate. The primary purpose of asset allocation is to reduce the risk in the portfolio, while maintaining or enhancing the rate of return of the portfolio. Portfolios are globally diversified to control the risk associated with traditional markets.

Each client receives investment advice regarding their portfolio based upon his or her:

- Time Horizon
- Risk Tolerance
- Expected Rate of Return
- Asset Class Preferences

The investment vehicles used to invest in the various asset classes are mutual funds. The mutual funds provide:

- Professional Management
- Diversification
- Flexibility
- Liquidity

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.

Other strategies may include long-term purchases and short-term purchases.

Barnett's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis Barnett must have access to current/new market information. Barnett has no control over the distribution rate of market information. An accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Barnett's primary investment strategies - Long-Term Purchases and Short-Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

Barnett may also recommend investing in private pooled investment vehicles (hedge funds and/or funds of funds) to appropriate accredited investment clients. Clients will understand the risk of these investments prior to accepting Barnett's recommendation. Only after the client is willing to accept the entire risk inherent in owning these investments will Barnett proceed.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. Barnett's investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

Interest Rate Risk: The risk that investment returns will be affected by changes in the level of interest rates. When interest rates increase, the prices and values of bonds decrease. When interest rates decrease, the prices and values of bonds increase.

Market Risk: The risk that investment returns will be affected by changes in the overall level of the stock market. When the stock market as a whole increases or decreases, virtually all stocks are affected to some degree.

Reinvestment Rate Risk: The risk incurred when an investment's income is reinvested at a lower rate than the rate that existed at the time the original investment was made. This risk is most prevalent when interest rates fall.

Purchasing Power Risk (Inflation Risk): The risk that inflation will affect the return of an investment in real dollars. In other words, the amount of goods that one dollar will purchase decreases with time. Investments that have low returns, such as savings accounts, are not likely to keep up with inflation. Investments with fixed returns, such as bonds, will decrease in value because their purchasing value will decrease with inflation.

Business Risk: The risk associated with a particular industry or firm. These are factors that affect the industry or firm, but do not affect the whole market. They include government regulations, management competency, or local or regional economic factors.

Financial Risk: The risk associated with the mix of debt and equity used to finance a firm. The greater the financial leverage, the greater the financial risk.

Currency Risk (Exchange Rate Risk): The risk that a change in the value of a foreign currency relative to the U.S. dollar will negatively affect a U.S. investor's return.

Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

In general, cash equivalents provide liquidity with minimum income, and a return of principal with no capital appreciation. Cash equivalents are, however, subject to purchasing power risk.

Fixed income investments provide current income. Usually, the longer the maturity of the security, the higher the income it will generate. Also, with longer maturities, fixed income investments will have greater price volatility and greater opportunity for capital gains or capital losses. Fixed income investments are subject to interest-rate risk, reinvestment rate risk, and purchasing power risk. In addition, foreign bonds would be subject to currency rate risk and junk bonds would be subject to business risk and financial risk.

The return of principal for bond funds and funds with significant underlying bond holdings is not guaranteed. Mutual fund shares are subject to the same interest-rate, inflation, and credit risks associated with the underlying bond holdings. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds.

Equity investments are subject to greater volatility, thus providing a greater opportunity for capital gains, and a greater opportunity for capital losses. Equity investments offer little or no current income. Equity investments are subject to market risk and interest-rate risk, while providing an opportunity to protect against purchasing power risk. Also, stock mutual funds, rather than individual equities, may limit the exposure to business risk and financial risk.

Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity, and price volatility. These risks may be heightened in connection with investments in developing countries. Small-company stocks entail additional risks, and they can fluctuate in price more than larger company stocks.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

Different types of investments involve varying degrees of risk, and the client should not assume that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended by Barnett) will be profitable or equal to any specific performance level(s).

Item 9 – Disciplinary Information

Barnett has no reportable legal or disciplinary events.

Item 10 – Other Financial Industry Activities and Affiliations

Neither Barnett nor its representatives are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither Barnett nor its representatives are registered, or have an application pending to register, as a futures commission merchant, a commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

Barnett does not have any relationship or arrangement that is material to its advisory business or to its clients with any related person.

Barnett does not recommend or select other investment advisors for its clients.

Barnett utilizes outside service providers to perform administrative and other support functions, including direct client contact and access to confidential client information. Barnett has agreements that include confidentiality provisions, or has separate confidentiality agreements with these providers

Item 11 – Code of Ethics

Barnett has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumormongering, 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 Barnett must acknowledge the terms of the Code of Ethics annually, or as amended.

Barnett anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Barnett has management authority to effect, and will recommend to investment supervisory clients or prospective clients, the purchase or sale of securities in which Barnett, its affiliates, and/or clients, directly or indirectly, have a position of interest. Barnett's employees and persons associated with Barnett are required to follow Barnett's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors, and employees of Barnett and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Barnett's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities, and interests of the employees of Barnett 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, 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 Barnett'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 Barnett and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Barnett'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. Barnett 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.

Barnett's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Christopher Lion at (512) 454-5459 or christopher@barnettfinancial.com.

Barnett may affect principal or agency cross transactions for client accounts for individual bonds. Barnett will continue to cross trade individual bonds when it is in the best interest of both clients to do so. Principal transactions are generally defined as transactions where an adviser, acting as principal 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

In the event the client requests that Barnett recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Barnett to use a specific broker-dealer/custodian), Barnett generally recommends Charles Schwab and Co., Inc. (Schwab), Fidelity Investment Institutional Services Company, Inc. (Fidelity), and/or TIAA-CREF (CREF). Prior to engaging Barnett to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Barnett setting forth the terms and conditions under which Barnett shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Barnett considers in recommending Schwab, Fidelity, and/or CREF (or any other broker-dealer/custodian to clients) include historical relationship with Barnett, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Barnett's clients shall comply with Barnett's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction. If this occurs, it is because Barnett determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Barnett will seek competitive rates, it may not necessarily obtain the lowest possible commission or transaction rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Barnett's investment management fee. Barnett's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

CREF is the sponsor of its own proprietary mutual funds. For employer-sponsored retirement accounts maintained with CREF (or elsewhere), Barnett's investment management recommendations are limited to the investment alternatives which comprise the retirement plan.

Barnett employees will attend business conferences and/or due diligence meetings conducted by investment managers or third-party partners used by the firm. On

occasion, Barnett may accept travel expenses and/or reimbursement from investment firms such as mutual funds. Employees attend these conferences/meetings solely for the purpose of knowledge enhancement and constructive learning.

Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Barnett may receive from Schwab, Fidelity, and/or CREF (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist Barnett to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Barnett may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software, and/or other products used by Barnett in furtherance of its investment supervisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist Barnett in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Barnett to manage and further develop its business enterprise.

Barnett's clients do not pay more for investment transactions effected and/or assets maintained at Schwab, Fidelity, and/or CREF as a result of this arrangement. There is no corresponding commitment made by Barnett to Schwab, Fidelity, CREF, or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities, or other investment products as result of the above arrangement.

Barnett's Chief Compliance Officer, Christopher Lion, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

Aggregation of Client Trades

To the extent that Barnett provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Barnett decides to purchase or sell the same securities for several clients at

approximately the same time. Barnett may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Barnett's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Barnett shall not receive any additional compensation or remuneration as a result of such aggregation.

Barnett's employees are not registered representatives of Schwab, Fidelity, CREF, or any other custodian/broker-dealer and do not receive any commissions or fees from recommending these services.

Directed Brokerage

Some clients may instruct Barnett to use one or more particular brokers for the transactions in their accounts. Clients who may want to direct Barnett to use a particular broker should understand that this may prevent Barnett from effectively negotiating brokerage compensation on their behalf. This arrangement may also prevent Barnett from obtaining the most favorable net price and execution. Thus, when directing brokerage business, clients should consider whether the commission expenses and execution, clearance, and settlement capabilities that they will obtain through their broker are adequately favorable in comparison to those that Barnett would otherwise obtain for its clients. Clients are encouraged to discuss available alternatives with their advisory representative.

Item 13 – Review of Accounts

For those clients to whom Barnett provides investment management supervisory services, account reviews will be conducted on an ongoing basis by Laura Barnett Lion. All investment supervisory clients are advised that it remains their responsibility to advise Barnett in writing of any changes in their investment objectives and/or financial situation, or if they wish to impose any reasonable restrictions on Barnett's discretionary management services. All clients (in person or electronically) are encouraged to review investment objectives and account performance with Barnett on an annual basis.

Barnett may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event such as a market correction, large deposits or withdrawals from an account, substantial changes in the value of a client's portfolio, change in the client's investment objectives and client request.

Reports to Clients

The account custodian provides trade confirmation and statements to clients on at least a quarterly basis. For those clients to whom Barnett provides investment supervisory services, they will generally receive performance reports for each quarter, and investment tax reports on an annual basis, unless otherwise agreed to with the client. Reports typically includes summaries of client portfolio performance, investment holdings, and account values. Additional reports are available and will be provided on an ad hoc basis.

Item 14 – Client Referrals and Other Compensation

As referenced in Item 12 above, Barnett may receive an indirect economic benefit from Schwab, Fidelity, and/or CREF. Barnett, without cost (and/or at a discount), may receive support services and/or products from Schwab, Fidelity, and/or CREF.

Barnett periodically receives client referrals from websites where they may be listed. In no case will the client pay any additional fees to Barnett for services if the referral comes from any of these listings.

Item 15 – Custody

It is Barnett's policy to not accept custody of a client's securities. In other words, Barnett is not granted access to the clients' accounts which would enable Barnett to withdraw or transfer or otherwise move funds or cash from any client account to Barnett's accounts or the account of any third party (other than for purposes of fee deductions, as explained below). This is for the safety of the clients' assets.

However, with a client's consent, Barnett may be provided with the authority to seek deduction of Barnett's fees from a client's accounts; this process generally is more efficient for both the client and the investment adviser, and there may be tax benefits for the client to this method when fees can be paid from certain tax-deferred accounts of clients.

The account custodian does not verify the accuracy of Barnett's advisory fee calculation.

All Barnett's clients receive account statements directly from qualified custodians, such as a bank or broker-dealer that maintains those assets. The client should carefully review these account statements, and compare them to the quarterly or other reports provided by Barnett. Statements provided by Barnett may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Barnett urges all clients to compare statements in order to ensure that all account transactions, including deductions to pay advisory fees, remain proper, and to contact Christopher Lion, Chief Compliance Officer, with any questions.

Item 16 – Investment Discretion

Barnett typically receives discretionary authority from the client at the beginning of an advisory relationship to select the identity and amount of securities to be bought or sold. Prior to Barnett assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, granting Barnett full authority to buy, sell, or otherwise effect investment transactions. In addition, any investment discretion is obtained in writing through a limited power of attorney signed by the client prior. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Discretionary authority allows Barnett to perform trades in the client's account without further approval from the client. This includes decisions on the following:

- Securities purchased or sold
- The amount of securities to be purchased or sold

Once the portfolio is constructed, Barnett provides ongoing supervision and rebalancing of the portfolio as changes in market conditions and client circumstances may require.

Barnett seeks to undertake a minimal amount of trading in client accounts, in order to keep transaction fees, other expenses, and tax consequences associated with trading to minimal levels.

Clients who engage Barnett on a discretionary basis may, at any time, impose restrictions, in writing, on Barnett's discretionary authority (i.e., limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Barnett's use of margin, etc.).

Item 17 – Voting Client Securities

Barnett will not vote proxies on behalf of advisory clients' accounts. Although, on rare occasions and only at the client's request, Barnett may offer clients advice regarding corporate actions and the exercise of proxy voting rights.

Clients will receive their proxies or other solicitations directly from their broker-dealer/custodian.

Item 18 – Financial Information

Barnett does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance. Barnett accepts limited forms of discretion over clients' accounts, as described in Item 16 of this Brochure. Barnett is unaware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Barnett has never been the subject of a bankruptcy proceeding.

Brochure Supplement

Laura Barnett Lion, CFP® was born in 1969. She earned a B.S. in Economics from Texas A&M University. Ms. Lion became the President of Barnett Financial, Inc., in February 1999.

Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

Certified Financial Planners (CFP®) are licensed by the CFP Board to use the CFP® mark. The following are the CFP® certification requirements as of 5/9/2011 and may not be the qualifications in place when the credential was obtained:

- Bachelor's degree from an accredited college or university.
- Completion of the financial planning education requirements set by the CFP Board (www.cfp.net).
- Successful completion of the 10-hour CFP® Certification Exam.
- Three-year qualifying full-time work experience.
- Successfully pass the Candidate Fitness Standards and background check.

Item 3 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Laura Barnett Lion has no information applicable to this item.

Item 4 – Other Business Activities

Laura Barnett Lion has no information applicable to this item.

Item 5 – Additional Compensation

Laura Barnett Lion has no information applicable to this item.

Item 6 – Supervision

Laura Barnett Lion is supervised by the Chief Compliance Officer, Christopher Lion. He can be reached at 512-454-5459 or christopher@barnettfinancial.com.