

L. A. Burton & Associates, Inc.

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**FORM ADV PART 2
BROCHURE**

This brochure provides information about the qualifications and business practices of L. A. Burton & Associates, Inc. If you have any questions about the contents of this brochure, please contact us at 217-726-8100. 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 L. A. Burton & Associates, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for L. A. Burton & Associates, Inc. is 117893.

L. A. Burton & Associates, Inc. is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Table of Contents

<i>Advisory Business.....</i>	<i>1</i>
<i>Fees and Compensation</i>	<i>2</i>
<i>Performance-Based Fees and Side-By-Side Management.....</i>	<i>3</i>
<i>Types of Clients.....</i>	<i>3</i>
<i>Methods of Analysis, Investment Strategies and Risk of Loss.....</i>	<i>4</i>
<i>Disciplinary Information.....</i>	<i>5</i>
<i>Other Financial Industry Activities and Affiliations</i>	<i>5</i>
<i>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</i>	<i>6</i>
<i>Brokerage Practices</i>	<i>7</i>
<i>Review of Accounts</i>	<i>9</i>
<i>Client Referrals and Other Compensation.....</i>	<i>9</i>
<i>Custody</i>	<i>10</i>
<i>Investment Discretion.....</i>	<i>10</i>
<i>Voting Client Securities.....</i>	<i>11</i>
<i>Financial Information.....</i>	<i>11</i>
<i>Requirements for State-Registered Advisers</i>	<i>11</i>
<i>Additional Information.....</i>	<i>12</i>

Advisory Business

Form ADV Part 2A, Item 4

L.A. Burton & Associates, Inc. is an independently owned SEC registered investment advisor. The firm was founded in 1998 by Larry A. Burton and has continuously provided investment services to clients from its headquarters in Springfield, Illinois. Mr. Burton remains the Chief Executive Officer and is the majority and principal stockholder of the company. The firm operates independent of any subsidiaries.

L. A. Burton & Associates, Inc. is a fee-only advisory firm providing investment advisory and management services to individuals, retirement accounts, trusts, charitable organizations and corporations. The firm advises and manages the assets of clients based upon their selected investment strategy in accordance with their investment objectives, risk tolerance, time horizon and any reasonable restrictions imposed by such clients. In implementing investment strategies, client assets are invested in a combination of individual stocks and bonds, and mutual funds. Mutual funds may be no-load, exchange traded or closed-end. The firm does not directly utilize or recommend options or future contracts. Options or future contracts may, however, be held in mutual funds that the firm recommends.

L. A. Burton & Associates, Inc. provides the following advisory and investment management services:

1. **Managed Accounts** – Accounts for which advisor has full discretionary authority and power of attorney to execute transactions on behalf of the client. These managed accounts invest in a combination of mutual funds and/or individual securities based on the specific needs and objectives of the individual client. The investment activities are defined in the client's Investment Policy Statement. Investments in all asset classes may be included. The fee is based on assets under management.
2. **Supervised Accounts** – Accounts for which advisor has non-discretionary authority. The advisor must have approval from the client before executing transactions. These supervised accounts invest in a combination of mutual funds and individual securities based on the specific needs and objectives of the individual client. The investment activities are defined in the client's Investment Policy Statement. Investments in all asset classes may be included. The fee is based on assets under management.
3. **Separately Managed Accounts** – Accounts for which advisor has full discretionary authority and power of attorney to execute transactions on behalf of the client. A separate account invests in a specified asset class and/or investment category. The investment activities are defined in the client's Investment Policy Statement. These accounts invest primarily in individual securities. The fee is based on assets under management.
4. **Investment Advisory and Consulting Services** – The advisor provides advice based on the specified needs or request of the client. The advisor has no power of attorney to execute transactions on behalf of the client. Advisory fees are charged on an hourly basis or a retainer basis.

L. A. Burton & Associates, Inc. does not participate in or offer any wrap fee programs.

As of 12-31-2011, L. A. Burton & Associates, Inc. managed approximately \$119,459,000 with \$41,517,000 on a discretionary basis and \$77,941,000 on a non-discretionary basis.

Fees and Compensation

Form ADV Part 2A, Item 5

Fees for managed accounts, supervised accounts and separate accounts are based on average assets under management as indicated below:

Managed Accounts and Supervised Accounts

<u>Assets</u>	<u>Fees</u>
First \$ 250,000	1.00% on assets per annum
Next \$ 750,000	0.75% on assets per annum
Over \$1,000,000	0.50% on assets per annum

Separately Managed Accounts

<u>Assets</u>	<u>Fees</u>
First \$ 500,000	1.00% on assets per annum
Next \$1,500,000	0.75% on assets per annum
Over \$2,000,000	0.50% on assets per annum

All investment management fees based upon assets under management are billed quarterly in arrears. Investment management fees may either be deducted from the client's account or invoiced to the client. The client may select the fee payment method of their choice.

Fees for investment consulting services are based on either an hourly basis or a retainer basis. The standard hourly consulting fee is \$90.00. For services provided under a monthly retainer basis, fees are established through a fully executed Consulting Agreement. Retainer based fees are paid monthly or quarterly. Hourly consulting fees are paid either monthly or at the completion of a specific project.

All fee arrangements are negotiable.

Clients may pay other fees that may include custodian fees and mutual fund expenses. Clients will incur brokerage and other transaction costs in their brokerage accounts. Please read Section Brokerage Practices, Form ADV Part 2A, Item 12 for more information regarding brokerage accounts.

L. A. Burton & Associates, Inc. does not require or accept prepayment of fees for any services provided. The firm does not accept any compensation for the sale of securities or other investment products, including asset-based sales, charges or service fees from the sale of mutual funds. Clients have the option to purchase investment products that we recommend through brokers or agents that are not affiliated with our firm.

Performance-Based Fees and Side-By-Side Management

Form ADV Part 2A, Item 6

L. A. Burton & Associates, Inc. does not accept performance-based fees and does not utilize side-by-side management arrangements.

Types of Clients

Form ADV Part 2A, Item 7

L. A. Burton & Associates, Inc. provides investment advice to the following types of clients:

Individuals

Pension and profit sharing plans

Trusts, estates and charitable organizations

Corporations or business entities

Methods of Analysis, Investment Strategies and Risk of Loss

Form ADV Part 2A, Item 8

L. A. Burton & Associates, Inc. uses a combination of client input, investment research and asset allocation disciplines to formulate investment advice or to manage client assets.

The initial step in the overall investment process is to analyze the client's financial condition, cash flow needs, taxes, investment goals, investment horizons, risk tolerance and knowledge of investments. With this information, an Investment Policy Statement is drafted. This written document establishes guidelines and parameters for all investment activities. These activities include expected returns, risks to be assumed and investment instruments to be used. The Policy Statement also establishes minimum and maximum amounts that can be invested in different types of securities such as stocks, bonds, and cash equivalents. The Policy Statement provides limits for investments in any individual security. The client accepts this Investment Policy Statement before any specific advice is given or changes are made to the portfolio.

An investment strategy is formulated for each client based upon the Investment Policy Statement and current market conditions. Asset allocation principles are used to create the overall structure of the portfolio, to control risk and to provide for return. Over time, as market conditions change, the amount of investments in the different asset classes may be changed. This allows for increase or decrease in risk and/or return. This process is called tactical asset allocation.

Tactical asset allocation decisions are based on a one to three year time frame. The decisions are based on fundamental market analyses such as business cycle signals and valuation signals. Valuation signals could be corporate earnings, dividends, inflation, interest rates, etc. Tactical allocations strategies may increase overall portfolio risk because of the potential for over concentrations, added volatility, errors in timing, or use of faulty valuation signals.

Individual stocks and bonds, no-load mutual funds and exchange traded funds are recommended and used in client portfolios. Derivative securities such as future contracts and options are not used or recommended. All securities selected for client portfolios are screened and analyzed for credit quality, relative valuation, historical performance and risk. Portfolio positions are normally diversified across the three primary asset classes of stocks, bonds and cash equivalents. On occasion, assets classes such as real estate and commodities may be recommended.

All client portfolios are monitored on a scheduled basis. Advice and recommendations are communicated to clients either verbally or in writing. Each client receives a quarterly investment report, which includes current investment holdings by account and consolidated, market valuations, purchase and sales, income and expenses, unrealized gains and losses, and periodic investment return. Client meetings are held as needed with quarterly meetings recommended.

L. A. Burton & Associates, Inc. invests primarily in no-load mutual funds, exchange-traded funds and individual stocks and bonds. All recommended securities trade on national exchanges or in the over-the-counter markets. These types of securities do not involve any significant or unusual risks to clients.

Disciplinary Information

Form ADV Part 2A, Item 9

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of L. A. Burton & Associates or the integrity of their management.

L.A. Burton and Associates and its employees have not been involved in any legal or disciplinary events relating to its past or present clients

Other Financial Industry Activities and Affiliations

Form ADV Part 2A, Item 10

Neither L. A. Burton & Associates, Inc. nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the forgoing entities.

L. A. Burton & Associates, Inc. does not have any relationship or arrangement that is material to our advisory business or our clients with:

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant
10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships

L. A. Burton & Associates, Inc. does not recommend or select other investment advisers for our clients and, therefore, does not receive compensation from any non-affiliated person or firm.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Form ADV Part 2A, Item 11

Pursuant to SEC rule 204A-1, L. A. Burton & Associates, Inc. has adopted a code of ethics that sets forth standards of conduct and requires compliance with the federal securities laws. It consists of an outline of policies in several key areas: standards of conduct and compliance with laws, rules and regulation, protection of material non-public information, prohibited acts, conflicts of interest and other client protections measures and personal securities trading. It also consists of specific information and guidance that is provided in company-wide policies and procedures included in the L. A. Burton Compliance Manual.

Neither L. A. Burton & Associates, Inc. nor any of its related persons recommend, buy or sell, for clients, securities that the firm has a material financial interest. Neither our firm nor any related persons act as general partner in a partnership in which we solicit client investments; or act as an investment advisor to an investment company that we recommend to clients. The firm's compliance officer will monitor activities of the firm and related parties for any potential conflicts of interest and report any actual or potential conflicts to the manager. The manager shall notify all clients of any conflicts of interest that may arise.

L. A. Burton & Associates, Inc. and related persons may invest in the same securities that are bought or sold for clients. Such securities may include: bonds, mutual funds or stocks. The firm's compliance officer monitors all personal financial transactions of its employees and monitors such transactions for any potential conflict with transactions or recommendations to clients.

L. A. Burton & Associates, Inc. and all related persons are instructed not to recommend, buy or sell securities for client accounts at or about the same time, that the firm or related persons buy or sell the same securities in order to avoid any potential conflict of interest. All such transactions should be executed by the firm or related persons after client securities are bought or sold. The firm's compliance officer retains records of all personal financial transactions of its employees and monitors such transactions for any potential conflict with transactions for or recommendations to clients.

L.A. Burton & Associates, Inc. clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the firm's compliance officer, Ann Burton.

Brokerage Practices

Form ADV Part 2A, Item 12

L.A. Burton & Associates, Inc seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors including:

- Combination of transaction execution and asset custody services
- Capability to execute, clear and settle trades
- Capability to facilitate transfers and payments to and from accounts
- Breadth of available investment products
- Availability of investment research and tools that assist us in making investment decisions
- Competitiveness of the price of services such as commissions and other fees
- Reputation, financial strength and stability

Our firm receives proprietary research and other services without cost due to our willingness to use our recommended custodial/brokerage firm for client brokerage and custodial services. These same services are made available to other investment advisory firms like ours. Services which we receive without cost that benefit both our clients and our firm include:

- Access to client account data
- Systems that facilitate trade execution and allocate aggregated trade orders for multiple clients.
- Systems that provide securities prices and other market data
- Systems that facilitate payment of our fees from client accounts
- Systems that assist back-office functions, recordkeeping and client reporting

Services we receive which generally only benefit our firm include:

- Educational conferences and events
- Consulting on technology, compliance, legal and business needs
- Publications and conferences on practice management and business succession
- Access to employee-benefit providers, human capital consultants, and insurance providers.

The availability of these services from our recommended custodian/brokerage firm benefits us because we do not have to produce or purchase them. We don't have to pay for these services so long as our clients collectively keep at least \$10million of client assets in account at our recommended broker-dealer. The \$10 million minimum may give us an incentive to recommend that clients maintain their account(s) at our recommended custodial/brokerage firm. This is a potential conflict of interest. We believe, however, that our selections of this recommended broker-dealer is in the best interest of our clients. Our recommendation is primarily supported by the scope, quality and price of our recommended broker-dealer's services.

The commissions or price mark-ups or mark-downs paid by our clients at our recommended broker-dealer may be higher than those charged by other broker-dealers in order for us to receive the benefits listed above. The benefits that we receive from recommending a specific broker-dealer are used to service all of our client accounts. We do not attempt to allocate these benefits proportionately to any specific account based upon the actual benefit the account generates.

Our firm, during the initial phases of opening a new client relationship, recommends the use of a specific broker-dealer. We provide pertinent information on the recommended broker-dealer and disclosure of the benefits to be received by both the client and our firm by using our recommended broker-dealer.

Our firm does not participate in any client referral programs offered by our recommended broker-dealer.

Our firm does not request or require clients to direct us to execute transactions through a specified broker-dealer. However, clients are allowed to direct us to execute transactions through a broker-dealer of their selection. For any client who directs us to execute transactions through a broker-dealer of their choice we advise them that they may pay higher brokerage commissions, that we cannot aggregate orders, and that they may receive less favorable prices.

When we buy or sell the same security, at the same time, for multiple clients, we may aggregate these orders into one transaction. Order aggregation may reduce commission costs and/or result in more favorable pricing.

Review of Accounts

Form ADV Part 2A, Item 13

All client accounts are reviewed at least quarterly and more frequently based upon abrupt changes in market conditions, changes in our current investment strategy, or material changes in a client's financial condition. Long-term financial plans are reviewed at least annually. The account review process entails the comparison of actual account holdings to the client's Investment Policy and to our current investment strategy. Variances are analyzed and recommendations for appropriate changes are communicated to the client either orally and/or written form.

Our clients are provided a comprehensive written report on their accounts on a quarterly basis. These reports include all account holdings with current market values, cost basis, unrealized gains and losses, purchase and sales, income and expenses and periodic investment returns. The report also includes our analysis of the markets and any recommended changes to their accounts.

Client Referrals and Other Compensation

Form ADV Part 2A, Item 14

L. A. Burton & Associates, Inc. does not compensate any person who is not a supervised person within the firm, for client referrals. Our firm does not have any arrangements whereas someone who is not a client provides economic benefit to our firm for providing investment advice or advisory services to our clients.

Our firm does not directly or indirectly compensate any person for who is not our supervised person for client referrals.

Custody

Form ADV Part 2A, Item 15

L.A. Burton & Associates, Inc. does not have physical custody of client assets. All assets are held at qualified custodians, who provide each client with account statements for their review, at least quarterly.

L. A. Burton & Associates, Inc. has custody of client funds or securities solely by having the ability to deduct advisory fees (and no other amount) from client accounts. Clients receive monthly or quarterly statements directly from the broker-dealer. We urge all clients to review and compare those statements with the reports our firm provides.

Investment Discretion

Form ADV Part 2A, Item 16

L. A. Burton & Associates, Inc. does accept discretionary authority to manage securities accounts on behalf of clients. For all discretionary accounts, clients approve an Investment Policy Statement (IPS) which places certain limitations on how the account is managed. These limitations may include the types of investment securities to be used, amounts that can be invested in any security, security type and/or investment category. The IPS may also place limits on the amount of gains and losses to be taken and certain securities that may not be sold. A limited power of authority is executed between the client and our firm which allows us to execute transactions in their account and to deduct advisory fees from their account.

Voting Client Securities

Form ADV Part 2A, Item 17

L. A. Burton & Associates, Inc. does not accept authority to vote client securities. Client will receive proxies and other solicitations directly from the custodian/broker-dealer. Clients may contact us with questions about any particular solicitation.

Financial Information

Form ADV Part 2A, Item 18

L. A. Burton & Associates, Inc. does not require, solicit, or allow prepayment of fees.

The firm has discretionary authority on some client accounts. There is no financial condition that is likely to impair the firm's ability to meet contractual commitments to our clients.

L. A. Burton & Associates, Inc. has never been the subject of a bankruptcy petition.

Requirements for State-Registered Advisers

Not applicable

Additional Information

L. A. Burton & Associates, Inc. owns and operates a web site, www.marketlabpro.com. The site provides generic investment research, information, and tools to subscribers. The research and information provided by this service is not subscriber or client specific and should not be construed as providing investment advice. Access to the site is secured by username and password. This subscription service is designed to provide individual investors the research, information and tools needed to manage their own investments, at their own discretion. Current users of the service include both independent subscribers and investment advisory clients of the firm. Use of the service by advisory clients is independent and separate from investment advisory/management services provided by L. A. Burton & Associates, Inc. The annual subscription fee is \$200.00 and the quarterly subscription fee is \$54.95. All subscription fees are payable in advance with the annual subscription fee fully refundable during the first 30 days. A 30 day free trial is available for all prospective subscribers.

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