

Disclosure Brochure

April 6, 2011

Kevin Bay Investments, LLC

a Registered Investment Adviser

285 Forest Grove Drive, Suite 105
Pewaukee, WI 53072

(262) 691-2013

This brochure provides information about the qualifications and business practices of Kevin Bay Investments, LLC (hereinafter "KBI"). If you have any questions about the contents of this brochure, please contact Jan B. Cliff at (262) 691-2013. 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 Kevin Bay Investments, LLC is available on the SEC's website at www.adviserinfo.sec.gov.

Kevin Bay Investments, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

Item 2. Material Changes

This Item discusses only the material changes that have occurred since KBI's last annual update dated March 31, 2011. KBI does not have any material changes to disclose in this Item.

Item 3. Table of Contents

Firm Disclosure Brochure

Item 1. Cover Page	i
Item 2. Material Changes	ii
Item 3. Table of Contents.....	iii
Item 4. Advisory Business.....	4
Item 5. Fees and Compensation	6
Item 6. Performance-Based Fees and Side-by-Side Management	8
Item 7. Types of Clients	9
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss	10
Item 9. Disciplinary Information.....	15
Item 10. Other Financial Industry Activities and Affiliations	16
Item 11. Code of Ethics	17
Item 12. Brokerage Practices.....	18
Item 13. Review of Accounts.....	21
Item 14. Client Referrals and Other Compensation	22
Item 15. Custody	23
Item 16. Investment Discretion	24
Item 17. Voting Client Securities	25
Item 18. Financial Information.....	26

Item 4. Advisory Business

KBI provides investment management services. Prior to engaging KBI to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with KBI setting forth the terms and conditions under which KBI renders its services (collectively the “*Agreement*”).

KBI has been in business as an SEC registered investment adviser since October 10, 2007. Kevin J. Bay is the principal owner of KBI.

KBI has \$159,778,012 of assets under management as of March 2, 2011. \$157,076,312 of these assets are managed on a discretionary basis and \$2,701,700 are managed on a non-discretionary basis.

This Disclosure Brochure describes the business of KBI. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of KBI's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on KBI's behalf and is subject to KBI's supervision or control.

Investment Management Services

Clients can engage KBI to manage all or a portion of their assets on a discretionary or non-discretionary basis.

KBI primarily allocates clients' investment management assets among individual debt and equity securities, closed-end mutual funds, exchange trade mutual funds (ETFs), and/or options on a domestic and international basis in accordance with the investment objectives of the client. KBI also provides advice about investments held in clients' portfolios.

KBI also may render non-discretionary investment management services to clients relative to their individual employer-sponsored retirement plans, or other products that may not be held by the client's primary custodian. In so doing, KBI either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

Due to the Christian beliefs of KBI's principals, KBI may choose not to invest in certain securities, including any company that directly or indirectly supports activities that are gravely inconsistent with Christian teachings as determined by KBI. As a result, performance of accounts may be affected by not investing in these securities.

KBI tailors its advisory services to the individual needs of clients. KBI consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. KBI ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify KBI if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon KBI's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in KBI's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

Sponsor of Wrap Program

KBI is the sponsor of the Kevin Bay Investments Wrap Fee Program (the "*Program*"), a wrap fee program. In the event the client participates in the *Program*, KBI provides its investment management services and arranges for brokerage transactions under a single annualized fee. Participants in the *Program* may pay a higher aggregate fee than if investment management and brokerage services are purchased separately. A complete description of the *Program's* terms and conditions (including fees) are contained in the *Program's* wrap fee brochure.

Participants' accounts in the *Program* are managed on a discretionary basis, while *Non-Program* accounts are managed on a non-discretionary basis. Also, *Non-Program* accounts do not follow the three disciplines identified in KBI's *Investment Strategies*, discussed in Item 8 (below).

Item 5. Fees and Compensation

KBI offers its services on a fee basis, based upon assets under management.

Investment Management Fee

KBI provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by KBI. Clients who participate in the *Program* (as discussed above) for investment management services should refer to the *Program's* wrap fee brochure, which includes a description of the *Program's* terms and conditions, including fees.

For those accounts managed outside the *Program* (as discussed above), KBI's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. KBI does not, however, receive any portion of these commissions, fees, and costs. KBI's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by KBI on the last day of the previous quarter. The annual fee varies (between 0.78% and 1.88%) depending upon the market value of the assets under management and the type of investment management services to be rendered.

KBI, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, employees, owners, partners, etc.).

Fees Charged by Financial Institutions

As further discussed in response to Item 12 (below), KBI generally recommends that clients utilize the brokerage and clearing services of Pershing, LLC through Pershing Investment Manager Services ("*Pershing*") for investment management accounts.

KBI may only implement its investment management recommendations after the client has arranged for and furnished KBI with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Pershing*, any other broker-dealer recommended by KBI, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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. Additionally, for assets outside of any wrap fee

programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to KBI's fee.

KBI's *Agreement* and the separate agreement with any *Financial Institutions* may authorize KBI to debit the client's account for the amount of KBI's fee and to directly remit that management fee to KBI. Any *Financial Institutions* recommended by KBI have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to KBI.

Fees for Management During Partial Quarters of Service

For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between KBI and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. KBI's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to KBI's right to terminate an account. Additions may be in cash or cash equivalents, or securities provided that KBI reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to KBI, subject to the usual and customary securities settlement procedures. However, KBI designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. KBI may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter. KBI may make an exception to this policy when assets are transferred from an existing account and deposited into a newly-created account or if there is a change in the investment strategy which results in a different fee schedule. In those circumstances, KBI, in its sole discretion, may refund the fee paid by the existing account on a pro-rata basis and charge the refunded portion of the fee to the new account.

Item 6. Performance-Based Fees and Side-by-Side Management

KBI does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7. Types of Clients

KBI provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

Minimum Annual Fee

As a condition for starting and maintaining a relationship, KBI generally imposes a minimum annual fee. This amount of the minimum fee depends on the type of account and corresponding investment strategy. KBI generally imposes a minimum annual fee per account of \$400 for Focused accounts, \$700 for Deep Value accounts, and \$4,000 for Active accounts. This minimum fee may have the effect of making KBI's fees higher than the stated fee range, discussed in Item 5 (above), for smaller accounts. KBI, in its sole discretion, may waive its minimum annual fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities.

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

Methods of Analysis

KBI's primary methods of analysis are fundamental, technical and cyclical analysis.

Fundamental analysis involves the fundamental financial condition and competitive position of a company. KBI will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security. Fundamental analysis is the primary consideration in the management of portfolios at KBI.

Cyclical analysis is similar to technical analysis in that it involves the analysis of market conditions at a macro (entire market/economy) or micro (company specific) level, rather than the overall fundamental analysis of the health of the particular company that KBI is recommending. The risks with cyclical analysis are similar to those of technical analysis.

Technical analysis involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that KBI will be able to accurately predict such a reoccurrence. Technical analysis is a minor consideration in management of portfolios at KBI.

Investment Strategies

KBI follows three disciplined investment principals: *Focused*, *Active*, and *Deep Value* (each further discussed below). Though some securities positions may overlap, these strategies differ in terms of investment philosophy, risks, account turnover, and characteristics of investments. All strategies incorporate an approach of purchasing securities without restriction as to market capitalization of the company. As a result, portfolio holdings in all investment strategies may include any range of microcap and/or megacap stocks. Microcap and small cap equity issues may have more volatility than larger companies. Total return and preservation of capital are emphasized over tax considerations. Each strategy is further delineated into three groupings based on the asset allocation:

- Mature Balanced – These portfolios' principal objective is preservation of capital with a secondary emphasis on long-term capital appreciation;
- Balanced – These portfolios have shared objectives of capital preservation and capital appreciation; and

Kevin Bay Investments, LLC Disclosure Brochure

- Equity – The principal objective is capital appreciation with capital preservation as a secondary consideration.

It is important to note that due to market risks discussed later, there can be no assurance that the objectives identified above can be met.

Focused Strategy

Focused portfolios are invested in multiple asset classes including foreign and domestic equity, fixed income, ETFs, and cash or cash equivalents. Investment in equity securities is based on fundamental analysis. Security selection focuses on securities that are selling at what is believed to be a meaningful discount to the securities intrinsic value. Significant consideration is also given to a security's qualitative aspects as positions are intended to be held for a longer timeframe in order for appreciation to occur. Portfolios following a Focused strategy may include investments in securities that are also selected in accordance with both the Active and Deep Value strategies. Turnover of investment positions will tend to be less frequent than for portfolios following an Active or Deep Value strategy. When the firm deems market conditions warrant, portfolios may hold significant positions in cash or cash equivalents, or fixed income securities as a tactical movement intended to preserve portfolio assets.

Active Strategy

Active portfolios are invested in multiple asset classes including foreign and domestic equity, fixed income, ETFs, and cash or cash equivalents. Investment in equity securities is based on fundamental analysis. KBI focuses on selecting securities that are selling at what KBI believes to be a meaningful discount to the securities intrinsic value. Portfolios following an Active strategy may include investments in securities that are also selected in accordance with both the Focused and Deep Value strategies. The Active strategy also focuses on opportunities that are presented by special situation circumstances (spin-offs, mergers, bankruptcies, restructurings, tender offers and similar occurrences). Turnover of investment positions may be significant for portfolios following an Active strategy. Turnover will tend to occur more frequently than for portfolios following a Focused or Deep Value strategy. When the firm deems market conditions warrant, portfolios may hold significant positions in cash or cash equivalents, or fixed income securities as a tactical movement intended to preserve portfolio assets.

Deep Value Strategy

Deep Value portfolios are invested in multiple asset classes including foreign and domestic equity, fixed income, ETFs, and cash or cash equivalents. Investment in equity securities is based on fundamental analysis. The main criterion for security selection for portfolios following a Deep Value strategy is valuation. KBI selects securities that are selling at what is believed to be a meaningful discount to the securities intrinsic value. This will include securities for which a fundamental analysis indicates the security is selling at a distressed price level. Portfolios following a Deep Value strategy may include investments in securities that are also selected in accordance with both the Focused and Active

strategies. Turnover of investment positions may occur on a frequent basis. When the firm deems market conditions warrant, portfolios may hold significant positions in cash or cash equivalents, or fixed income securities as a tactical movement intended to preserve portfolio assets.

Risks of Loss

Mutual Funds and Exchange Traded Funds (ETFs)

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Options

Options allow investors to buy or sell a security at a contracted "strike" price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

Kevin Bay Investments, LLC Disclosure Brochure

Market Risks

The profitability of a significant portion of KBI's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. Stock and bond markets fluctuate widely and may continue to do so. There can be no assurance that KBI will be able to predict those price movements accurately.

Management Through Similarly Managed Accounts

KBI manages portfolios by allocating portfolio assets among various securities and individual bonds on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, KBI buys, sells, exchanges and/or transfers individual securities and bonds based upon the *investment strategy*.

KBI's management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

The *investment strategy* may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to KBI's clients may be limited. As further discussed in response to Item 12B (below), KBI allocates investment opportunities among its clients on a fair and equitable basis.

Foreign Investment Risk

KBI may trade foreign securities. Investments in securities of non-U.S. issuers, including foreign governments and securities whose prices are quoted in non-U.S. currencies pose currency exchange risks. These risks include blockage, devaluation and non-exchangeability, as well as a range of other potential risks which, depending on the country involved, could include: expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility, and market manipulation.

In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. Transaction costs of investing in non-U.S. securities markets are generally higher than in the U.S. There is generally less government supervision and regulation of non-U.S. exchanges, brokers and issuers than there is in the United States. Clients might have greater difficulty taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures which, in some markets, have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect performance.

Kevin Bay Investments, LLC Disclosure Brochure

General Risk of Loss

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

Item 9. Disciplinary Information

KBI is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. KBI does not have any required disclosures to this Item.

Item 10. Other Financial Industry Activities and Affiliations

KBI is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. KBI does not have any required disclosures to this Item.

Item 11. Code of Ethics

KBI and persons associated with KBI ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with KBI's policies and procedures.

KBI has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by KBI or any of its associated persons. The *Code of Ethics* also requires that certain of KBI's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in KBI's *Code of Ethics*, none of KBI's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of KBI's clients.

When KBI is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when KBI is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact KBI to request a copy of its *Code of Ethics*.

Item 12. Brokerage Practices

As discussed above, in Item 5, KBI generally recommends that clients utilize the brokerage and clearing services of *Pershing*.

Factors which KBI considers in recommending *Pershing* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Pershing* enables KBI to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Pershing* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by KBI's clients comply with KBI's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where KBI determines that the commissions are 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 a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. KBI seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

KBI periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct KBI in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and KBI will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by KBI (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, KBI may decline a client's request to direct brokerage if, in KBI's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless KBI decides to purchase or sell the same securities for several clients at approximately the same time. KBI may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among KBI'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 generally be averaged as to price and allocated among KBI's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that KBI determines to aggregate client orders for the purchase or sale of securities, including securities in which KBI's *Supervised Persons* may invest, KBI generally does so in accordance with applicable rules

promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. KBI does not receive any additional compensation or remuneration as a result of the aggregation. In the event that KBI determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, KBI may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist KBI in its investment decision-making process. Such research generally will be used to service all of KBI's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because KBI does not have to produce or pay for the products or services.

Software and Support Provided by Financial Institutions

KBI may receive from *Pershing*, without cost to KBI, computer software and related systems support, which allow KBI to better monitor client accounts maintained at *Pershing*. KBI may receive the software and related support without cost because KBI renders investment management services to clients that maintain assets at *Pershing*. The software and related systems support may benefit KBI, but not its clients directly. In fulfilling its duties to its clients, KBI endeavors at all times to put the interests of its clients first. Clients should be aware, however, that KBI's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence KBI's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, KBI may receive the following benefits from *Pershing* through its Pershing Advisor Solutions division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Pershing Advisor Solutions participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client

Kevin Bay Investments, LLC Disclosure Brochure

accounts; and access to an electronic communication network for client order entry and account information.

Item 13. Review of Accounts

For those clients to whom KBI provides investment management services, KBI monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by the Principals of KBI, Kevin J. Bay or Jan B. Cliff. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with KBI and to keep KBI informed of any changes thereto. KBI contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom KBI provides investment advisory services will also receive a report from KBI that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance not less than annually. Clients should compare the account statements they receive from their custodian with those they receive from KBI.

Item 14. Client Referrals and Other Compensation

KBI is required to disclose any direct or indirect compensation that it provides for client referrals.

A component of three *Supervised Persons*' compensation is related to new assets brought into KBI. There is no compensation paid to *non-Supervised Persons* for client referrals. This compensation is paid in accordance with the requirements of Rule 206(4)-3 of the Advisers Act. Any such referral fee is paid solely from KBI's investment management fee, and does not result in any additional charge to the client.

Item 15. Custody

KBI's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize KBI through such *Financial Institution* to debit the client's account for the amount of KBI's fee and to directly remit that management fee to KBI in accordance with applicable custody rules.

The *Financial Institutions* recommended by KBI have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to KBI. In addition, as discussed in Item 13, KBI also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from KBI.

Item 16. Investment Discretion

KBI may be given the authority to exercise discretion on behalf of clients. KBI is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. KBI is given this authority through a power-of-attorney included in the agreement between KBI and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). KBI takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

Item 17. Voting Client Securities

KBI may vote client securities (proxies) on behalf of its clients. When KBI accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in KBI's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in KBI's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact KBI to request information about how KBI voted proxies for that client's securities or to get a copy of KBI's Proxy Voting Policies and Procedures. A brief summary of KBI's Proxy Voting Policies and Procedures is as follows:

- KBI has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to KBI's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, KBI devotes an appropriate amount of time and resources to monitor these changes.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that KBI maintains with persons having an interest in the outcome of certain votes, KBI takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

Item 18. Financial Information

KBI does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, KBI is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. KBI has no disclosures pursuant to this Item.

Kevin Bay Investments, LLC

a Registered Investment Adviser

285 Forest Grove Drive, Suite 105
Pewaukee, WI 53072

(262) 691-2013

Prepared by:

