



BAKER & ASSOCIATES
REGISTERED INVESTMENT ADVISER

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Form ADV, Part 2A Brochure

June 6, 2014

This brochure provides information about the qualifications and business practices of Baker & Associates. If you have any questions about the contents of this brochure, please contact Chris Baker at 949-263-1883. 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.

Any reference to or use of the terms “registered investment adviser” or “registered,” does not imply that Baker & Associates or any person associated with Baker & Associates has achieved a certain level of skill or training.

Additional information about Baker & Associates is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 - MATERIAL CHANGES

Revised June 6, 2014

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

Baker & Associates (“B&A”) reviews and updates our brochure at least annually to confirm that it remains current. This section of the brochure discusses only the material changes B&A made to the brochure since the last annual update.

Material changes from B&A’s brochure dated March 21, 2014:

Item 14 – Client Referrals and Other Compensation

B&A has entered into a solicitor arrangement under which we pay an unaffiliated solicitor to refer us advisory clients.

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ITEM 4 - ADVISORY BUSINESS

Description of Advisory Firm

Baker & Associates (“B&A,” “we,” “our,” or “us”) has been in business since November 4, 2010. Chris Baker is the principal owner of B&A. While B&A has been in business since 2010, Ms. Baker has been providing the same or similar services to those discussed in this brochure since 1987. Most recently Ms. Baker ran Baker and Associates (formerly known as Chris Baker Financial Planning Services), a California state registered investment adviser since 1993, under a separate registration.

B&A is an investment adviser providing financial planning, consulting, investment management and wealth management services. Prior to engaging B&A to provide any of the foregoing investment advisory services, the client will be required to enter into one or more written agreements with B&A setting forth the terms and conditions under which we will render our services (collectively the “Agreement”). Neither B&A nor the client may assign the Agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of B&A will not be considered an assignment.

Advisory Services Offered

Financial Planning and Consulting Services

B&A may provide our clients with a broad range of comprehensive financial planning and consulting services (which may include non-investment related matters). These services include business planning, investments, insurance, retirement, estate planning, and tax and cash flow needs of the client.

In performing our services, B&A will not be required to verify any information received from the client or from the client’s other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. B&A may recommend our own investment management services and/or the services of other professionals to implement our recommendations. Clients are advised that a conflict of interest exists if B&A recommends our own investment management services. The client is under no obligation to act upon any of the recommendations made by B&A under a financial planning / consulting engagement and/or engage the services of any such recommended professional, including B&A. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of B&A’s recommendations. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify B&A if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing, evaluating, or revising B&A’s previous recommendations and/or services.

Consulting Services to Qualified Plans

B&A provides investment consulting services to qualified retirement plans. Our services may include, but are not limited to: consulting on the design and implementation of the plan; assisting with the selection of 401(k) providers such as third party administrators, recordkeepers, and investment managers; creating an investment policy statement; recommending or selecting plan investments; and

providing enrollment meetings and participant education. The specific consulting services provided to each plan client will be determined with the client.

Investment Management and Wealth Management Services

B&A can be engaged to manage all or a portion of a client's assets on a discretionary basis. In addition, B&A may provide our clients with wealth management services, which include a broad range of comprehensive financial planning and consulting services as well as discretionary management of investment portfolios.

B&A intends to primarily allocate our clients' investment management assets on a discretionary basis among mutual funds and exchange traded funds in accordance with the investment objectives of the client. We may also provide advice about any type of investment held in a client's portfolio.

B&A also may render investment management services to clients relative to: variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, B&A either directs or recommends the allocation of client assets among the various investment options that are available with the product. The client assets shall be maintained at the specific insurance company or custodian designated by the product.

Additions and Withdrawals to Accounts

Clients may make additions to and withdrawals from their account at any time, subject to B&A's right to terminate an account. Clients may withdraw account assets on notice to B&A, subject to the usual and customary securities settlement procedures. However, we design our portfolios as long-term investments, and the withdrawal of assets may impair the achievement of a client's investment objectives.

Tailored Services and Client Imposed Restrictions

It is B&A's practice to tailor our advisory services to the individual needs of clients. B&A will ensure that each client's investments are suitable for that client and consistent with their investment needs, goals, objectives and risk tolerance as well as any restrictions requested by the client.

Clients have the ability to impose reasonable restrictions on the management of their account, including the ability to instruct B&A not to purchase certain securities or types of securities.

B&A's clients are advised to promptly notify us if there are ever any changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon our management services.

Assets Under Management

B&A manages client assets in both discretionary and non-discretionary accounts. As of 12/31/2013, the total amount of assets under our management was:

Discretionary Assets	\$ 115,876,219
<u>Non-Discretionary Assets</u>	<u>\$ 12,397,292</u>
Total Assets	\$ 128,273,511

ITEM 5 - FEES AND COMPENSATION

B&A, depending upon the engagement, offers our services on a fee basis which may include hourly and/or fixed fees as well as fees based upon assets under management.

Financial Planning and Consulting Fees

B&A will charge a fixed fee and/or hourly fee for financial planning and consulting services. B&A first charges \$1,000 for an assessment of the client's financial situation. During this assessment, we will review, assess and report on the client's financial problems, challenges and objectives. After the assessment, B&A will propose additional planning or consulting services based upon the client's specific needs. The fees for the additional planning or consulting are negotiable, but generally range from \$10,000 to \$50,000 on a fixed fee basis and/or from \$75 to \$325 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. The assessment fee will be credited towards the additional planning or consulting fees. Furthermore, if the client engages B&A for additional investment advisory services, we may offset all or a portion of our fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging B&A to provide financial planning and/or consulting services, the client will generally be required to enter into a written agreement with B&A setting forth the terms and conditions of the engagement and describing the scope of the services to be provided and the portion of the fee that is due from the client prior to B&A commencing services. Generally, B&A requires one-half of the financial planning / consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services. Either party may terminate the agreement by written notice to the other. In the event the client terminates B&A's financial planning and/or consulting services, the balance of our unearned fees (if any) will be refunded to the client. If termination occurs within five business days of entering into an agreement for such services the client is entitled to a full refund.

Consulting Services to Qualified Plans

B&A will charge a fixed fee, hourly fee and/or asset-based fee for consulting services to qualified plans. The fees charged will be negotiated based upon the client's specific needs and the scope of consulting services B&A provides to the plan.

Prior to engaging B&A to provide consulting services, the client will generally be required to enter into a written agreement with B&A setting forth the terms and conditions of the engagement and describing the scope of the services to be provided and the portion of the fee that is due from the client prior to B&A commencing services. For fixed fee engagements, B&A requires one-half of the consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon completion of the agreed upon services.

B&A may provide our consulting services for an annual consulting fee of a percentage of the value of the plan. Our fees will be deducted directly from the participants' accounts under the terms of the agreement the plan client signs with the plan provider authorizing them to remit the fees directly to us. The fees may be paid in advance or in arrears and either monthly, quarterly, or annually depending on the policies and procedures of the plan provider. The specific payment terms will be set out in a separate agreement with the plan provider.

Either party may terminate the agreement by written notice to the other. In the event the client terminates B&A's consulting services, B&A will calculate the final fees due for services provided through the date of termination. Any fees that we have earned for the services provided will be due upon termination. The balance of our unearned fees (if any) will be refunded to the client.

Investment Management and Wealth Management Fee

In the event the client determines to engage B&A to provide investment management services, we will do so on a fee basis. If engaged, B&A typically charges an annual fee based upon a percentage of the market value of the assets being managed by us. B&A'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. However, B&A will not receive any portion of these commissions, fees, and costs. Our annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by us on the last day of the previous quarter. In the absence of readily available market value, we will establish the fair value of such assets in accordance with our policies and procedures regarding fair valuation, as such policies and procedures may be amended from time to time. The annual fee will vary (between 0.50% and 1.50%) depending upon the market value of the assets under management and the type of investment management or wealth management services to be rendered. Upon discussion with the client, B&A may alternatively charge clients a fixed fee or combination of fixed and asset-based fees for investment management and wealth management services. These fees will be negotiated with the client.

B&A, in our sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (e.g., 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, etc.).

Fees Charged by Financial Institution

As further discussed in response to Item 12 (below), B&A generally recommends that clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("Schwab") for investment management accounts.

B&A may only implement our investment management recommendations after the client has arranged for and furnished us with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, Schwab, any other broker-dealer recommended by B&A, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to in this Brochure as the "Financial Institution(s)").

Clients may incur certain charges imposed by the Financial Institution(s) and other third parties such as brokerage commissions and transaction fees, custodial fees, charges imposed directly by a mutual fund or exchange traded fund 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. Such charges, fees and commissions are exclusive of and in addition to B&A's fee.

B&A's Agreement and/or the separate agreement with the Financial Institution(s) authorize B&A through the Financial Institution(s) to debit the client's account for the amount of our fee and to directly remit that management fee to B&A in accordance with applicable custody rules. The Financial Institution(s) recommended by B&A 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 B&A.

Fees for Management During Partial Quarters of Service

For the initial period of investment management services, the first period's fees are calculated on a pro rata basis. The Agreement between B&A and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. B&A's annual fee will be prorated through the date of termination and any remaining balance will be charged or refunded to the client, as appropriate, in a timely manner.

Additions may be in cash or securities provided that B&A reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. B&A may consult with our 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.

ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

B&A 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

B&A provides our services to individuals, pension and profit sharing plans, trusts, estates, corporations and business entities.

ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

B&A tailors our investment recommendations to each client's situation. Consideration is given to the client's risk tolerance, need for income, long term inflation protection, liquidity needs, and tax considerations. We utilize third party research providers and industry periodicals to research and analyze our investment recommendations and develop an asset allocation tailored for each client's specific situation. B&A's basic investment philosophy is buy and hold long-term with active management when deemed appropriate in an effort to take advantage of short term forecasts.

Market Risks

The profitability of a significant portion of B&A's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that we will be able to predict those price movements accurately.

Mutual Funds and Exchange Traded Funds (ETFs)

An investment in a mutual fund or ETF ("Fund") involves risk, including the loss of principal. Funds are subject to secondary market trading risks. Shares of Funds will be listed for trading on an exchange; however, there can be no guarantee that an active trading market for such shares will develop or continue. There can be no guarantee that a Fund's exchange listing or ability to trade its shares will continue or remain unchanged. Shares of the Fund may trade on an exchange at prices at, above or below their most recent net asset valuation (NAV), which is the price at which an investor would buy or sell the Fund. The per share NAV of a Fund is calculated at the end of each business day, and fluctuates with changes in the market value of the Fund's holdings. The trading prices of a Fund's shares may differ significantly from NAV during periods of market volatility, which may, among other factors, lead to the Fund's shares trading at a premium or discount to NAV.

Equity Securities

Equity securities represent an ownership position in a company. Equity securities typically consist of common stocks. The prices of stocks and the income they generate (such as dividends) may fluctuate based on events specific to the company that issued the shares, conditions affecting the general economy and overall market changes, changes or weakness in the business sector the company does

business in, and other factors. Further, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

There may be little trading in the secondary market for particular equity securities, which may adversely affect the ability to value accurately or dispose of those equity securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of equity securities.

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

ITEM 9 - DISCIPLINARY INFORMATION

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

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

B&A is required to disclose any relationship or arrangement that is material to our advisory business or to our clients with certain related persons. We have described such relationships and arrangements, below.

Receipt of Insurance Commission

While B&A does not sell insurance products to our investment advisory clients, certain of our personnel, in their individual capacities, are also licensed insurance brokers, and in this capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. A conflict of interest exists to the extent that B&A recommends the purchase of insurance products where our personnel receive insurance commissions or other additional compensation. B&A's personnel do not devote any time specifically to insurance sales, but merely provide such services on an as-needed basis.

Referrals to Certified Public Accountants

B&A does not render accounting advice or tax preparation services to our clients. Rather, to the extent that a client requires accounting advice and/or tax preparation services, B&A, if requested, will recommend the services of a Certified Public Accountant, all of which services shall be rendered independent of B&A pursuant to a separate agreement between the client and the Certified Public Accountant. B&A will not receive any of the fees charged by any recommended Certified Public Accountant, referral or otherwise. Specifically, we will recommend the services of Thoerner & Toma, a Certified Public Accounting firm located in Irvine, California. B&A's principal owner, Chris Baker, is related to Scott Thoerner and clients are hereby notified of that potential conflict.

ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

B&A has adopted a code of ethics that sets forth the standards of conduct expected of our personnel and requires compliance with applicable securities laws (“Code of Ethics”). In accordance with Section 204A of the Advisers Act, our Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by B&A or any of our personnel. The Code of Ethics also requires that certain of our 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.

B&A and our personnel are permitted to buy or sell securities that we also recommend to clients consistent with our policies and procedures. This presents a potential conflict of interest, as we may have an incentive to take investment opportunities from clients for our own benefit, favor our personal trades over client transactions when allocating trades, or use the information about the transactions we intend to make for clients to our personal benefit by trading ahead of clients. Our policies to address these conflicts include the following:

Unless specifically permitted in B&A’s Code of Ethics, none of our 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 B&A’s clients.

When B&A 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 B&A 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. However, we may combine trades of our Access Persons with those of clients, so that clients and our Access Persons trade at the same time and receive the same average price for the security (see our policies regarding “batched” trades in Item 12). Our personal trading 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 B&A to request a copy of our Code of Ethics.

ITEM 12 - BROKERAGE PRACTICES

Factors Considered in Selecting Broker-Dealers for Client Transactions

As discussed above, in Item 5, B&A will generally recommend that clients utilize the brokerage and clearing services of Schwab.

Factors which we consider in recommending Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research, and service. Schwab enables B&A to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Schwab may be higher or lower than those charged by other broker-dealers.

The commissions paid by B&A's clients will comply with our duty to obtain "best execution." However, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine, in good faith, that the commission 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 a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while B&A will seek competitive rates, we may not necessarily obtain the lowest possible commission rates for client transactions.

If the client requests B&A to arrange for the execution of securities brokerage transactions for the client's account, we will direct such transactions through broker-dealers that we reasonably believe will provide best execution. B&A will periodically and systematically review our policies and procedures regarding recommending broker-dealers to our client in light of our duty to obtain best execution.

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 B&A in our investment decision-making process. Such research generally will be used to service all of our 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 B&A does not have to produce or pay for the products or services.

Directed Brokerage

The client may direct B&A in writing to use a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and B&A will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through other broker-dealers with orders for other accounts managed by B&A (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 our duty of best execution, B&A may decline a client's request to direct brokerage if, in our sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Aggregation of Transactions

Transactions for each client generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. B&A 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 our 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 with each custodian will generally be averaged as to price and allocated among B&A's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that we determine to aggregate client orders for the purchase or sale of securities, including securities in which B&A's personnel may invest, we will generally do 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. B&A will not receive any additional compensation or remuneration as a result of the aggregation.

Software and Support Provided by Financial Institutions

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

Additionally, B&A may receive the following benefits from Schwab through its Schwab Institutional division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services the Schwab Institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

ITEM 13 - REVIEW OF ACCOUNTS

Clients will be classified into one of three service groups:

Wealth management clients include B&A's wealthiest and most complex financial planning clients. Portfolio reviews for these clients are conducted on a quarterly basis along with other financial planning services as needed throughout the year. Reviews are conducted by one of B&A's investment adviser

representatives. Fees include investment management services, as well as financial planning and consulting services.

Investment management clients are primarily clients with limited financial planning needs. These clients are contacted at least annually to update their objectives and to determine if they have a need to review or update their financial plan. Reviews are conducted by one of B&A's investment adviser representatives. Financial planning fees may be charged separately in addition to investment management fees depending on the scope of financial planning services to be provided.

Other consulting clients are not provided with ongoing financial planning or investment management services. B&A provides advice to these clients upon request regarding their assets on an account level objective without consideration of the client's total portfolio. No reviews are conducted for these clients unless specifically requested. B&A's services are limited to account maintenance activities. Hourly fees may apply to these clients. Requested financial planning or investment management services are charged separately.

All investment advisory clients are encouraged to discuss their needs, goals, and objectives with B&A and to keep us informed of any changes thereto. B&A will contact ongoing wealth management and investment management clients at least annually to review our previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Wealth management and investment management clients, as described above, will also receive a quarterly report from B&A that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance from time-to-time. Clients should compare the account statements they receive from their custodian with those they receive from B&A.

Those clients to whom B&A provides financial planning and/or consulting services will receive reports from us summarizing our analysis and conclusions as requested by the client or otherwise agreed to in writing by B&A.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

Schwab Support Products and Services

B&A receives an economic benefit from Schwab in the form of the support products and services they make available to us and other independent investment advisers whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above in Item 12. We do not base particular investment advice, such as buying particular securities for our clients, on the availability of Schwab's products and services to us.

Expenses Paid by Issuers

Securities issuers may also pay directly or reimburse B&A for costs, such as travel expenses and conference fees, relating to our due diligence review of the issuer's product or for periodic entertainment events. Accepting these payments/reimbursements could be a conflict of interest, particularly if the payments/reimbursements facilitate B&A in ultimately recommending the product to our clients. B&A accepts these payments on a case-by-case basis, subject to our internal practices, when we believe the payments do not hinder our ability to objectively evaluate the product. The availability or receipt of these payments/reimbursements is not a consideration for us in deciding whether or not to invest in a product.

Solicitor Arrangements

If a solicitor introduces a client to B&A, we may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940. If any solicitor (affiliated or unaffiliated) introduces a client to B&A, that solicitor will disclose the nature of the solicitor relationship with B&A at the time of the solicitation. In addition, when the solicitor is not affiliated with B&A, either B&A or the solicitor will provide each prospective client with a copy of this brochure, and a copy of the written disclosure statement from the solicitor to the client disclosing the terms and conditions of the arrangement between B&A and the solicitor, including the compensation the solicitor will receive from B&A.

ITEM 15 - CUSTODY

As discussed above, B&A's Agreement and/or the separate agreement with the Financial Institution(s) may authorize us through the Financial Institution(s) to debit the client's account for the amount of our fee and to directly remit that management fee to B&A in accordance with applicable custody rules. The Financial Institution(s) recommended by B&A 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 B&A. In addition, as discussed in Item 13, we also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institution(s) and compare them to those received from B&A.

ITEM 16 - INVESTMENT DISCRETION

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

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

ITEM 17 - VOTING CLIENT SECURITIES

Proxy Voting

B&A is required to disclose if we accept authority to vote client securities. B&A does not vote client securities on behalf of our clients. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent. Clients may call us if they have questions about a particular solicitation.

Class Actions

B&A does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on the client's behalf. However, if a client notifies us that they wish to participate in a class action, we will provide the client with any transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action.

ITEM 18 - FINANCIAL INFORMATION

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