



**Baker Tilly Investment Services, LLC**

Ten Terrace Court  
Madison, WI 53718  
Telephone: 608-249-6622

8365 Keystone Crossing, Suite 300  
Indianapolis, IN 46240  
Telephone: 317-465-1500

380 Jackson Street, Suite 300  
Saint Paul, MN 55101  
Telephone: 651-223-3019

[www.bakertilly.com](http://www.bakertilly.com)

*August 30, 2020*

This Brochure provides information about the qualifications and business practices of Baker Tilly Investment Services, LLC. If you have any questions about the contents of this brochure, please contact us at 608-249-6622. Information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Baker Tilly Investment Services, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 300822.

**Summary of Material Changes since the last update filed August 30, 2019**

Baker Tilly Investment Services, LLC (“BTIS”) has entered into a referral arrangement with a third-party as described in Item 14. We have not made any additional material changes to this brochure since the last update.

We strongly encourage you to review this entire brochure and call us with any questions you may have.

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### **Investment Advisory Business**

Baker Tilly Investment Services, LLC (“BTIS”, “the Firm”, “we” or “us”), is a registered investment adviser with its principal place of business located in Madison, Wisconsin. BTIS was formed in 2019. It is a wholly owned subsidiary of Baker Tilly US, LLP (“Baker Tilly”), a tax, accounting and advisory firm. Baker Tilly is a partnership where no single partner owns more than 5% of the firm.

Investment supervisory services account for the majority of the Firm’s advisory services. We provide non-discretionary investment advice with the purpose of helping our clients create and maintain a disciplined approach to investing funds prudently and effectively. As part of this service, we typically have the responsibility to select or make recommendations as to specific securities the client may purchase or sell, and if the client accepts such recommendations, we can assist with arranging or effecting the purchase or sale.

We also offer discretionary investment management. Similar in scope to the investment supervisory service with the addition of the authority granted by the client to exercise discretionary trading authority. This means that we will have the authority to purchase and sell securities of our choice in the amounts and at the times we believe is suitable for a client’s account to do so without obtaining client approval for each transaction.

We can also assist clients in the analysis of cash flows for bond issue proceeds and operating accounts, market analysis to determine the appropriate time horizon for investments, consultation on investment policies and procedures, portfolio analysis and design, and competitive solicitations for investment managers.

BTIS typically offers these services to government entities only.

We may, from time to time, engage third party assistance in interfacing with the client. Any such third party will be compensated solely from within the fees charged by us and will not be permitted in any way to participate directly or indirectly as a bidder.

The types of investments that are suitable for each client are usually defined by either a trust indenture or by state public funds law. The types of investments that our government entity clients can utilize include, but are not limited to, U.S. Treasuries, government agency and government sponsored enterprise securities (FNMA, GNMA, FHLMC, FHLB, etc.), state and municipal securities, highly rated commercial paper, AAA rated money market funds, state approved local government investment pools and bank deposit products, such as certificates of deposit and CDARS. Client may impose their own restriction on investments in certain securities or types of securities.

As of the date of this brochure, the Firm has \$191,766,550 under discretionary management and \$1,484,635,488 under non-discretionary management.

## **Fees and Compensation**

BTIS typically charges between 10 and 15 basis points annually on the average monthly cost basis balance of all assets. The fee is negotiable and fixed fees may be incorporated into the fee structure on a per engagement basis. Fees are billed quarterly on a calendar basis for the preceding period. Engagements under this fee structure may be terminated at any time and a final fee will be charged through the date of termination. Clients may be required to pay custodian fees in cases where a custodial account is established, and fees and expenses related to the portion of funds held in a money market fund. Clients may also incur brokerage and other transaction costs.

Investment management service fees may be automatically deducted from a client's account, when authorized by the client to do so, by the account custodian as soon as practicable following the end of each applicable period, as authorized by the client in the discretionary management service fee engagement. The client will receive a report from the account's custodian showing the fee amounts debited. We will liquidate money market shares to pay the fee and, if money market shares or cash value are not available, other investments will be liquidated. The client may terminate the authorization for automatic deduction of fees at any time by notifying us in writing. If requested by client, we can, in our sole discretion, invoice client directly for fees as opposed to debiting client's account. In such cases, invoices are due and payable upon receipt. BTIS may also charge an hourly consultation fee for certain services using the following schedule:

|                                |            |
|--------------------------------|------------|
| Senior Officer.....            | \$290/hour |
| Senior Professional Staff..... | \$230/hour |
| Associates.....                | \$145/hour |

Hourly fees will be quoted prior to the execution of the engagement. The fee for consulting services will be determined according to the complexity of the engagement and the areas to be addressed. A quote of the estimated time involved will be given upon signing of the engagement. Fees are paid upon completion of the project unless otherwise agreed upon between the Firm and the client. Engagements under this fee structure may be terminated by either party upon thirty (30) days' written notice. Upon termination, we will bill the client for the amount of work completed.

## **Performance-Based Fees and Side-By-Side Management**

We do not charge advisory fees based on a share of the capital gains or capital appreciation of the funds or securities in a client account (so-called performance based fees). We also do not participate in side-by-side management.

## **Types of Clients**

We provide investment supervisory services to governmental units including cities and towns, counties, utilities, schools, libraries and others. Client assets include bond proceeds and operating funds. There is not an established minimum balance to start or maintain an engagement with us.

### **Methods of Analysis, Investment Strategies, Types of Investments and Risk of Loss**

There are several important steps that we take as we formulate our investment advice for clients. First, we talk to our clients about the importance of risk and review eligible investments that might be considered for their portfolios. We make sure they agree with the types of investments to be used. BTIS' clients generally use only U.S. Treasuries, government agencies, highly rated commercial paper, highly rated municipal securities, certificates of deposit that are either with a highly rated bank or are fully insured, AAA rated money market mutual funds and state approved local government investment pools. Next, we develop an understanding of our client's cash flows for the money being invested. Whether we are assisting with the investment of operating funds or construction funds, having adequate liquidity to meet our client's expenditure requirements is very important.

Once investment types have been agreed upon and we have an understanding of expected cash flows, we then look to the yield curve to determine the best strategy. Most clients require maturities of less than two years, but may invest greater than two years but less than five years under certain conditions, so we analyze the yield curve in that range. Once we have this information, there are several buy and hold strategies that we generally recommend our clients use:

Traditional Laddered Approach: We use this approach when the yield curve is upward sloping. Here, we recommend matching securities with the expected cash flow schedule keeping in mind liquidity needs. In this approach, investments will mature in amounts greater than the cash flow estimates to reduce the need to sell a security before it matures.

Modified Laddered Approach: This approach is used when the yield curve is downward sloping or humped. In the case of a downward sloping yield curve, our approach would be to recommend investing larger maturities in the short end of the yield curve. In the case of a humped yield curve, our approach would be to recommend matching maturity amounts to cash flows for the part of the yield curve that is upward sloping, and then invest larger amounts at the top of the yield curve.

Core Balance Approach: This approach is used for clients with core operating fund balances that can be invested two years or longer. We initially recommend structuring investments to mature at regular intervals up to two years or longer. As investments mature, the proceeds are reinvested in longer term investments, with the goal of eventually having all investments effectively earning longer term interest rates, while also providing liquidity with regular maturities.

In certain circumstances we also recommend investment agreements, guaranteed investment contracts, flexible repurchase agreements and forward delivery agreements. The providers of these agreements are well capitalized financial institutions, including banks, primary dealers, credit corporations and insurance companies. The Providers (or the Provider's guarantor) that the company recommends are typically rated in the top three rating categories of S&P, Moody's or other nationally recognized rating agencies. The Providers also must qualify under the requirements of any applicable bond resolution or indenture, state statute or internal investment policy.

Investment Agreement: These are contracts with financial institutions (“Providers”). They may pay a fixed or a floating rate and have a stated maturity date. The client can access money in the account as noted in the contract and contract terms can be customized.

Guaranteed Investment Contract: The insurance industry has a product called a “Guaranteed Investment Contract” (GIC). It is similar to its “Group Annuity Contract” except it is used for non-qualified funds. A GIC has the same characteristics as an Investment Agreement as described above.

Flexible Repurchase Agreement: A Flexible Repurchase Agreement has the same characteristics as an Investment Agreement except that they are written by primary dealers, banks, or other qualifying financial institutions or corporations, and the contract provides for the purchase and sale of securities as collateral for the amount of the investment. The collateral is held by a trustee or third party on behalf of the client.

Forward Delivery Agreement: An agreement that delivers securities (typically U.S. Treasuries or Agencies) that mature on a schedule to match cash flow needs.

Interest Rate Swaps: The firm serves as an Advisor to clients on interest rate swaps. We do not act as a principal in any swap transaction.

Investment in securities involves risk of loss, which the client should be prepared to bear. The types of risk present on the securities on which we advise our clients include:

**Interest Rate Risk:** The risk that the value of an investment will change as a result of a change in market interest rates.

**Credit Risk:** The risk that an issuer will be unable to pay interest on or the principal of its debt obligations.

**Market Risk:** The risk that the value of a portfolio will decrease due to external factors, such as political, economic or social events or conditions.

**Inflation Risk:** The risk that the purchasing power of a security or its income is decreased by inflation.

**Reinvestment Risk:** The risk that an investment might be paid back earlier than expected, when there might not be a similarly attractive investment available in which to reinvest.

**Liquidity Risk:** The risk that a given security cannot be converted into cash if needed.

**Market Disruption, Health Crisis, Terrorism and Geopolitical Risk:** The risk that war, terrorism, global health crisis or other similar pandemics, and other geopolitical events may lead to increased short-term market volatility and have long-term effects on world economics and markets generally, as well as adverse effects on issuers of securities and the value of a client’s investments.

### **Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Our firm and our management personnel have no reportable disciplinary events to disclose.

### **Other Financial Industry Activities and Affiliations**

BTIS is a wholly owned subsidiary of Baker Tilly. Baker Tilly is a tax, accounting and advisory firm and an independent member of Baker Tilly International. Some management personnel and representatives of BTIS are also partners or employees in Baker Tilly. Some of these individuals may also be licensed CPAs.

BTIS may refer clients in need of accounting or tax services to Baker Tilly. If such clients become clients of Baker Tilly, services provided by Baker Tilly are provided under a separate engagement, for separately defined compensation, and are separate and distinct from our services. Baker Tilly may refer some of its clients to us, and we, in turn, may provide investment advisory services as described in Items 4 and 5 of this brochure. There are no referral fee arrangements between us and Baker Tilly for these recommendations. No client is under any obligation to use Baker Tilly for any accounting services and no accounting client is obligated to use investment advisory services of BTIS. We disclose this relationship because it presents a potential conflict of interest which clients and prospective clients should be aware of, as it may influence their decision making when evaluating our services.

BTIS professionals may also be securities registered representatives of Baker Tilly Capital, LLC ("BT Capital" or the "broker-dealer"), which is a wholly owned affiliate of Baker Tilly. BT Capital is a limited purpose broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). Registered representatives of BT Capital may provide services in investment banking, consulting, transactional services and mergers and acquisitions. Some of the investment banking services, for example include marketing of new market tax credits, negotiated incentives, financial forecasting and compliance services. BT Capital also offer private placements. It is possible that clients who will be referred to BTIS may separately be clients of BT Capital, although unlikely based on the types of clients we service. We still consider these dual relationships to create conflicts of interest which clients should be aware of. The suitability of securities recommendations and non-securities transactions is supervised and reviewed by principals of BT Capital.

Certain representatives of BTIS may also be associated with Baker Tilly Municipal Advisors, LLC ("BTMA" or the "Municipal Advisor"), which is also a wholly owned subsidiary of Baker Tilly. BTMA is a municipal advisor registered with the SEC and Municipal Securities Rulemaking Board ("MSRB"). BTMA may be providing advice to state or local governments on municipal financial products or the issuance of municipal securities that we also are providing investment advice to. This relationship presents a potential conflict of interest which clients and prospective clients should be aware of when evaluating our services.



In addition, supervisory staff of BTIS may also be registered with Baker Tilly Financial, LLC (“BT Financial”) an SEC registered investment adviser which provides investment consulting and management to high net worth individuals, trust, estates and retirement plans.

Form ADV Part 2A, Item 11

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

BTIS requires all representatives to sign a Code of Ethics to ensure they may not directly or indirectly benefit from transactions recommended in the accounts of clients and to prevent conflicts of interest. The Code of Ethics also includes a commitment to placing the interest of clients first at all times, to protect client confidentiality, to remain independent in the investment decision-making process, to ensure investment advice is suitable and to obtain best execution for clients’ securities transactions.

Our representatives are also required to disclose their personal securities holdings initially and on an annual basis, and securities transactions on a quarterly basis to the Chief Compliance Officer, who tests for any actual or potential conflict of interest.

We will provide a copy of our Code of Ethics to any client or prospective client upon request.

Form ADV Part 2A, Item 12

### **Brokerage Practices**

We focus on achieving best execution for our clients, which means seeking the best price for a security in the marketplace by using a competitive bidding process. We generally select the banks and brokers to effect client transactions. For securities with an active secondary market, such as Treasuries and Government Agencies, we attempt to receive three competitive bids. For securities with a less active secondary market, such as state and municipal securities and negotiable CDs, we may receive bids from only one or two brokers.

We have no soft dollar arrangement with any broker-dealer or bank. We may aggregate trades that require allocation when investing for more than one client, when their needs for type of security and maturity dates match. In addition to determining the highest bid for a given transaction, we also consider the range and quality of services offered by the broker, including timeliness of bids, executing capabilities, accuracy and responsiveness.

It is BTIS’ policy to ensure clients are made whole following a trade error. If we cause a trade error in a client’s account that results in a loss, the client’s account would be reimbursed. We work with the broker and custodian to resolve any trading errors that are found. BTIS is not responsible for any losses due to trade errors by the broker or custodian.

Form ADV Part 2A, Item 13

### **Review of Accounts**

Portfolio reviews may be performed quarterly, at a minimum, annually for all advisory clients by the investment advisor representative. Maturing investments are reviewed weekly for the potential for reinvestment.

Activity and Fund Balance Summaries are furnished to clients quarterly. These summaries are based upon information supplied by the trustee or depository for the funds. Clients generally receive monthly statements from the trustee or depository for their accounts. Client meetings are held at the desire of each client.

Form ADV Part 2A, Item 14

### **Payments for Client Referrals and Other Compensation**

BTIS does not pay anyone for referring clients to us. We do make available to our clients the FICA® | For Advisors cash management program sponsored by StoneCastle Cash Management, LLC (“StoneCastle”). Specifics regarding the program can be found in StoneCastle’s Form ADV Part 2A brochure. In certain circumstances, BTIS may earn a referral fee from StoneCastle if clients participate in the program. BTIS will assist clients in signing up for the program and facilitate the transfer of funds. Each client participating in the program will receive a copy of StoneCastle’s Form ADV Part 2A brochure along with a disclosure of the fee relationship with BTIS.

Form ADV Part 2A, Item 15

### **Custody**

BTIS does not take custody of client funds or securities, outside of its authority to request the deduction and payment of agreed upon management fees from client’s account. Clients are responsible for maintaining or contracting with a trustee or custodian to maintain custody of all fund assets. Such trustee and custodians provide account statements to the client. To the extent a client receives any account or other ownership statement from us, we strongly urge clients to carefully review those statements and compare them to the statements provided by their custodian. Clients should contact us directly if they believe there may be an error in their statement, or have any questions about any transactions, activity, holdings or fees deducted.

Form ADV Part 2A, Item 16

### **Investment Discretion**

When providing investment management services, BTIS may exercise discretion when granted authority to do so by the client. When doing so, it allows BTIS to select the securities to buy and sell, the amount to buy and sell, and price at which to buy and sell, without obtaining specific consent from the client for each trade. Clients should be aware that we may make different recommendations and effect different trades with respect to the same securities to different advisory clients.

**Proxy Voting and Securities Class Action Policies**

BTIS does not vote proxies on behalf of clients and does not offer consulting services regarding proxy issues or securities class actions.

**Financial Information**

There are no known financial conditions within BTIS likely to impair our ability to meet commitments to clients. Neither BTIS nor any of its management personnel have been the subject of a bankruptcy in the past ten years.

# FACTS

## WHAT DOES BAKER TILLY INVESTMENT SERVICES, LLC DO WITH YOUR PERSONAL INFORMATION?

### Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

### What?

The types of personal information we may collect and share depends on the product or service you have with us. This information can include:

- Tax Identification Number
- Securities positions
- Investment Experience
- Income
- Risk Tolerance
- Account balances

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons BAKER TILLY INVESTMENT SERVICES, LLC chooses to share; and whether you can limit this sharing.

| Reasons we can share your personal information   | Does BAKER TILLY INVESTMENT SERVICES, LLC share? | Can you limit this sharing? |
|--|--|-----------------------------|
| <b>For our everyday business purposes—</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus | YES  | NO                          |
| <b>For our marketing purposes—</b> to offer our products and services to you   | YES  | NO                          |
| <b>For joint marketing with other financial companies</b>  | NO   | WE DON'T SHARE              |
| <b>For our affiliates' everyday business purposes—</b> information about your transactions and experiences   | NO   | WE DON'T SHARE              |
| <b>For our affiliates' everyday business purposes—</b> information about your creditworthiness   | NO   | WE DON'T SHARE              |
| <b>For our affiliates' to market to you</b>  | NO   | WE DON'T SHARE              |
| <b>For non-affiliates to market to you</b>   | NO   | WE DON'T SHARE              |

### Questions?

Call 800-362-7301 or go to [www.bakertilly.com](http://www.bakertilly.com)

| Who we are   |   |
|--|---|
| Who is providing this notice?  | BAKER TILLY INVESTMENT SERVICES, LLC  |
| What we do   |   |
| How does BAKER TILLY INVESTMENT SERVICES, LLC protect my personal information?     | <p>To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.</p> <p>We restrict access to your personal information to those employees who need it to perform their job responsibilities.</p>   |
| How does BAKER TILLY INVESTMENT SERVICES, LLC collect my personal information?     | <p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> <li>■ seek investment advice</li> <li>■ enter into an agreement with Baker Tilly Investment Services, LLC</li> </ul>  |
| Why can't I limit all sharing?   | <p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> <li>■ sharing for affiliates' everyday business purposes <ul style="list-style-type: none"> <li>- information about your creditworthiness</li> </ul> </li> <li>■ affiliates from using your information to market to you</li> <li>■ sharing for non-affiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing.</p>                              |
| What happens when I limit sharing for an account I hold jointly with someone else? | <b>We will stop sharing all information about that account.</b>   |
| Definitions  |   |
| <b>Affiliates</b>  | <p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>■ <i>Our affiliates include our parent accounting firm Baker Tilly US, LLP (Baker Tilly), other subsidiaries of Baker Tilly, Baker Tilly Municipal Advisors, LLC, a registered municipal advisor, Baker Tilly Capital, LLC, a registered broker-dealer, member FINRA/SIPC and Baker Tilly Financial, LLC, a registered investment adviser.</i></li> </ul> |
| <b>Non-affiliates</b>  | <p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>■ <i>Non-affiliates with whom we can share include issuers of private placements or other financial institutions.</i></li> </ul>  |
| <b>Joint marketing</b>   | <p>A formal agreement between non-affiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> <li>■ <i>Baker Tilly Investment Services, LLC, does not joint market</i></li> </ul>   |