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ADV Part 2

Disclosure Brochure

March 30, 2023

This brochure provides information about the qualifications and business practices of Weaver C. Barksdale & Associates, Inc. d/b/a Barksdale Investment Management (“BIM”). If you have any questions about the contents of this Brochure, please contact us at (615) 665-1085. The 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.

BIM is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. Additional information about BIM also is available on the SEC’s website at www.adviserinfo.sec.gov

Material Changes

Below is the material change to our brochure since our last updates of March 30, 2021:

1. Item 4 – Updated advisory business and fixed income process narrative.
2. Item 5 – clarified valuation methodology in relation to fees and removed performance-based fee language.
3. Item 6 – remove performance-based fee language.
4. Item 11 – updated language.
5. Item 14 – Updated language for new marketing rule (November 2022).

Removed language pertaining to databases.
6. Item 15 – Removed excessive language.

Our brochure can be requested by contacting Jim Murphy, CCO at (615) 665.1085 or jmurphy@barksdaleim.com. We will provide you with a copy of this brochure at any time without charge.

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Item 4: Advisory Business

Barksdale Investment Management is an independent, employee-owned, majority women-owned Registered Investment Advisor under the Investment Advisors Act of 1940. The firm was founded in December 1984 by Weaver C. Barksdale. The firm has distinguished itself in the management of customized fixed income investment management services for institutional investors seeking specialized separate account investment strategies that conform to specific, standards, or government regulations. Barksdale has since grown to also offer equity, balanced, core plus, high yield and enhanced cash portfolio management services to clients which now include both institutions and high net worth individuals. In October 2021, Barksdale Investment Management became a WBENC-certified, Women's Business Enterprise (WBE).

As of December 31, 2022, the firm managed just over \$3.627 billion in client assets, on a discretionary basis.

We offer our investment management services on a discretionary basis to clients seeking:

Fixed Income (both taxable & tax-exempt)

Investment Grade

- **Core Aggregate**
- **Intermediate**
- **Short Duration**
- **Cash**

High Yield

Equity

Diversified Value

International Deep Value

Balanced management (a combination of fixed income and equity strategies).

For information regarding these strategies, please contact Jim Murphy at (615) 665-1085 or at JMurphy@Barksdaleim.com

Fixed Income Portfolios: The BIM fixed income portfolio management team maintains a robust investment philosophy and process. The process is a blend of top-down and sector/security-specific analysis. It is thorough and balanced, utilizing elements from fundamental, quantitative, and technical analysis to maximize returns within each client's risk tolerance. The degree to which corporate bonds and other risk assets are overweighted at any given time is dependent upon economic and market sector conditions as well as client guidelines.

Equity Portfolios are constructed generally using publicly traded U.S. companies and American depositary receipts that are generally included in the portfolio's comparable index, such as the Standard & Poor's 500 or Russell Value 1000, for example.

Our investment strategies are proprietary and based on quantitative and qualitative fundamental analysis of companies, driven by strong income and balance sheet data, as well as other portfolio management techniques. Because the stocks are selected from a group of U.S. publicly traded companies, they are well known entities and afford substantial market liquidity.

Balanced Portfolios consist of a combination of our equity and fixed income techniques with the relative commitment to each asset class being dependent on an assessment of each client's income needs and risk tolerance level.

BIM customizes portfolios to meet the specific risk tolerance and guidelines of each client's portfolio. While the same disciplined investment process is utilized to manage several individual portfolios requiring a certain style, each portfolio is constructed and managed according to the needs of the client. Portfolios are designed to meet each client's specific requirements for liquidity, credit quality, duration, etc. From time to time, an account's guidelines will change at the initiation of the client, its consultant or the portfolio manager.

Our portfolio management team employs a variety of investment styles, which will differ based on a range of factors including, but not limited to, risk profiles, benchmarks, tax considerations, liquidity needs, time horizons, durations, sector concentrations, and capitalization ranges. Our portfolio management team customizes client portfolios within the same style because of the client's specific guidelines and how the management team adapts those guidelines to market constraints at any given time. At times, the managers' decisions reflect an assessment of the suitability of the particular security for a specific client. Such decisions result in different investment returns between investment styles and among accounts managed by the same portfolio manager.

We feel our goals are aligned with those of our clients. Our only source of income is from fees charged for active portfolio management.

BIM requires all employees who render investment advice to have obtained an undergraduate degree and a master's degree in economics, finance or business and/or enrollment in the Chartered Financial Analysts ("CFA") program. The Board of Directors, at its discretion, can waive the educational requirements or CFA enrollment if a prospective employee has sufficient experience to warrant such an exception.

We do not provide investment banking or broker-dealer services.

Item 5: Fees and Compensation

We offer our services on a fee-only basis. We do not receive commissions or mark-ups or mark-downs on securities that we purchase and sell for client account(s). Fees are negotiated and stated in each client agreement.

On most accounts contracted prior to May 1, 2018, our fee is calculated based on the total market value of the assets in the client's account on the last day of the quarter (based on trade date), unless stated otherwise in the client's Advisory Agreement.

On most accounts contracted after May 1, 2018, our fee is calculated based on the average daily balance of the fair market value of the assets in the client's account as of the last business day of each calendar quarter (based on trade date),

unless stated otherwise in the client's Advisory Agreement.

The market value of the fixed income portion of client's account is determined by Bloomberg Valuation Service (BVAL). In instances where BVAL cannot provide a price or BIM has determined the price is not reflective of the market, BIM will use its valuation policy to determine the price. Equities are determined by the client's Custodian.

Fees are generally billed on a quarterly basis in arrears. If the Advisory Agreement is not in force for a full quarter, the fee for such partial quarter is prorated based on the number of calendar days of the calendar quarter the Advisory Agreement is in effect. Typically, agreements require 30 days' notice for termination.

In some cases, we receive our quarterly fee directly from the client's custodial account. In order for the client's custodian to debit the account for the amount of our quarterly fee, the client must give us authorization in writing either in the Advisory Agreement or by a separate document. We send a quarterly invoice to each client (and/or its representative) that includes the value of the client's assets, our management fee, and how the fee is calculated. Clients are advised to compare our invoice to the custodial statement and verify the calculation of the fee. In the case of a small number of clients for whom Regions Bank serves as the custodian, we charge the client a slightly higher management fee and pay the custodial fee directly to Regions Bank.

Below are our stated investment management fee schedules:

Fixed Income

Investment Grade

- 0.25 of 1% on the first \$10 million in assets
- 0.23 of 1% on the next \$15 million in assets
- Negotiable on market values in excess of \$25 million

High-Yield

- 0.5 of 1% of assets under management

Equity and Balanced

- 0.60 of 1% on the first \$10 million in assets
- 0.50 of 1% on the next \$15 million in assets
- 0.40 of 1% on the next \$25 million in assets
- 0.30 of 1% on the next \$50 million in assets

BIM generally requires a minimum market value for assets under management of \$10 million for investment grade fixed income accounts and \$1 million for high yield accounts. For equity accounts, there is a \$500,000 minimum. We, at our sole discretion, can accept clients with smaller portfolios based upon certain factors including anticipated future earning capacity, anticipated future additional assets, account composition, related accounts and pre-existing client relationships. We, at our sole discretion, can negotiate fees based on a variety of factors, such as size of account, the complexity of client guidelines and risk tolerances, servicing requirements and geographical location. Employees investing in seed accounts will not be required to pay a fee.

In addition to our fee, a client will be required to pay its custodian other charges including:

- custodial fees;
- brokerage commissions;
- mark-ups and mark-downs;
- transaction fees;
- internal fees and expenses charged by exchange traded funds (“ETFs”); and
- other fees and taxes on brokerage accounts and securities transactions.

Item 6: Performance-Based Fees & Side-by-Side Management

BIM does not charge performance-based fees.

Item 7: Types of Clients

We provide investment management services for employee benefit plans, healthcare entities, insurance companies, charitable organizations, state and local governing bodies, associations, corporations, other investor advisors and a few high net-worth individuals. We manage these portfolios in accordance with each client's objectives. BIM generally requires a minimum market value for assets under management as discussed in Item 5.

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

We offer a range of fixed income, equity and balanced investment strategies. Some investment portfolios are managed relative to a benchmark while others are managed to achieve an absolute return. These strategies are described below:

Methods of Analysis

In assessing the securities to be included in a client portfolio, BIM's primary analytical focus is on the securities' fundamentals using both quantitative and qualitative techniques. BIM relies heavily on its many proprietary research models but also utilizes outside research reports and rating services. Please refer to Item 4 for important information related to our portfolio strategies. Note: Investing in securities involves risk of loss that clients should be prepared to bear.

Investment Strategies

Our investment strategies include long-term, intermediate and/or short-term purchases based on the client's objectives and guidelines, which can be changed at any time. Clients can place reasonable restrictions on the strategies to be employed and the types of investments to be held in their accounts. It is important for the client to remember to update us with any changes in investment objectives and guidelines. Although we manage the client's assets in a manner consistent with the client's risk tolerance, there can be no guarantee that our efforts will be successful. Clients should be prepared to bear the risk of loss.

Risk of Loss

All investment strategies involve the risk of loss and there is no guarantee that any investment strategy will meet its objective. Depending on the type of strategy the client is invested in, the client can face the following risks:

- **Business Risk:** Risk associated with economic, industry and financial circumstances that could affect the price of a company's securities.
- **Call Risk:** The cash flow risk resulting from the possibility that a callable bond will be redeemed before maturity. A bond that is called by an issuer must be redeemed by the bondholder, usually so that the issuer can issue new bonds at a lower interest rate. This forces the investor to reinvest the principal sooner than expected, possibly at a lower interest rate.
- **Credit Risk:** Risk resulting in loss of principal or loss of interest payments or dividends stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. Credit risk arises whenever a borrower is expecting to use future cash flows to pay a current debt. Investors are compensated for assuming credit risk through interest payments from the issuer of a debt obligation.
- **Default Risk:** The risk that a bond issuer will default by failing to repay principal and interest in a timely manner. Bonds issued by the U.S. government or a U.S. government agency historically have not defaulted, although there can be no guarantee that a default will not occur in the future. Bonds issued by corporations are more likely to default than bonds issued by the federal government or a municipal issuer because of insufficient cash flow to make interest and principal payments or the potential for

insolvency. Municipalities occasionally default, although historically, this has been an infrequent occurrence.

- **Diversification Risk:** Concentrating investments in one or a few industries or sectors can involve more risk than more diversified investments, including the potential for greater volatility. Selecting diverse investments with different rates of return could offset losses in one area with gains in another.
- **Economic Risk:** In financing a project, the risk that the project's output will not generate sufficient revenues to cover operating costs and to repay debt obligations.
- **Financial Risk:** Excessive borrowing to finance business operations puts a company's profitability at risk because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations can result in default, bankruptcy and/or a declining market value.
- **Fixed Income Risks:** Portfolios that invest in fixed income securities are subject to several general risks, including interest rate risks, default risks, credit risks and market risks, which could reduce the yield that an investor receives from his or her portfolio. These risks can occur from fluctuations in interest rates, a change to an issuer's individual condition or industry, or events in financial markets.

- **High-Yield Fixed-Income Securities**

Risk: Investments in high-yield rated bonds involve higher risk than investment grade bonds because of higher volatility and a greater risk of default. Adverse conditions can affect the issuer's ability to make timely interest and principal payments on these securities.

- **Inflation Risk:** When any type of inflation is present, a dollar next year will not buy as much as a dollar today because purchasing power is eroding at the rate of inflation.

- **Interest-Rate Risk:** Interest rate risk affects the value of bonds more directly than that of stocks. As interest rates rise, bond prices fall, and, when interest rates decrease, bond prices rise. Similarly, as interest rates fluctuate, stocks can become a more or less attractive alternative relative to bonds.

- **Investment Risk:** Investment Risk is the probability that an actual return on an investment will be lower than the investor's expectations. All investments have some level of risk associated with them due to the unpredictability of the market's direction.

- **Liquidity Risk:** When consistent with a client's investment objectives, guidelines, restrictions and risk tolerances, we can invest a portion of a client's portfolio in illiquid securities, subject to applicable investment standards. Investing in an illiquid, or difficult to trade, security could restrict our ability to dispose of an investment in a timely fashion, if at all, or at an advantageous price, which can

limit the ability to take full advantage of market opportunities.

- **Market Risk:** The price of a security can drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions can trigger adverse market events.
- **Principal Risk:** The risk of losing the amount invested due to bankruptcy or default. There is always the possibility that, through some set of circumstances, the principal amount of money invested will lose value or be lost completely. In such case, principal is lost in addition to a share of future profits.
- **Reinvestment Risk:** The risk that future proceeds from investments can be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Small/Mid-Cap Risk:** Stocks of small (market capitalization of between \$300 million and \$2 billion) or mid-cap (market capitalization of between \$2 and \$10 billion) companies can have less liquidity than those of larger (market capitalization greater than \$10 billion), established companies and could be subject to greater price volatility and risk than the overall stock market.

Item 9: Disciplinary Information

We are required to disclose all material facts regarding 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. We have no reportable disciplinary events to disclose.

Item 10: Other Financial Industry Activities and Affiliations

BIM is exclusively an investor advisor and provides investment management services to clients on an advisory or sub advisory basis.

Item 11: Code of Ethics; Participation or Interest in Client Transactions and Personal Trading

The Code of Ethics sets forth the professional behavior which must be followed by all BIM employees (access persons), including BIM's senior management. Our Code focuses primarily on fiduciary duty, conflicts of interest, insider trading, personal securities transactions along with their reporting, gifts and entertainment, political contributions, charitable donations, confidentiality and outside business interests.

All BIM employees must comply with and affirm their understanding of the terms of our Code of Ethics, in writing, upon employment and at least annually.

A copy of BIM's Code of Ethics is available upon request.

Fiduciary Duty

The Code includes our policies and procedures in connection with our fiduciary obligations to our clients and requires that we:

- Act in a professional and ethical manner at all times;
- Act for the benefit of clients;
- Act with independence and objectivity;
- Act with skill, competence and diligence;
- Communicate with clients in a timely and accurate manner; and
- Uphold the applicable rules governing capital markets.

Conflicts of Interest

Fiduciary responsibility by an adviser includes, but is not limited to, the duty to disclose material facts that might influence an investor's decision to purchase or refrain from purchasing a security recommended by the adviser or from engaging the adviser to manage the client's investments. An investment adviser should not engage in fraudulent, deceptive, or manipulative conduct, which includes an obligation to disclose material facts to clients whenever the failure to disclose such facts might cause financial harm. An adviser's duty to disclose material facts is particularly important whenever the advice provided to clients involves a conflict or potential conflict of interest between the employees of the adviser and its clients. We are aware that there could be conflicts of interest when our employees engage in business activities away from the firm. We require our employees to disclose any possible conflicts of interest and, in addition, we monitor and assess for any possible conflicts.

Insider Trading

Our Code of Ethics mandates that BIM be in total compliance with The Insider Trading and Securities Fraud Enforcement Act of 1988. To accomplish this mandate, BIM has adopted a firm wide policy statement outlining insider trading compliance for BIM and its employees. Our policy prohibiting insider trading is distributed at the point of hire and annually thereafter, and is signed and dated by each BIM associated person.

Personal Securities Transactions

Our employees can engage in personal securities transactions as long as they report all personal trades for themselves and their household each quarter. Our Chief Compliance Officer tests these trades against client trades to make certain that employees do not receive a better price than clients and for compliance with our insider trading policy.

Personal securities transactions could raise potential conflicts of interest when such trades involve a security that is (1) owned by a client or (2) considered for purchase or sale for a client. Employees who wish to purchase or sell securities of the types purchased or sold for clients can do so as long as the trades are reported, do not violate the firm's blackout period policy or the account is managed by BIM and executed in a block trade with other clients with all getting the same price.

Gifts and Entertainment

A conflict of interest occurs when an employee's personal interest interferes with

his/her responsibilities to the firm and our clients. It is our firm's policy that an employee should not offer or accept inappropriate gifts, favors, entertainment, special accommodations, or other things of material value that could influence their decision-making or make them feel beholden to a person or firm.

Political Contributions

Several employees of BIM are involved in cultural, civic, philanthropic, and political activities. Historically both BIM and its covered associates have made contributions to political campaigns and political parties and it is expected that such contributions will continue in the future. Therefore, the Firm has adopted a *de minimis* contribution policy pursuant to the exceptions outlined under Rule 206(4)-5(b) of the Advisers Act, which policy permits covered associates of BIM to contribute \$350 per election to a candidate or an official for whom the covered associate is entitled to vote, and \$150 per election to a candidate or an official for whom the covered associate is not entitled to vote. In order to make a contribution over the *de minimis* amount, a covered associate can request the prior approval of the firm by submitting a request form to the CCO. The CCO will review and evaluate each contribution request to determine whether the contribution can be made. Under our policy, covered associates are required to report all contributions on a quarterly basis. Please contact us directly for more information about our political contributions policy.

Charitable Contributions

From time to time, BIM donates to charitable organizations that are clients, supported by clients, and/or supported by an individual employed by one of our clients. In general, these donations are made in response to requests from clients or their personnel and are approved by our senior staff members.

Item 12: Brokerage Practices

We have discretionary authority to (a) buy, sell, exchange, convert or otherwise trade in any approved securities and (b) place orders for the execution of such securities transactions with or through such brokers-dealers that we select, subject to the terms of the client's advisory agreement, stated guidelines and objectives (investment policy statement) and directives.

Research and Other Soft Dollars Benefits

BIM does not have any soft dollar arrangements. We do not use client mark-ups or mark-downs to obtain fixed income research or other services, nor do we cause the clients to pay higher commissions or mark-ups or mark-downs than those charged by other broker-dealers in return for brokerage commissions from transactions for client accounts.

Broker-dealers that execute client trades on our client's behalf generally provide research products and services to us. These products and services are unsolicited and are commonly referred to as "incidental benefits" which are received merely from utilizing the services of the broker-dealer.

. Brokerage for Client Referrals

Neither BIM nor any of its employees recommend brokers or dealers in return for client referrals.

Directed Brokerage

Clients can direct us, in writing, to use a specific broker-dealer to execute some or all transactions for their account. If the client does so, we can no longer claim best execution on their behalf, so the client should consider the following information before making that request:

- there will be limited or no ability to negotiate commissions for the client;
- we will be unable to negotiate volume discounts;
- there will be disparity in commissions among clients;
- there will be an inability to obtain any of the benefits of block trades that we enter into for clients who have not directed us to use a particular broker-dealer; and
- the brokerage commissions and transaction fees charged by broker-dealers are exclusive of, and in addition to, our management fee.

Best Execution

As a fiduciary and money manager, we have an obligation to obtain best execution for client transactions based on the circumstances of each particular transaction. We consider the full range and quality of a broker-dealer's service in placing orders with brokerages including, among other things:

- execution capability;
- existing relationships;
- financial strength;
- reputation;
- pricing;
- reporting capabilities; and
- responsiveness to us as the money manager.

The determining factor is not solely the lowest possible commission cost, but whether the transaction represents the best qualitative execution for the managed account.

Custodians

As we do not provide custodial services, our clients are required to select their own custodian. However, if a client requests us to suggest a broker-dealer or a bank as a custodian, we will give the client a list of broker-dealers and banks for them to choose from with whom we have prior operational experience. We are independently owned and operated and are not affiliated with any broker-dealers or banks.

As previously mentioned, some custodians make available to us research, products and services that can benefit us but and have an indirect benefit to our clients. These products and services assist us in managing and administering client accounts and include software and other technology that:

- provides access to client account data such as:
 - duplicate trade confirmations; and
 - access to an electronic communication network for client

order entry and account information;

- facilitates trade execution including:
 - access to a trading desk serving advisory participants exclusively; and
 - access to block trading, which provides the ability to aggregate trades for multiple accounts and allocate the appropriate number of shares to each individual account;
- provides research, pricing information and other market data;
- facilitates payment of our fees from the client's accounts;'
- assists with back-office functions, record keeping and client reporting; and;

Many of the services described above can be used to benefit all or a substantial number of our client accounts, including client accounts not maintained at a particular custodian. We do not allocate these benefits to specific clients.

Aggregation

We engage in block trading, a circumstance when securities are purchased or sold through the same broker-dealer for multiple discretionary accounts. However, some trades are "stepped out" to meet client-directed brokerage instructions.

In a step-out trade, a brokerage firm executes an entire order and then gives other firms a credit, or commission, for a specified piece of the trade. An example of a step-out trade is an order

to a brokerage firm to purchase or sell 500,000 shares which could be stepped out to three other brokerage firms in blocks. For example, Firm A receives a block of 100,000 shares, Firm B receives a block of 250,000 shares, and Firm C receives a block of 150,000 shares, and all could receive the same per share commission.

The portfolio manager for each account must reasonably believe that the block trade is consistent with our duty to seek best execution and is in the best interest of those clients participating in the aggregated order.

Fixed income trades are executed in a manner to meet the characteristics of the specific client's portfolio. Trades for separate accounts will be aggregated into a single order when favorable to the clients. Occasionally, in order to achieve best execution, the same security may be traded separately in different accounts.

For **Equity trades**, the average price per share of each block trade is allocated to each account that participates in the block trade. Accounts that participate in the same block trade are charged the same commission rate, if applicable.

If a block trade cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day are allocated in a manner that is consistent with the initial pre-allocation. We strive to do this in a way that does not consistently advantage or disadvantage particular client accounts. For example, partial fills generally are filled pro rata among participating accounts. Prior to entry of a block trade, a written pre-

allocation is generated, which identifies the group of client accounts participating in the order.

Changes in allocation prior to final allocation can be made for good cause provided that all client accounts receive fair and equitable treatment. An explanation of the reason for any material change in the allocation will be documented by the Portfolio Manager.

We are not obligated to include any client account in an aggregated trade. Transactions for a client's account will not be aggregated for execution if inconsistent with that client's guidelines. We strive to ensure that no client is favored over any other client. Advisory accounts of our employees can participate in block trades. They receive the same average price for all transactions that day and pay commissions and other transaction costs, if applicable, in accordance with their Advisory Agreement.

Some employees of BIM are also clients of the firm. Generally, securities are bought and sold for employees' accounts at the same time and at the same price as other clients' accounts. However, since various broker-dealers will be used to execute such transactions, the same prices may not be possible to achieve. In no case will an employee's account receive a better price than a client account.

Agency Transactions between Advisory Clients

BIM does not affect any principal or agency cross securities transactions for Client accounts.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory Client. An agency cross transaction is defined as a transaction where an investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both an advisory Client and for another person on the other side of the transaction. Should we decide in the future to effect principal trades or agency cross-trades in Client accounts, we will comply with the provisions of Rule 206(3) of the Advisers Act and update our ADV Part 2, accordingly.

BIM will, however, engage in internal cross transactions on behalf of clients' accounts. An internal cross transaction occurs when BIM causes a security to be traded between two BIM clients where it believes that such a transaction would be in the best interest of both clients involved. BIM will only perform such transactions where the purchase and sale of the same security at the same time by different clients helps to achieve more favorable terms to each client than placing separate transactions in the marketplace. The firm has adopted policies and procedures governing this activity, which includes, among other things, that neither BIM nor its investment adviser representatives will receive a commission or other compensation for this type of transaction. Moreover, we disclose to clients in the Advisory Agreement that we engage in cross trades. If the client is an ERISA account with under \$100 million in plan

assets, we effect cross transactions in conformity with the Department of Labor's requirements.

Item 13: Review of Accounts

All accounts are monitored on an ongoing basis and reviewed at intervals as agreed to with the client (and/or their designee) not less than annually. The reviews focus primarily on consistency of portfolio investments with objectives, benchmarks and risk tolerances. On an ongoing basis, performance is reviewed to monitor consistency with the benchmark that has either been provided by the client or agreed to by the client. Account reviews can also be triggered by changes in general economic and market conditions or by a change of investment guidelines. Performance is verified by an independent performance verification service.

In addition to the monthly and/or quarterly statements provided by BIM, clients (and/or their designees) generally also receive statements from the respective custodian. Custodian account statements are generated no less than quarterly and are sent directly from the account custodian. The account statement lists the account positions, the security cost basis, activity in the account over the covered period, and other related information, including all contributions and withdrawals from the account and current market value.

Our clients (and/or their designee) can also receive performance analysis reports prepared by us, which display the time weighted rates of return (a measure of the compound rate of

growth which eliminates the distorting effects created by inflows and outflows of money through a portfolio) realized in the client's account.

Our client reports also generally consist of: (1) a list of client holdings by asset class that includes the purchase date, name of security, number of shares, purchase price per share, current price per share, current market value and realized gain/loss; (2) the account performance; and (3) the total market value of the account(s). These reports are provided upon client request and for "in person" client meetings.

Clients are urged to compare the statements received from BIM to those received from the account custodian.

The **Portfolio Management Staff** consistently conducts the following reviews of client accounts: portfolio composition for conformity to regulatory, firm, and client guidelines, asset allocation and performance reviews.

Item 14: Client Referrals and Other Compensation

We rely primarily on the marketing activities of our employees to solicit new business. However, we have entered into written compensation agreements with certain unaffiliated marketers.

Third Party Cash Promoters

We have entered into agreements with individuals and organizations that refer clients to BIM ("promoters"). All such agreements will be in writing and comply with the requirements

of Rule 206(4)-1 of the Advisers Act. If a client is introduced to BIM by a promoter, BIM pays that promoter a fee in accordance with the requirements of Rule 206(4)-1 of the Advisers Act and any corresponding state securities law requirements. While the specific terms of each agreement differ, generally the compensation will be based upon BIM's engagement of new clients and the retention of those clients and is calculated using a varying percentage of the fees paid to BIM by such clients. Any such fee shall be paid solely from BIM's management fees and shall not result in any additional charge to the client.

Each prospective client who is referred to BIM under such an arrangement will receive a copy of our Form ADV Part 2 and a separate written disclosure document disclosing the nature of the relationship between the promoter and BIM and the amount of compensation that will be paid by BIM to the promoter.

Consultants

Many of our clients and prospective clients retain investment consultants to advise them on the selection and review of investment managers. We provide information concerning our investment strategies to consultants who use that information in connection with the searches they conduct for their clients. On occasion we respond to a request for proposal in connection with those searches. In addition, from time to time, consultants request information from us or provide direction to us concerning the accounts we manage for our mutual clients. We will cooperate with such

consultants only with prior written approval of the client.

We do not compensate any consultant for making such introductions but we can have other interactions with them that could include the following:

- We pay for the opportunity to participate, along with other investment managers, in conferences or other organized events arranged by consultants. These events provide us with the opportunity to discuss a broad variety of business topics with consultants, clients and prospective clients.
- We do invite consultants to events or other entertainment hosted by our firm.

Item 15: Custody

We do not maintain custody of client assets except in the event that the management fee is paid directly to us from the custodial account. As discussed in Item 5: Fees, the client's custodian debit the account for the amount of BIM's advisory fee only if the client has provided authorization to us to do so in writing. Our clients receive, at a minimum, quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains the investment assets. We urge clients to carefully review these statements and compare them to the account statements that we provide, as described in Item 13. Clients should verify that the transactions in both statements agree and are consistent with their investment goals and objectives. Should there

be a conflict between custodial statements and reports by BIM, the custodial statement is the official statement. If you have any questions about your transactions, please contact us.

Item 16: Investment Discretion

BIM offers advisory services on a discretionary basis. Discretion is exercised in a manner that is consistent with the stated investment objectives for the account. We only exercise discretion in accounts where we have been authorized to do so, in writing, by the client. Such authorization is typically included in the Advisory Agreement. Advance approval from clients to determine the type and amount of securities to be purchased and sold for their accounts is not required for BIM. We are authorized to, without prior consent, choose broker-dealers to be used (unless instructed otherwise by the clients in writing), negotiate brokerage commissions, and withdraw funds from accounts solely for the purpose of debiting our advisory fee, pursuant to the client's Advisory Agreement and as discussed in Items 5 and 15 herein.

Item 17: Voting Client Securities

BIM generally does not take any action or give any advice with respect to voting of proxies solicited by or with respect to the issuers of securities in which client assets are invested. If a client requests such service in writing, we can expressly agree in writing to make an exception. In these cases, BIM engages a third-party administrator to facilitate the proxy voting process. This administrator is retained to conduct proxy research, analyze each proxy proposal, and execute the proxy vote. They

keep various records for tracking proxy voting materials and proxy voting actions taken for the client account.

If you would like a copy of our Proxy Voting Policy, please contact us.

In addition, we do not take any action or give any advice with respect to any securities held in any accounts that are named in or subject to class action lawsuits. We do, however, forward to the client (or their custodian) any information received by us regarding class action legal matters involving any security held in the client's account. We do take action on tender offers and consents agreements with respect to client securities.

Item 18: Financial Information

We are required to provide clients with certain financial information or disclosures about our financial condition because we have discretionary authority over our clients' accounts. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to the clients. We have not been the subject of a bankruptcy proceeding.