



# BAYHILL ADVISORS

Clear Financial Advice

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## **FORM ADV PART II BROCHURE**

This brochure provides information about the qualifications and business practices of Bayhill Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 530.302.1058 or [contact@bayhilladvisors.com](mailto:contact@bayhilladvisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Bayhill Advisors, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The IARD/CRD number for Bayhill Advisors, Inc. is 127419.

Bayhill Advisors, Inc. is a Registered Investment Advisor with the State of California

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## **MATERIAL CHANGES**

This brochure was prepared in connection with an annual update. There have been no material change in the operation of Bayhill Advisors, Inc. (hereafter referred to as Bayhill) or its investment policies during the prior year and thus there are no material changes in the information provided in this brochure.

## **ADVISORY BUSINESS**

Bayhill Advisors, Inc. (Bayhill) has been a Registered Investment Advisor in the State of California since 2000. The principal owners of the firm are Michael Savas Tumer and Edith Ann Tumer.

Bayhill provides two primary financial advisory services: (1) Financial Planning, and (2) Investment Management Services. Each of these services may be engaged separately, as unique services, or they may be integrated in such a way that our investment management services follow a financial planning process. We provide financial advice to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or other businesses, educational and governmental entities.

### **Financial Planning Services**

Bayhill provides comprehensive financial planning services for a fee. Please see below under “Financial Planning Fees”. We specialize in providing advice to business owners, professionals and corporate executives; and worksite financial planning. We also serve a number of retired Clients. Our investment management services, as described below, are part of the implementation process that occurs once the initial planning has been accomplished. Use of our investment management services is not required of those who wish to use our financial planning services, and vice versa, although we believe Clients who use both benefit the best.

Our comprehensive planning process involves some or all of the following areas:

- Clarify the Client’s present circumstances by collecting and assessing all relevant personal and financial data.
- Identify the Client’s financial goals, challenges, concerns and planning assumptions.
- Analyze alternative solutions.
- Provide customized and specific recommendations regarding any of the following, where applicable:

- (a) Saving for and living in retirement
- (b) Investment strategies

- (c) Estate planning
- (d) Tax planning
- (e) Educational planning and funding strategies
- (f) Stock option analysis and planning
- (g) Risk management: Life, Disability, Health and Long-Term-Care Insurance
- (h) Family savings and cash flow planning
- (i) Charitable gifting and private foundation establishment
- (j) Business succession planning
- (k) Employee retirement plan design and establishment
- (l) Other applicable issues

The gathering of information, the review of alternatives and plan development are all done in close relationship with the Client in a series of meetings. Proper financial planning is a continuing process. Circumstances, goals and opportunities change over time. All plans need to be adjusted and updated to reflect these changes or they become outdated and lose their meaning and usefulness.

- As the planning process is proceeding, we assist with the implementation of the plan, as requested and required by the Client.
- We follow up, monitor and make all necessary changes to the Client's financial plan over time.

Clients can stop the planning process at any point and the planning relationship will be considered terminated. Although, we prefer long-term, on-going relationships with our Clients, the delivery of our services are driven by the Client.

Clients receive their copy of all written documents developed and discussed during the planning process. Planning documents are reviewed and updated as we progress in our planning process and relationship. We make ample use of face-to-face communication and Email as well as other forms of electronic and written communication with our Clients.

Our financial planning service is a service separate from our investment management services. Clients have full discretion and control as to the extent to which, if at all, they choose to implement the recommendations discussed in the financial planning phase. There are no requirements to use Bayhill for investment services.

Specific investment recommendations are considered part of the implementation phase of our relationship with the Client. Preparation of income tax, gift or estate tax returns, preparation of any legal documents such as wills or trusts constitute legal or tax advice and are not provided by Bayhill.

Once an initial plan is completed, the Client has several options with regards to ongoing financial planning services:

- Client may feel that the questions which initially required the service have been adequately addressed and that there is no need for further involvement with Bayhill;
- Client may wish to have access to Bayhill's ongoing services so regular or periodic consultations occur to review and monitor changes in Client's financial situation, or
- Client may wish to wait to initiate contact with Bayhill as new questions arise.

Bayhill may hold seminars to inform and educate Clients and prospective Clients in various aspects of financial planning and investment management. Bayhill may charge an admission fee to some of these seminars to recoup part or all of the costs associated with advertising and holding of the seminars. Fees, if any, will be clearly indicated on any advertisement utilized to attract attendants to seminars.

### **Employer Sponsored Retirement Plans and Workplace Communications**

For pensions, profit sharing, 401(k), 403(b) and 457 plan Clients wherein there are individual accounts with participants exercising control over assets in their own account ("self-directed plans"), Bayhill also provides quarterly or as-needed educational support and investment education workshops designed for the plan participants. The nature of the topics to be covered will be determined by Bayhill and the employer Client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will not provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

### **Investment Management Services**

Bayhill Advisors provides investment management services on a fee basis. When managing Client portfolios, we will take under consideration Client's financial situation, which includes employment status, cash reserves, retirement account values, current age, anticipated retirement age, other sources of income as well as their personal tolerance for risk and volatility. When the Client is an entity, appropriate entity-wide issues and rules will be the basis for asset management. With this information, we will assist the Client with developing an appropriate investment strategy. We will monitor Client portfolios, regularly report portfolio performance and make necessary adjustments over time and changing economic and market conditions.

Bayhill offers advice on exchange-listed securities, securities traded over-the-counter, foreign

securities, mutual fund shares, exchange traded funds (ETFs), hedge funds, venture capital opportunities, derivative debt and equity securities, private and public REITs, United States government securities, municipal securities, corporate debt securities, commercial paper, certificates of deposit, warrants, options and futures contracts, interests in partnerships investing in real estate, oil and gas interests and mortgages. Bayhill may also offer advice on other types of investments such as business opportunities. Separate accounts, in which individual stocks or bonds are chosen may also be utilized to help build a portfolio of investments for some Clients.

As a result of employee benefit perquisites arising from their position as an owner or executive of the company, some Clients may own, be granted or may consider purchasing options in the shares of their company. Bayhill offers advice about such investment decisions, as well as about the sale or liquidation thereof.

The investment selection offered to Clients may be limited by the knowledge and experience of the personnel of Bayhill and/or the resources available to it as a result of its relationship with Custodians and other providers in the broader financial industry. In addition, as a result of these resources, certain investments may be available to Clients of Bayhill that might not be available to members of the public at large. Bayhill believes that the breadth of choices available under these restrictions is sufficiently wide so as to effectively make available the full range of investment options that might conceivably be important for all but the rarest Client.

As of January 1, 2011, Bayhill Advisors, Inc. managed approximately \$16,000,000 on a discretionary basis and \$250,000 on a non-discretionary basis.

## FEES AND COMPENSATION

Bayhill is compensated by hourly or fixed fees charged for financial planning and consulting services we provide similar to other professionals such as attorneys, accountants and medical doctors. We are compensated by fees based on assets-under-management for our investment management services.

### Financial Planning Fees

At the Client's discretion and based on the nature and scope of the planning work to be performed, the Client may pay for the planning services provided by Bayhill in one of three ways:

- **Hourly Fees:** This approach is typically recommended for short term consulting requests or more limited financial planning and analysis.

Hourly Clients are expected to provide payment at the completion of each key planning task. Hourly rates are not negotiable, although, Bayhill may agree to limit the number of hours dedicated to a particular task at the request of the Client.

The current hourly rates charged Clients are:

Senior Advisors	\$150 to \$200 per hour
Assistant Planners	\$100 per hour
Clerical	\$ 60 per hour

- **Project Fees:** These are fixed at the beginning of the engagement and are based on an estimate of the time required to complete the work. This approach is appropriate for both basic and complex planning cases. For project-based financial planning services, an initial retainer of ½ of the agreed on project cost is payable in advance. The initial deposit compensates Bayhill for administrative time utilized in the initial phase of the planning activity. Progress billings for the balance of the agreed upon fee will be presented at appropriate stages in the planning process as work progresses. The fee amount may be negotiated, but will generally result in an adjustment in the number of hours expended by Bayhill personnel on the project.
- **Annual Retainer Fees:** These are established at the beginning of the relationship based upon the scope of work to be performed and the nature of ongoing consulting desired and can be updated annually. This approach is recommended when the nature of the planning work is complex and the Client has multiple financial concerns requiring regular advice and guidance. Retainer fees are billed quarterly and are due within 30 days of billing date.

If, for any reason, the Client wishes to terminate a financial planning engagement in the first five (5) business days after entering into an Advisory Agreement, the Client will be entitled to a full refund of any fees paid to Bayhill under that Agreement. Thereafter, the Client may terminate the Agreement at any time but will be liable for the financial planning fees incurred to that day based on the standard hourly rates previously noted. To ensure clear communication, a termination notice must be issued in writing and is effective upon receipt by Bayhill.

### **Investment Management Fees**

Bayhill provides investment management services on a fee basis. To serve the variety of needs of its many different investment management Clients, Bayhill utilizes multiple fee structures. The specific services and compensation arrangement appropriate to each Client, as well as necessary disclosures, are documented clearly in an Advisory Agreement signed by the Client prior to service being rendered. Client's Advisory Agreement will reflect the fee schedule in effect at the time it was executed and may differ from the current fee schedules described

below. Fees may be negotiable where special circumstances, such as company pension plans or extremely conservative investment portfolios are involved.

Bayhill's investment management fees are based upon total assets under management and are according the following "maximum" annual fee schedule:

- 1.10% per annum for the first \$1.0 million of assets under management
- 1.00% per annum for assets of over \$1.0 million up to \$3.0 million
- 0.80% per annum for assets of over \$3.0 million up to \$10.0 million
- 0.50% per annum for assets over \$10.0 million

Clients Accounts are held at third-party, independent custodians such as TD Ameritrade Institutional. Depending on the custodian, fees are billed either quarterly or monthly in arrears. Fees are calculated by multiplying one fourth (1/4<sup>th</sup>) or one twelfth (1/12<sup>th</sup>) of the indicated annual fee by the total dollar amount of assets under management at the market close on the last business day of the immediately completed calendar quarter or month. The management fee for the first quarter or month will be pro-rated for Accounts that are placed under management after the beginning of the quarter or the month. Daily prices may not be available for certain assets, such as some annuities, or assets that are not held at our recommended custodian(s). In such cases, valuations made available based on a different term than a calendar quarter or month will be used. Advisory Agreement provides for the Client's Account to be billed automatically for management fees, in accordance with the fee schedule.

The Client may terminate the Advisory Agreement in writing within five (5) business days after signing of the agreement without any penalty. Any fees paid in advance will be returned to the Client within a reasonable time period not exceeding 30 days. Either party may terminate the Advisory Agreement, at will, upon written notice and termination will become effective upon receipt of such notice. Bayhill is entitled to a pro-rata payment of fees incurred based upon the number of days remaining in the quarter or the month for investment management services already provided.

Bayhill's advisory fees do not generally include specific fees charged by custodians or certain investments such as mutual funds. Custodians may charge commissions for trading, account fees, transaction fees or other related fees. Mutual funds charge various management, transfer and early redemption fees. These fees and expenses are described in each fund's prospectus. A Client could invest in most mutual funds directly, without the services of Bayhill.

Principals and associated persons of Bayhill are licensed as insurance agents and as such recommend and market various risk management programs such as life, health, disability and long-term-care insurance and annuities. They are compensated with commissions by the corresponding insurance companies on sale of such insurance company plans.

### **PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Bayhill does not charge any type of performance fees and does not perform side-by-side management where investment managers act as portfolio managers both to mutual funds and hedge funds each with its own unique fee structure.

### **TYPES OF CLIENTS**

Bayhill provides services to individuals, trusts, estates, and retirement plans participants of companies, school districts, nonprofits and governmental entities.

Largely because we design and establish entity retirement plans, Bayhill does not impose a minimum account requirement for opening and maintaining Client Accounts.

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Bayhill principally conducts fundamental research to select the securities it purchases and to monitor the performance of them. The research typically includes various quantitative analyses as well as qualitative assessment of pertinent information. The analyses generally involve financial strength, growth history, liquidity, quality of management, risk management, leadership in particular industry and expectations of future growth. To a much lesser extent, we also utilize technical market data and charting methods to determine cyclical timing factors.

Bayhill relies on a broad range of sources of information to conduct those analyses. Our main source of information are print and online financial publications, research materials conducted by third-party, independent providers, annual reports, prospectuses, filings with the Securities and Exchange Commission, inspection of corporate activities, company press releases and information provided by corporate rating services.

Regardless of the depth and intensity of research, investing in securities involves a good degree of risk and loss of principal. We caution all our Clients to various risks associated with investing. We attempt to identify our Clients' tolerance for such risk by utilizing an Investment Questionnaire during the initial process of obtaining Client information prior to opening an Account.

### **DISCIPLINARY INFORMATION**

Neither Bayhill nor any executive officer or management person of it has been subject to any legal or disciplinary events related to the business of the company.

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Neither Bayhill nor any executive officer or management person of it is engaged in any other financial industry activities or is registered (or has an application pending to register) as a broker-dealer or a registered representative of a broker-dealer, a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of any of the foregoing.

Bayhill does not have any relationship or arrangement that is material to its advisory business or to its Clients in connection with services provided by the company with any of the following:

- Broker-dealer, municipal securities dealer, or government securities dealer or broker. Such broker-dealers may act in the capacity of a Custodian to our Clients;
- Investment company or other pooled investment vehicle, including a mutual fund, closed-end investment company, unit investment trust, private investment company or hedge fund, and offshore fund;
- Other investment adviser or financial planner;
- Futures commission merchant, commodity pool operator, or commodity trading advisor;
- Banking or thrift institution;
- Accountant or accounting firm, lawyer or law firm other than for professional services to Bayhill and/or its employees;
- Pension consultant, real estate broker or dealer or sponsor or syndicator of limited partnerships.

Bayhill is not but the principals and associated persons of Bayhill are licensed as insurance agents and are in the business of marketing, for sales commissions, risk management programs such as life, disability, health or long-term-care insurance plans, and annuities (except for variable annuities). Accordingly, a conflict exists between our Clients and the interests of Bayhill. Our Clients are under no obligation to act upon any of our recommendations; and if they do, they are under no obligation to affect insurance transactions through Bayhill.

Bayhill does not recommend or select other investment advisers for its Clients.

### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Bayhill requires that all professional personnel adhere to the code of ethics contained in the Certified Financial Analyst (CFA) Institute Code of Ethics and Standards of Professional Conduct and Certified Financial Planner (CFP) Board of Standards Code of Ethics and Professional

Responsibility. We will provide copies of either or both Code of Ethics to any Client or prospective Client upon request.

When the purchase or sale of a security is under active consideration for a Client Account, no officer, director, control person or employee of Bayhill (the “covered persons”) is permitted to purchase or sell such security within at least five days before or after any executed trade has taken place for a Client Account in that security with the following exceptions:

- in certain situations such as tender offers, involuntary conversions, etc. in which all sales must be made at the same time and price;
- when the dollar amount of the purchase or sale by the covered person is immaterial and constitutes a *de minimis* percent of the average trading volume of the security.

In situations, when Bayhill buys or sells securities at the same time it does for its Clients, Bayhill, without exceptions, does not receive better price than its Clients. Bayhill does not recommend securities held by it to Clients or prospects to encourage purchasing and selling of such securities. Bayhill does not act as principal and buy securities from and sell securities to Clients.

### **BROKERAGE PRACTICES**

Bayhill selects Custodians to hold Client assets in safe keeping based on their ability to execute, clear, settle and report transactions efficiently and accurately, deliver satisfactory monthly, quarterly and annual statements provide proper year-end tax reporting documents and provide custodian services to Clients at competitive prices.

Bayhill also places a high value on Custodians that provide services that facilitate electronic on-line trading and reporting, on-line account access to Clients and additional expected and customary services such as convenient ACH and wire transfers for the benefit of Clients.

Neither Bayhill nor any related person receives any research or other soft-dollar benefits from any Custodian in order to induce Bayhill to do business with that Custodian. Bayhill does not receive any Client referrals from any Custodian. Bayhill routinely recommends, but does not require, Custodians to Clients based on the qualifications of those Custodians indicated above but does not receive any compensation or other benefit from them.

### **REVIEW OF ACCOUNTS**

For financial planning services, the Client will be offered quarterly and annual reviews and consultation. Such review will contain some or all of the following:

- review of financial goals previously established;
- making necessary changes to current and future goals;
- determining amounts and time frames for goal completion;
- review of new issues and concerns.

The Client has the option of accepting or declining such a review. Financial planning services are offered on a fee basis.

For investment management services, Client Accounts are reviewed regularly, but no less than quarterly, by the adviser, as part of the monitoring and reporting process. If any changes are required, they are made as soon as practicable. Triggering factors include but not limited to, the state of the markets, price momentum, relative strength, group relative strength, volume, accumulation, distributions, earnings and earning potential. Following areas are also considered:

- Is the Client's portfolio allocation in line with the target allocation set forth in the initial asset allocation, as updated? If not, what changes are called for?
- Does the target portfolio continue to make sense? Has any change in the Client's current circumstances occurred that suggests a need to change the target allocation?
- Has any investment performed in such a way that a change is required at this time?
- Is the Client on track to meet the goals established previously? Does the Client need to make significant changes?

Special reviews may be requested by the Client at any time. Upon such special reviews, Bayhill presents the changes that are deemed necessary and obtains the Client's approval, either written or verbally, before implementing the changes. All of the reviews are performed by a Bayhill adviser.

All investment management services clients receive monthly or quarterly Account statements from their Custodians. These statements detail the current market value, investment holdings and all transactions, including advisory fees charged as well as interest and dividends received and capital gains and losses incurred in the Account. In addition, a quarterly performance report is generated which provides the Client with a concise and clear view of the Client's portfolio after the deduction of advisory fees. A separate fee may be charged for more frequent reports.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

Bayhill does not pay or receive any compensation for client referrals. In addition, we do not accept any marketing awards or other prizes, such as trips.

### **CUSTODY**

All assets of our Clients in an Account managed by us are held by a third-party Custodian. Bayhill does not take or hold custody of any assets of a Client.

### **INVESTMENT DISCRETION**

Bayhill will normally determine, without consultation with the Client, on a transaction-by-transaction basis, securities bought and sold, the commissions paid for executing security trades, the broker or dealer through which to effect transactions, and the size of block trades of securities which affect multiple Accounts. Bayhill's authority may be limited by any Client where the Client specifies a broker or dealer, where the client prohibits purchases of securities of a specific company or industry, and where the Client prohibits purchases of specific types of securities. Please refer to BROKERAGE PRACTICES section with respect to brokers and dealers selected by the Client. The authority of Bayhill to exercise investment discretion is provided by the Advisory Agreement and no Account is opened until the Client executes an Advisory Agreement.

### **VOTING CLIENT SECURITIES**

If requested by a Client, Bayhill may accept authority to vote securities held in the Account of any Client but does not accept any obligation to do so. Unless specifically instructed by the Client as to any standards by which Bayhill will determine how a vote is cast, Bayhill makes such decision based exclusively on what Bayhill believes to be prudent and does not reasonably believe to be contrary to the interests of such Client. Such Clients may contact Bayhill by email or at the number shown above to find out how Bayhill voted on behalf of that Client on any particular matter.

If a Client does not authorize Bayhill to vote securities in the Account, the Client will receive proxies and other solicitation materials from the Custodian or a transfer agent. Bayhill does not provide information or advice regarding voting of securities to Clients who have not already authorized Bayhill to vote securities on behalf of such Client.

### **FINANCIAL INFORMATION**

Bayhill does not solicit or accept prepayment of any fees. Except as specified under FEES AND COMPENSATION above for the limited purpose of payment in arrears of fees already earned, Bayhill does not have any discretionary authority or custody of any Client funds. Bayhill maintains and exceeds the minimum balance sheet requirements as set forth by the State of

California.

### **REQUIREMENTS FOR STATE REGISTERED ADVISERS**

Minimum educational requirements for all advisory affiliates are a college degree, completion of all state and federally required licenses or comparable education and/or work experience. Further education, including graduate degrees, Chartered Financial Analyst (CFA), Certified Financial Planner (CFP) or other similar professional designations are sought and encouraged. Such factors as bondability and personal background of the individual are carefully examined.

#### **Education and Business Background of Principals**

President: Michael Savas Tumer

Year of Birth: 1945

Professional Designation(s): Certified Financial Planner (CFP), 1989

Education:

University of Arizona, MS, 1972-1974

Iowa State University, BS, 1964-1968

Business Background for the previous 10 years:

Bayhill Advisors, Inc. President, 2000 – Present

Professional Staff Member: Eydie M Tumer

Year of Birth: 1954

Professional designation(s): Investment Adviser Representative, FINRA series 65, 2007

Education:

University of Illinois, BS, 1979-1983

Business Background for the previous 10 years:

Bayhill Advisors, Inc. Marketing Manager, 2006-Present

Vacaville Unified School District. Educator, 2000-2006

No management person of Bayhill has been involved in an arbitration claim, or a civil, self-regulatory organization or administrative proceeding, with respect to:

- An investment or investment-related business or activity;
- Fraud, false statement(s), or omissions;
- Theft, embezzlement, or other wrongful taking of property;
- Bribery, forgery, counterfeiting, or extortion, or;
- Dishonest, unfair, or ethical practices.

No management person of Bayhill has any relationship with any issuer of securities other than

as an investor or customer.