
BATES



Financial Advisors, Inc.

Business Continuity Plan

Business Continuity Plan

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Business Continuity Plan

Content

Introduction

Bates Financial Advisors, Inc.'s Compliance Department, headed by our Chief Compliance Officer (CC), is responsible for the issuance and dissemination of all policies, procedures and directives in place to govern the conduct of this firm and its registered employees. Our Compliance Department ensures that all new regulatory requirements are put into place and maintains this Business Continuity Plan (BCP) in a current manner. The Department is also responsible for disseminating information required for associated personnel to conduct their business in a manner that encompasses all laws, rules, regulations and interpretations.

Bates Financial Advisors, Inc. created this plan as a means to ensure that any disruptions to our customers are minimized should an emergency or significant business disruption occur. It is the firm's goal to continue to provide a high level of service despite any disruptions.

Emergency Contact Persons

George E. Bates

Chief Executive Officer

8437 Northern Ave.

Rockford, IL 61107

gebates@batessecurities.com

(o) 815-332-4020

(m) 815-871-1322

(f) 815-332-4002

Andrew J. Welp

Chief Financial Officer

8437 Northern Ave.

Rockford, IL 61107

awelp@batessecurities.com

(o) 815-332-4020

(m) 815-520-4198

(f) 815-332-4002

Firm Policy

Our firm's policy is to respond to a Significant Business Disruption (SBD) by safeguarding employees' lives and firm property, making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the firm's books and records, and allowing our customers to transact business. In the event that we determine we are unable to continue our business, we will assure customers prompt access to their funds and securities.

Significant Business Disruptions (SBDs)

Our plan anticipates two kinds of SBDs, internal and external. Internal SBDs affect only our firm's ability to communicate and do business, such as a fire in our building. External SBDs prevent the operation of the securities markets for a number of firms, such as a terrorist attack, a city flood, or a wide-scale, regional disruption. Our response to an external SBD relies more heavily on other organizations and systems, especially on the capabilities of our clearing firm(s) and the mutual fund companies we conduct business with directly.

Approval and Execution Authority

Andrew J. Welp, a registered principal, is responsible for approving the plan and for conducting the required annual review. Andrew J. Welp has the authority to execute this BCP.

Plan Location and Access

Our firm will maintain copies of its BCP plan and the annual reviews, and the changes that have been made to it for inspection. An electronic copy of our plan is located in Laserfiche under Bates Securities, Inc. >> Mis. Compliance >> Business Continuity Plan.

Business Description

Our firm conducts its primary business in mutual funds and a small amount of variable annuity, equity and fixed income. Our firm is an introducing firm and does not perform any type of clearing function for itself or others. Furthermore, we do not hold customer funds or securities. We accept and enter orders. All transactions are sent either directly to the fund company or to our clearing firm, which executes the orders. Either the fund companies or our clearing firm(s) maintain our customers' accounts, can grant customers access to them, and deliver funds and securities. Our firm services only retail customers.

A customer can contact the fund company directly (which he/she has a statement for). For example, most customers can contact American Funds directly by phone (800-421-0180) or via the internet at www.AmericanFunds.com. A customer can contact our clearing firms David A. Noyes & Co. at 800-669-3732 and Southwest Securities, Inc. at 214-859-1800.

Office Locations

Main Office

**8437 Northern Ave.
Rockford, IL 61107
815-332-4020**

Quincy Branch

**126 North 30th St.
Suite 204
Quincy, IL 62301
217-224-1707**

Springfield Branch

**901 South 2nd St.
Springfield, IL 62704
217-525-8833**

The Main Office has all of the mission critical systems. The branch offices have either one or two registered representatives with no more than one support person. All personnel arrive by car.

Alternative Physical Location(s) of Employees

In the event of a SBD, the company will have dual locations to work from in the Rockford area. The principal alternative location will be George E. Bates' personal residence and the secondary alternative location will be George D. Bates' personal residence. Both locations have alternative backup access to some customer records via computer.

Primary

**18427 E. McNeal Rd.
Monroe Center, IL 61052
(h) 815-393-3372
(m) 815-871-1322**

Secondary

**5823 Inverness Dr.
Rockford, IL 61107
(h) 815-986-9798
(m) 815-871-4853**

Customers' Access to Funds and Securities

Our firm does not maintain custody of customers' funds or securities, which are maintained at our clearing firm(s), David A. Noyes & Co. or Southwest Securities, Inc. or directly at the mutual fund or insurance company. In the event of an internal or external SBD, if telephone service is available, our registered persons will take customer orders or instructions and contact our clearing firm on their behalf.

If SIPC determines that we are unable to meet our obligations to our customers or if our liabilities exceed our assets in violation of Securities Exchange Act Rule 15c3-1, SIPC may seek to appoint a trustee to disburse our assets to customers. We will assist SIPC and the trustee by providing our books and records identifying customer accounts subject to SIPC regulation or any other state or federal regulation.

SEA Rule 15c3-1; 15 U.S.C. 78

Data Back-Up and Recovery (Hard Copy and Electronic)

Our firm maintains its primary hard copy books and records and its electronic records at its principal location, 8437 Northern Ave., Rockford, IL 61107. George E. Bates, Principal, 815-332-4020, is responsible for the maintenance of these books and records. Our firm maintains the following document types and forms that may not be transmitted to our clearing firm: customer forms (new and amended), copies of confirmations and certain trade records, and other customer documents pertaining to customer accounts, including correspondence

Our firm maintains its back-up hard copy books and records via our third-party electronic storage media provider, Cities Digital, at 2000 O'Neil Rd. Ste. 150, Hudson, WI 54016. These records are electronic files stored on encrypted non-rewriteable CDs which are sent when a volume is full/quarterly. Cities Digital, Inc. is responsible for the maintenance of these back-up books and records. We prepare additional back-ups of these records every week on removable hard-drives which are stored offsite.

The firm backs up other pertinent electronic records daily on removable hard-drives which are stored offsite.

In the event of an internal or external SBD that causes the loss of our paper records, we will physically recover them from the company which maintains duplicate copies. If our primary site is inoperable, we will continue operations from our back-up site or an alternative location. For the loss of electronic records, we will either physically recover the storage media or electronically recover data from our back-up site, or, if our primary site is inoperable, continue operations from our back-up site or an alternative location.

Financial and Operational Assessments

Operational Risk

In the event of a SBD, we will immediately identify what means will permit us to communicate with our customers, employees, critical business constituents, critical banks, critical counter-parties and regulators. Although the effects of a SBD will determine the means of alternative communication, the communications options we will employ will include telephone notification and, if possible, email notification. In addition, we will retrieve our key activity records as described in the section above (Hard Copy and Electronic).

Financial and Credit Risk

In the event of a SBD, we will determine the value and liquidity of our investments and other assets to evaluate our ability to continue to fund our operations and remain in capital compliance. We will contact our clearing firm(s), critical banks and investors to apprise them of our financial status. If we determine that we may be unable to meet our obligations to those counter-parties or otherwise continue to fund our operations, we will request additional financing from our bank or other credit sources to fulfill our obligations to our customers and clients. If we cannot remedy a capital deficiency, we will file appropriate notices with our regulators and immediately take appropriate steps consistent with all applicable rules

Mission Critical Systems

Our firm's "mission critical systems" are those that ensure prompt and accurate processing of securities transactions. We have primary responsibility for establishing and maintaining our business relationships with our customers and have dual responsibility together with our clearing firm(s) (Noyes and Southwest), and/or the mutual fund and insurance company for our mission critical functions of order taking and entry. Our clearing firm(s) provide, through contract, the execution, comparison, allocation, clearance and settlement of securities transactions, the maintenance of customer accounts, access to customer accounts and the delivery of funds and securities.

Our clearing firm contract(s) provide that our clearing firm(s) will maintain a business continuity plan and the capacity to execute that plan. Our clearing firm(s) represent that it will advise us of any material changes to its plan that might affect our ability to maintain our business. In the event any clearing firm executes its plan, it represents that it will notify us of such execution and provide us equal access to services as its other customers. If we reasonably determine that the clearing firm has not or cannot put its plan in place quickly enough to meet our needs, or is otherwise unable to provide access to such services, our clearing firm represents that it will assist us in seeking services from an alternative source.

Our clearing firm(s) backs up our records at a remote site. Our clearing firm(s) operate a back-up operating facility in a geographically separate area with the capability to conduct the same volume of business as its primary site. Our clearing firm(s) has also confirmed the effectiveness of its back-up arrangements to recover from a wide scale disruption by testing.

Recover-time objectives provide concrete goals to plan for and test against. They are not, however, hard and fast deadlines that must be met in every emergency situation, and various external factors surrounding a disruption, such as time of day, scope of disruption and status of critical infrastructure – particularly telecommunications – can affect actual recovery times. Recovery refers to the restoration of clearing and settlement activities after a wide-scale disruption; resumption refers to the capacity to accept and process new transactions and payments after a wide-scale disruption.

Our Firms Mission Critical Systems

Order Taking

Currently, our firm receives orders from customers via telephone, written instructions, or in-person visits by the customer. During a SBD, either internal or external, we will continue to take orders through any of these methods that are available and reliable, and in addition, as communications permit, we will inform our customers when communications become available to tell them what alternatives they have to send their orders to us. Customers will be informed of alternatives by answering machine message, direct mail, or personal phone call from any registered personnel of our firm. If necessary, we will advise our customers to place orders directly with our clearing firm(s) (Noyes and Southwest) or directly with the fund or insurance company.

Order Entry

Currently, our firm enters orders by recording them and entering/submitting them to the appropriate firm.

In the event of an internal SBD, we will enter and send records to our clearing firm(s) by the fastest alternative means available. In the event of an external SBD, we will maintain the order in electronic or paper format, and deliver the order to the clearing firm(s) by the fastest means available when it resumes operations. In addition, during an internal SBD, we may need to refer our customers to deal directly with our clearing firm(s) for order entry.

Order Execution

In the event of an internal or external SBD, order execution would still be done by the firms we place business with, so we expect no change.

Other Services Currently Provided to Customers

In the event of an internal or external SBD, we do not expect it would be necessary to offer any other services.

Mission Critical Systems Provided by Our Clearing Firm

As stated previously within this plan, our firm relies on third parties to provide all services and, in effect, is able to utilize our third parties' backup systems, which are superior to anything our firm has.

Alternative Communications Between the Firm and Customers, Employees, and Regulators

Customers

We now communicate with our customers using the telephone, email, fax, U.S. mail and in-person visits at our firm or another location (most generally the customer's home). In the event of an SBD, we will assess which means of communications are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party. For example, if we have communicated with a party by email but the Internet is unavailable, we will call them on the telephone and follow up where a record is needed with paper copy in the U.S. mail.

Employees

Bates Financial Advisors, Inc. does not have direct employees. Workers are employed by the operating company Bates Financial Group, Inc. However, in the event of a SBD, the principal(s) of BFA will contact by phone or in writing as soon as practically possible everyone associated with Bates Financial Advisors, Inc., as the principal deems necessary.

Calling Tree

George E. Bates

- George D. Bates
- Andrew J. Welp

Andrew J. Welp

- Barb O'Neill
- Martha Krohe
- Mark Jones
- Rebecca Ethell
- Craig Cherington

Barb O'Neill

- Amber Martin
- Carla Ramsey
- Erica Amenda
- Toni Canella
- Teresa Maylum
- Beth Turner
- Kathy Buck
- Mary Stonis

Regulators

We are currently members of the following self-regulatory organizations (SROs), and are also regulated by: the SEC, the Illinois Securities Department, and various other state regulators as evidenced by WebCRD. We

communicate with our regulators using the telephone, email, fax, U.S. mail, and in person. In the event of a SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party.

Critical Business Constituents, Banks, and Counter-Parties

Business Constituents

Alpine Bank already has on record who are our firm's backup contacts, as they are also clients of the bank. All other vendors will be contacted on an AS NEEDED basis. Given the size and type of business we operate, there are few other important or relevant business constituents. However, we will quickly establish alternative arrangements if a business constituent can no longer provide the needed goods or services when we need them because of a SBD to them or our firm.

Banks

See above. Our current bank is Alpine Bank. However, should we need a backup bank, we expect to do business with Northwest Bank due to the existing personal banking relationship of the firm's principals.

Counter-Parties

We have contacted our critical counterparties, such as other broker-dealers or institutional customers, to determine if we will be able to carry out our transactions with them in light of the internal or external SBD. Where the transactions cannot be completed, we will work with our clearing firm or contact those counterparties directly to make alternative arrangements to complete those transactions as soon as possible.

Regulatory Reporting

Our firm is subject to regulation by: the SEC, the Illinois Securities Department, and various other state regulators as evidenced by WebCRD. We now file reports with our regulators using paper copies in the U.S. mail, and electronically using fax, email and the internet. In the event of a SBD, we will check with the SEC and other regulators to determine which means of filing are still available to us, and use the means closest in speed and form (written or oral) to our previous filing method. In the event that we cannot contact our regulators, we will continue to file required reports using the communication means available to us.

Disclosure of Business Continuity Plan

Attached is our written BCP disclosure statement we provide customers at account opening. We also mail the disclosure statement to customers upon request and post information on how to obtain the disclosure statement on our website. We would send an updated BCP disclosure statement to customers if material changes occur to our operations, structure, business or location which affect the BCP disclosure statement.

Updates and Annual Review

Our firm will update this plan whenever we have a material change to our operations, structure, business or location or to those of our clearing firm(s). In addition, our firm will review this BCP annually, by December 31st of each year (Bates Financial Advisors, Inc.'s fiscal year end), to modify it for any changes in our operations, structure, business or location or those of our clearing firm(s).

Senior Manager Approval

I have approved this Business Continuity Plan as reasonably designed to enable our firm to meet its obligations to customers in the event of an SBD.

Signed: _____

Title: Chief Financial Officer

Date: September 1, 2012

Business Continuity Plan

Appendix

Bates Financial Advisors, Inc.'s Business Continuity Plan Disclosure

Bates Financial Advisors, Inc. has developed a Business Continuity Plan to address how we will respond to events that significantly disrupt our business. Since the timing and impact of disasters and disruptions is unpredictable, the plan is designed to be flexible in responding to actual events as they occur. With that in mind, we are providing you with this information on our business continuity plan.

Contacting Us – In the event of a significant business disruption, our phone number (815-332-4020) will forward calls to emergency backup numbers. If for some reason you are still unable to access us, please contact the entity which custodies your assets. If you do not know who this is or how to contact them, please contact us now so that you will have that information in the event of an emergency.

Our Business Continuity Plan – We plan to quickly recover and resume business operations after a significant business disruption and respond by safeguarding our employees and property, making a financial and operational assessment, protecting the firm's books and records, and allowing our customers to transact business. In short, our business continuity plan is designed to permit our firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption.

Our business continuity plan addresses: data backup and recovery; all mission critical systems; financial and operational assessments; alternative communications with customers, employees, and regulators; alternative physical location of employees; critical business constituent, bank and counter-party impact; regulatory reporting; and assuring our customers prompt access to their funds and securities if we are unable to continue our business.

Each mutual fund company (e.g., American Funds) and insurance company (e.g., The Lincoln National Life Insurance Company) together with the clearing firms (e.g., David A. Noyes & Co. and Southwest Securities) back up our important records in a geographically separate area. While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, we have been advised by our clearing firms that their objective is to restore their own operations and be able to complete existing transactions and accept new transactions and payments unless circumstances dictate otherwise. Your orders and requests for funds and securities could be delayed during this period.

Varying Disruptions – Significant business disruptions can vary in their scope, such as only our firm, a single building housing our firm, the business district where our firm is located, the city where we are located, or the whole region. Within each of these areas, the severity of the disruption can also vary from minimal to severe. In a disruption to only our firm or a building housing our firm, we will transfer our operations to a local site when needed and expect to recover and resume business within twenty-four hours. In a disruption affecting our business district, city, or region, we will transfer our operations to a site outside of the affected area, and expect to recover and resume business within five business days. In either situation, we plan to continue in business, transfer operations to our clearing firm if necessary, and notify you through available reasonable methods. If the significant business disruption is so severe that it prevents us from remaining in business, we will assure our customer's prompt access to their funds and securities.

For More Information – If you have questions about our business continuity planning, you can contact us at 815-332-4020.