



This ADV brochure, dated March 31, 2011,
provides information about the qualifications and business practices of:

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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. In addition, registration as an investment adviser does not imply a certain level of skill or training. Additional information about McMorgan & Company LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. SUMMARY OF MATERIAL CHANGES

There are no material changes to report at this time. If in the future there are any material changes to the policies, practices or conflicts of interests described herein, we will summarize the changes in this section of the brochure and we will either provide you with an updated brochure or with a document that summarizes the changes that were made.

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Item 4. Advisory Business

McMorgan & Company LLC ("McMorgan") is an indirect wholly-owned subsidiary of New York Life Insurance Company ("New York Life") and a wholly-owned subsidiary of New York Life Investment Management Holdings LLC. We provide investment management services to Taft-Hartley pension plans, multi-employer, jointly-trusted benefit plans and institutions, both directly and through our affiliated investment advisers. We also serve as the discretionary manager to a pooled real estate fund and manage real estate investments for institutional separate accounts. McMorgan registered as an investment adviser with the Securities and Exchange Commission in October 2001. As of 12/31/2010, we managed \$6,257,568,778 in client assets on a discretionary basis and \$62,514,161 in client assets on a non-discretionary basis.

We have various affiliated investment advisers ("affiliated advisers"), including New York Life Investment Management LLC (File number 801-57396) ("New York Life Investments"), MacKay Shields LLC (File number 801-5594) ("MacKay"), Madison Square Investors LLC (File number 801-69663) ("MSI"), Institutional Capital LLC (File number 801-40779) ("ICAP"), NYLCAP Manager LLC (File no, 801-61010) ("NYLCAP") and Private Advisers, LLC ("Private Advisers") (File number 801-55696), all subsidiaries of New York Life Investment Management Holdings LLC. New York Life Fixed Income Investors Group ("FIIG") and Retirement Plan Services ("RPS") are divisions of New York Life Investments. All affiliated advisers are related persons of McMorgan and investment advisers separately registered under the Investment Advisers Act of 1940.

Equity and Fixed Income Separate accounts

We utilize our affiliated investment advisers MacKay, MSI and FIIG ("Sub-Advisers"), through sub-advisory agreements, to provide active discretionary portfolio management for separate account and certain commingled fund strategies. MacKay and FIIG serve as sub-adviser(s) for our separate account fixed income client portfolios. MSI serves as a sub-adviser for our separate account equity client portfolios.

MacKay is a multi-product investment manager providing advisory services to a broad range of institutions and clients in equity and fixed income products including taxable and tax-exempt fixed income securities, municipal bonds, short and intermediate-term bonds, core investment grade, core plus, emerging markets, high yield, high yield active core, convertibles, and international equity.

MSI advisory services are provided by experienced and qualitative investment teams organized by equity style groups. MSI utilizes a quantitative approach that seeks to achieve targeted returns while minimizing portfolio risk. Each investment team employs models and processes that are unique to each product. The models have quantitative alpha forecasting engines. Risk is managed relative to the respective benchmarks using a risk model and optimizer.

FIIG is a multi-product fixed income investment manager with expertise in most major fixed income sectors. FIIG employs a team-oriented approach to managing fixed income

portfolios for affiliated and unaffiliated clients in the institutional and retail markets. Using a combination of top down fundamental analysis and bottom-up credit research, FIIG constructs diversified portfolios that are designed to deliver consistent performance and stability. This is accomplished by striving to add incremental excess return while avoiding principal loss.

You may develop your own written investment policy statement in accordance with your unique objectives and investment guidelines. You can impose restrictions within your investment portfolio through these investment guidelines. Client imposed restrictions are detailed in the client's investment advisory agreement or in an amendment to the investment advisory agreement. We may act as the investment manager as defined by ERISA within the framework of the investment policy statement for our multi-employer benefit and pension plan clients.

Real Estate

McMorgan is the discretionary manager of a pooled real estate fund, McMorgan Institutional Real Estate Fund I, LLC ("MIREF"). We also manage real estate investments for institutional separate accounts. The principal focus of McMorgan's Real Estate Group is investments in real estate direct equity and debt investments, including income-producing properties or land-development opportunities, investments in new construction, redevelopment projects, first deeds of trust, real estate investment trusts, limited liability companies and other real estate securities. We charge an asset-based fee for managing real estate investment portfolios. Real estate separate accounts are managed to investors' specific guidelines and risk tolerances.

Mutual Fund Allocation Strategies

We offer asset allocation services for certain clients invested in The MainStay Group of Funds ("the MainStay Funds"). New York Life Investments is the investment manager to the MainStay Funds and MacKay, MSI and ICAP are sub-adviser(s) to New York Life Investments for the MainStay Funds. We will determine the mutual fund asset class based on client-specific mandates, allocation ranges and an assessment of the investment merits of the fixed income and equity markets.

Item 5. Fees and Compensation

Clients are billed for advisory services according to the fee included in their investment management agreement. We charge account fees based on a percentage of the market value of the assets under management for our separate account clients. We may negotiate fees with our clients. All fees are generally payable quarterly based on the market value of the portfolio under management at the end of the previous quarter.

We bill our clients on a quarterly basis in advance, but may collect the fees during the quarter or post quarter end, depending upon the client's bill paying procedure. We bill our clients directly and generally do not deduct fees from client assets, with the exception of MIREF.

Our standard schedule of professional fees includes a minimum initial account size that could range from \$1 million to \$50 million depending on the product and vehicle. Fee schedules are negotiable and can vary depending on a variety of factors such as the client, size of the account, asset levels and the investment program selected. Our typical fee schedules are as follows:

<i>Product</i>	<i>Annual Asset Management Fee (% of AUM)</i>
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McMorgan

MIREF Private Real Estate Fund	.95%
Real Estate Separate account	.17 - .50%

MacKay Sub Advised Separate Accounts

Short Term Bond	.20%
Intermediate Fixed Income	.25%
Core Investment Grade	.30%
Core Plus Fixed Income	.35%
Core Plus Opportunities	.40%
Emerging Market Debt	.45%
Global High Yield	.50%
Leverage Bank Loans	.50%
International Equity	.80%

MacKay Private Funds

High Yield Statutory Trust	.50%
High Yield Active Core	.50%

MSI

Large Cap Enhanced Sub Advised Separate account	.40%
Large-Cap Enhanced Collective fund	.40%

FIIG Sub Advised Separate Account

High Yield	.45%
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Please note that in addition to the management fees noted above, there are other fees associated with the management of client accounts. For example, the custodian for your account, which you independently select, charges a custodial fee which varies by custodian. In addition, the broker-dealers that are selected by affiliated advisers to execute transactions in your account charge a brokerage fee. Brokerage and custody fees are not included in the investment management fee that you pay to us. Instead, custodian fees are charged to you separately by the custodian, and brokerage fees affect your account through the trade execution process. Please refer to “*Brokerage Practices*” section below for additional information regarding processes used by affiliated advisers for selecting brokers to execute transactions in client accounts.

We may charge lower fees for advice to certain accounts managed for New York Life Investments or separate accounts that are investment vehicles for the assets of pension, profit-sharing plans and multi-employer benefit plans.

Affiliated Adviser Referrals – Placement and Service Fees

We offer products to our existing clients that are managed by affiliated advisers. We also make client referrals within the Taft-Hartley market to our affiliated advisers which may include products and services as described below. We could receive a servicing fee from the affiliated adviser, which is calculated as a percentage of the management fee earned by the investment manager. We may also receive a placement fee or client referral fee from the affiliated adviser. The compensation paid to Morgan Stanley does not increase the fees or costs payable by the client. When making a referral to an affiliated adviser, we are not exercising investment discretion or otherwise providing investment advice to a Taft-Hartley investor about retaining the affiliated adviser or investing in their private fund. Below is an approximate range of management fees that may be charged by the investment manager:

Annual Asset Management Fee (% of AUM)

<u>MacKay Separate account</u>	.20 - .80%
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<u>MacKay Private Funds</u>	.40 - .50%
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Statutory Trust I (High Yield Corporate Bond Series)

Defensive Bond Arbitrage Fund.

Core Plus Opportunities Fund

High Yield Active Core Fund

Municipal Credit Opportunities Master Fund

Municipal Opportunities Master Fund.

Municipal Credit Opportunities Fund.

Municipal Opportunities Fund.

<u>MSI Separate account</u>	.40%
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NYLCAP Private Funds

Private Equity	0.75% - 1.0%
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Mezzanine	1.0 % - 1.5%
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Private Advisors – Private Funds

Hedge Funds	1.0%
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Private Equity	.60% - 1.0%
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<u>ICAP Separate Account</u>	.625 - .65%
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International Equity

Select Equity

Focused Equity

Equity

Mutual Fund Asset Allocation

We may also invest a client account in an affiliated mutual fund consistent with the client's guidelines and objectives. In such instances, the client is not charged an advisory fee from McMorgan on the assets invested in the mutual fund. We do, however, receive a servicing fee from New York Life Investments for providing shareholder services to certain accounts invested in The MainStay Funds. The service fee is purely an intra-company reallocation paid from the assets of New York Life Investments and not from the assets of any of the funds in the MainStay Group of Funds. The service fee is as follows:

<u>Type of actively managed Fund</u>	<u>Annual Fee*</u>
Equity Funds	0.25%
Fixed Income Funds	0.10%
Balanced Funds (Including Asset allocation Funds)	0.15%
Money Market Funds	0.05%

* Service fees are calculated based on each Fund's daily net assets directly attributable to McMorgans' Clients.

Termination

All advisory and sub-advisory arrangements may be terminated by either party upon prior written notice, pursuant to the termination provisions as outlined in each agreement. If a contract is terminated, all advisory fees are subject to pro-rata adjustment based upon the date of termination.

Item 6. Performance Based Fees and Side-By-Side Management

We do not charge performance-based fees.

Item 7. Types of Clients

We provide investment management services for Taft-Hartley pension plans, multi-employer, jointly-trusted benefit plans and institutions, both directly and indirectly through our affiliated investment advisers. Multi-employer plans are generally set up under Section 302(c)(5) of the Taft-Hartley Act which covers private sector employees.

Taft-Hartley plans and their assets are managed by a joint board of trustees which is equally representative of labor and management. The board acts as the sponsor and the fiduciary of the plan and will in turn hire attorneys, actuaries, accountants, consultants and investment managers to handle setup and operation. Taft-Hartley plans are typically administered by third-party administrators. The minimum initial account size ranges from \$1 million to \$50 million depending on the product and vehicle.

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

Although McMorgan offers significant advisory services in several asset classes through our affiliated advisers, our real estate investment strategies are managed by McMorgan's Real Estate Department.

Real Estate Investment Strategies

We offer institutional investors exposure to the commercial real estate asset class through separate accounts or our commingled private real estate fund. Both products seek to achieve income returns, potential for long-term appreciation, inflation hedging capabilities, and diversification benefits.

MIREF generally follows a core real estate strategy, as described by the National Council of Real Estate Investment Fiduciaries ("NCREIF") for inclusion in the NCREIF Fund Index - Open End Diversified Core Equity. MIREF invests primarily in well-leased commercial real estate properties across the United States. MIREF also invests in value-added and opportunistic real estate investments, such as new construction, property renovation, and asset repositioning. MIREF will also consider making commercial real estate debt investments when they are perceived to offer good value relative to direct property investments. The investment strategies and risk associated with MIREF are set forth in the offering memoranda.

All separate accounts are managed to investors' specific guidelines and risk tolerances. McMorgan assesses client needs, objectives and unique requirements to create separate account portfolios which seek to achieve their investment goals. We may invest in both direct and indirect real estate investments, depending on the client's preference. Investments could be made in real estate equity, real estate debt and hybrid debt-equity investments. Investment strategies can be general in nature or based on a specific investment objective custom designed for a client.

The framework to evaluate real estate opportunities consists of both top-down and bottom-up research processes. From a top-down perspective, we work with a commercial real estate research firm to develop research-based market screens for each major property type (apartments, warehouse, office, and retail). The screens identify strategic markets with desirable fundamental attributes, based upon factors such as market size, liquidity, supply constraints, volatility, and demographics specific to each property type. Projected return performance is then analyzed to identify markets that may be attractive for investment.

From the bottom-up perspective, our in-house asset management and acquisitions teams provide local investment perspectives within their markets. Our national network of locally based leasing teams, property managers, and joint venture partners provide further valuable bottom-up insights. McMorgan also has access to the commercial real estate team of its parent company, New York Life. These individuals are geographically specialized and are an additional source of local market knowledge.

We apply research inputs in formulating target leverage ratios. We use economic, real estate, and capital markets research from a variety of sources, including commercial real estate research firms, various investment and brokerage firms, and our parent company, New York Life Investments. When underwriting potential property acquisitions, we evaluate purchase price relative to estimated reproduction cost, and value the property using discounted cash flow models and comparable sales data.

We have a Real Estate Investment Committee that reviews and votes on material real estate transactions. The members of our Real Estate Investment Committee include senior management of the firm and the Real Estate department. Mark Talgo, who is a principal executive officer of New York Life and of New York Life Investments, also serves as the Executive Vice President of McMorgan and as a member of its Real Estate Investment Committee.

Material Risks

We seek to obtain investment diversification to limit risks associated with any single property, property type, or geographic location. We will acquire assets with leasing risk if they offer potential for higher returns with acceptable risk. An investment in real estate securities has special risks associated with the direct and indirect ownership of real estate. The underlying real estate investments are subject to market risk and will fluctuate in value.

Material investment risks in real estate also include the possibility that a particular property type or geographic location could underperform due to various economic factors. Additionally, any property investment could underperform due to worse than expected leasing or rent growth; tenant bankruptcies or credit problems; unforeseen regulatory factors; physical issues; functional or locational obsolescence; natural disasters; or excessive new construction of competitive properties. Investments in development properties may underperform due to development cost overruns, failure to meet construction timelines, regulatory or entitlement problems, or failure to achieve key leasing assumptions.

Material risks associated with commercial real estate debt investments include market interest rate fluctuations, and in the case of a borrower default, delays and legal costs in recovering the loan amount as well as the reduced collateral value.

Mutual Fund Allocation Strategies

We offer asset allocation services for certain clients invested in *The MainStay Funds*. We determine the mutual fund asset classes based on client specific mandates, allocation ranges and an assessment of the investment merits of the fixed income and equity markets. The framework to evaluate the asset classes consists of both qualitative, top-down examination of macroeconomic and market factors, and quantitative, bottom-up analysis of factors specific to fixed income and equity markets.

Material Risks

Material risks include general market risks and those risks relating to relative asset class performance. These risks include the potential for significant loss of principal due to broad

declines in equity or fixed income security valuations. Risks also include the potential for declining income streams due to declining market interest rates or dividend reductions.

Although allocation among different asset classes generally limits the client's exposure to the risk of any one class, the risk remains that the adviser may favor an asset class that performs poorly relative to other asset classes.

For example, deteriorating stock market conditions might cause an overall weakness in the market that reduces the absolute level of stock prices in that market. Under these circumstances, if the mutual fund were primarily invested in stocks, it would perform poorly relative to a portfolio invested primarily in bonds. Similarly the adviser to a particular mutual fund could be incorrect in its analysis of economic trends, countries, industries, companies, the relative attractiveness of asset classes or other matters.

Equity Strategies

Through our sub-advisers, we offer a range of investment management services to clients consisting of equity and fixed income separate accounts products. We also make available private funds that are managed by affiliated advisers. The investment strategies and risk associated with private funds are set forth in the private fund offering memoranda. For equity strategies, MSI utilizes a quantitative approach that seeks to achieve targeted returns while minimizing portfolio risk. Each investment team employs models and processes that are unique to each product. The models use quantitative process that ranks stocks based on traditional value measures, earnings quality and technical factors. Risk is managed relative to the respective benchmarks using a risk model and optimizer. The MSI products offered may include the Large Cap Enhanced Separate account and the Large Cap Enhanced Collective fund.

Material risks

These strategies are managed with a core orientation (including growth and value equity securities). MSI uses a "bottom-up" approach that assesses stocks based on their individual strengths, rather than focusing on the underlying sectors/industries of those stocks or on general economic trends. Growth stocks may be more volatile than other stocks because they are generally more sensitive to investor perceptions and market moves. During periods of growth stock underperformance, performance may suffer. The principal risk of investing in value stocks is that the price of the security may not approach its anticipated value or may decline in value. MSI may use short term trading strategies that seek to realize returns over shorter periods. However, portfolio turnover rate may be higher and generate short-term capital gains which could be taxable. Please see MSI's ADV Part II for more detail on its investment strategies and risk of loss for these strategies.

Fixed Income Strategies

MacKay is a multi-product investment manager providing advisory services to a broad range of institutions and clients in equity and fixed income products including taxable and tax-exempt fixed income securities, municipal bonds, short and intermediate-term bonds, core investment grade, core plus, emerging markets, high yield and high yield active core. The

MacKay separate account products offered may include Short Term Bond, Intermediate Fixed Income, Core Investment Grade, Core Plus Fixed Income, Core Plus Opportunities, Emerging Market Debt, High Yield, Leverage Bank Loans, Convertible Bonds and International Equity. MacKay is the investment manager to a number of private investment funds.

MacKay offers a variety of investment strategies based on the client investment objectives. In pursuing various investment strategies, MacKay conducts a continuing review of yields and other information derived from a database which it maintains in managing fixed-income portfolios. Fundamental economic cycle analysis, credit quality and interest rate trends are some of the factors considered in determining whether to increase or decrease the emphasis placed upon a particular type of security or industry sector. Investment decisions take into account a broad range of fundamental and technical indicators. Please see MacKay's ADV Part II for more specific details on its investment strategies and risk of loss for each specific strategy.

New York Life Investment's FIIG is a multi-product fixed income investment manager with expertise in most major fixed income sectors. The high yield strategies are managed by the High Yield Credit group within FIIG. The High Yield Credit Group practices bottom-up fundamental credit research and generally does not engage in technical trading or market timing. The separate account offered to our clients includes a High Yield Strategy.

FIIG's high yield strategies seek to outperform the total return of the U.S. non-investment grade credit market as measured by the Citigroup High Yield Market Capped Index over a full market cycle. Please see New York Life Investments ADV Part II for more detail on each specific investment strategy and risk of loss.

Material Risks

You should be aware that the leveraged loans and high yield bonds may be rated below investment grade (sometimes referred to as "junk bonds") and are generally considered speculative because they present a greater risk of loss, including default, than higher quality debt securities. Such securities may be less liquid than higher rated securities. These securities pay investors a premium (a high interest rate or yield) because of the increased risk of loss. These securities can be subject to greater price volatility. In times of unusual or adverse market, economic or political conditions, these securities may experience higher than normal default rates.

Although certain leveraged loans are collateralized, there is no guarantee that the value of the collateral will be sufficient to repay the loan in the event of default. Moreover, leveraged loans may, under certain circumstances, be less liquid than higher quality debt securities, and an active trading market may not exist. In addition, some loans may be subject to restrictions on their resale, which may prevent your account from obtaining the full value of the loan when it is sold.

As with any investment, before you consider opening an account that invests in accordance with either the fixed income or equity investment strategies you should be aware that there is

no assurance that these investment objectives will be achieved, and you could lose money as a result of your investment. In addition, you should be aware that there are certain material risks associated with investing in debt securities. These risks include without limitation):

- *Credit Risk:* The risk that an issuer of a debt security may fail to repay the loan created by the issuance of that debt security.
- *Maturity Risk:* The risk that a debt security with a longer maturity may fluctuate in value more than a debt security with a shorter maturity.
- *Market Risk:* The risk that low demand for debt securities may negatively impact their price.
- *Interest Rate Risk:* The risk that when interest rates go up, the value of a debt security goes down, and when interest rates go down, the value of a debt security goes up.
- *Selection Risk:* The risk that the securities selected may underperform the market.
- *Call Risk:* During a period of falling interest rates, the issuer may redeem a security by repaying it early, which may reduce the account's income, if the proceeds are reinvested at lower interest rates.

Item 9. Disciplinary Information

There are no legal or disciplinary events involving McMorgan that are material to our advisory business or to the management of your account to report at this time. In the event that your account is managed by a subadviser hired by McMorgan, please refer to the Form ADV Part II of each sub adviser for a description of material disciplinary events, if any, involving such subadviser.

Item 10. Other Financial Industry Activities and Affiliations

Some of our employees, including some of our executive officers, are registered with the Financial Industry Regulatory Association (FINRA) as representatives and principals of NYLIFE Distributors LLC. NYLIFE Distributors is our affiliate and is registered as a broker-dealer with the U.S. Securities and Exchange Commission.

The following relationships or arrangements with related persons are material to our business and may create potential conflicts of interest:

- **Broker-dealers** – New York Life Investments and several affiliated advisers serve as the investment manager and sub-adviser to the investment manager for various registered investment companies known as *The MainStay Funds*. NYLIFE Distributors LLC, an affiliated broker-dealer, serves as the principal underwriter and distributor of *The MainStay Funds*.

As noted above, certain of our employees are registered with NYLIFE Distributors. Employees who are registered representatives of NYLIFE Distributors may sell private funds and *The MainStay Funds* to institutional clients. In limited circumstances, we may also recommend that our clients purchase *The MainStay Funds*.

NYLIFE Distributors may compensate registered employees who promote the sale of *The MainStay Funds* for their efforts, and New York Life Investments may make payments to NYLIFE Distributors to help fund such compensation. Other than selling *The MainStay Funds* to our clients, broker-dealers that are affiliated with us do not execute securities transactions for our clients.

If a MainStay fund sale is made, McMorgan does not receive a percentage of the management fee from The MainStay Funds. NYLIFE Distributors does not compensate McMorgan or its registered employees for sale of MainStay Funds. New York Life Investments does provide a client servicing fee to McMorgan for certain MainStay Fund client accounts.

Our sales and marketing activities of registered employees are subject to the supervision of both McMorgan and NYLIFE Distributors.

- **Investment Companies and Private Funds** – Our affiliated advisers, New York Life Investments, MacKay, MSI and ICAP serve as the investment manager and sub-adviser(s) to the investment manager for the following Funds:

The MainStay Funds Trust (File No.811-22321)

The MainStay Funds (File No. 811-4550) for which NYLIFE Distributors LLC, acts as Principal Underwriter and Distributor

Mainstay VP Series Fund, Inc (Registration No. 2-86082), for which New York Life Investments is the Administrator

Conflicts may arise as to the allocation of investment opportunities among *The MainStay Funds* and other clients. Our affiliated advisers have Allocation Procedures in place to make sure that, over time, all clients are treated fairly and that no client account receives preferential treatment in the allocation of investment opportunities. Pursuant to these procedures, it is not permissible to allocate or re-allocate an order to enhance the performance of one account over another. It is also not permissible to systematically favor any account over another.

Our affiliated advisers MacKay, MSI, NYLCAP and Private Advisers serve as the investment manager or sponsor of various limited partnerships and other private investment funds as described in Item 5. Our employees who are registered representatives of NYLIFE Distributors may solicit clients to invest in such limited partnerships or other funds. These limited partnerships and

other private investment funds generally pay a fee the affiliated adviser and as such, our firm may receive a fee from NYLIFE Distributors. These fees are not an additional charge to such limited partnerships or other funds or their investors.

The registered employee responsible for the sale may be paid a percentage of the management fee that is attributable to the sale. This practice presents a conflict of interest and gives the employee an incentive to recommend that clients invest in these limited partnerships and other funds in order to increase the compensation paid to our affiliated advisers, to themselves and to our firm. There are policies and procedures in place that we believe are reasonably designed to address these conflicts of interest. For example, our employees who are registered representatives of NYLIFE Distributors may only recommend investments in these limited partnerships if they believe they are suitable for the client.

Conflicts may also arise in the allocation of investment opportunities among *The MainStay Funds*, our affiliated advisers, the private investment funds and our clients. Our affiliated advisers have policies and procedures in place to make sure that, over time, all of our clients are treated fairly and that no client account receives preferential treatment in the allocation of investment opportunities. More detailed information on private funds and allocation procedures can be found within each affiliated adviser's ADV Part II which will be made available upon request.

For our institutional clients invested in real estate, we have an allocation policy which establishes standards to provide for the equitable allocation of real estate investment opportunities among clients. McMorgan's real estate procedures include the adoption of a rotational allocation system to be utilized whenever a real estate opportunity meets at least one client's investment criteria, and is intended to provide for the fair and equitable treatment, over time, with regard to suitable real estate investment opportunities for each client that has expressed interest in a particular real estate transaction.

- **Investment Advisers** – Several affiliated advisers provide investment management services to McMorgan through sub-advisory agreements. MacKay and FIIG sub-advise our separate account fixed income client portfolios. MSI sub-advise our separate account equity client portfolios. McMorgan conducts due diligence in the selection of its sub-advisers and provides ongoing investment management oversight of these sub-advisory functions. We are affiliated with the following federally registered investment advisers:
 - **MacKay** is a federally registered investment adviser that acts as a subadviser for various mutual funds for which New York Life Investments serves as adviser. MacKay also serves as a sub-advisor to our institutional clients who participate in fixed income

separate accounts and serves as the investment manager to various private investment funds. Clients of McMorgan may be solicited to invest in such limited partnerships for which MacKay serves as investment manager to various private investment funds.

- **New York Life Investments** is a federally registered investment adviser that serves as a subadviser to certain McMorgan accounts. Mark Talgo, who is a principal executive officer of New York Life and of New York Life Investments, also serves as the Executive Vice President of McMorgan and as a member of its Real Estate Committee. New York Life Investments and McMorgan have each implemented procedures to provide for the equitable allocation of real estate investment opportunities among the clients of both firms.

New York Life Investments' procedures require that all relevant factors be considered in allocating real estate investment opportunities among the firms' clients and that the reasons underlying allocation determinations be memorialized. Factors that will generally be considered in connection with such allocation determinations include diversification constraints (including property type and geographic location); duration or term of the underlying investment; investment yield return and potential impact on the respective client's yield target; capital available to invest; anticipated closing date; tax implications; and potential dilution of control rights. The procedures are intended to provide for the fair and equitable treatment, over time, of the clients of both McMorgan and New York Life Investments.

- **ICAP** is a federally registered investment adviser that acts as a subadviser for various mutual funds for which New York Life Investments serves as adviser and also engages in other advisory services.
- **MSI** is a federally registered investment adviser that acts as a subadviser for our institutional separate account equity strategies and collective fund offered to clients as well as sub adviser to various mutual funds for which New York Life Investments serves as adviser.
- **NYLCAP** is a federally registered investment adviser that serves as the investment manager of various limited partnerships and also engages in other advisory services. Clients of McMorgan may be solicited to invest in such limited partnerships for which NYLCAP Manager serves in a similar capacity.

- **Private Advisors** is a federally registered investment adviser that serves as the investment manager of various limited partnerships and also engages in other advisory services. Clients of McMorgan may be solicited to invest in such limited partnerships or in others for which Private Advisors serves in a similar capacity.

From time to time, McMorgan enters into agreements with its affiliated advisers or related persons, as applicable, by which we utilize the services of an employee of the affiliated adviser or related person who is also an officer of McMorgan. In these arrangements, the employee is subject to the supervision of both McMorgan and the affiliated adviser or related person. An individual who is a Managing Director of MacKay also serves as the Head of Sales and Marketing for McMorgan.

We may also enter into arrangements with our affiliated investment advisers that permit us to recommend our clients or prospective clients to them. We have entered into an agreement with MSI, ICAP and MacKay pursuant to which we receive compensation for solicitation and other client-relations services in the Taft-Hartley market. Under the agreement, MSI, ICAP and MacKay pay a portion of their advisory fee to McMorgan as a sourcing and servicing fee for marketing and client reporting services provided within the Taft-Hartley market. The compensation paid to McMorgan does not increase the fees or costs payable to the client.

If we receive a fee from an affiliated investment adviser for recommending clients to it, we comply with the requirements of the SEC's cash solicitation rule that are applicable to affiliated entities under common control. This rule requires a written agreement between the investment adviser and the person soliciting clients on its behalf. As required by the rule, we will not engage another person to solicit clients on our behalf if that person has been subject to specified securities regulatory or criminal action within the preceding ten years.

- **Banking Institution** –New York Life Investments provides investment advisory services to New York Life Trust Company, a related person and a state chartered bank, for certain collective investment trusts.
- **Insurance Company**– We are a wholly-owned, indirect subsidiary of New York Life. New York Life is a mutual insurance company that is an admitted insurer in all 50 states and in the District of Columbia. Subject to New York Life's supervision, New York Life Investments serves as the principal investment adviser for the general account and separate accounts of New York Life and New York Life Insurance and Annuity Corporation ("NYLIAC"), as well as for the general account of NYLIFE Insurance Company of Arizona ("NYLAZ"). NYLIAC and NYLAZ are wholly-owned subsidiaries of New York Life. New York Life and NYLIAC may also invest in the Private Investment Funds that New York Life Investments or our affiliates manage.

New York Life, NYLIAC and NYLAZ supervise New York Life Investments management of their accounts. Some of New York Life Investment employees are also officers of New York Life to satisfy state insurance law requirements.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

McMorgan has a fiduciary relationship with our clients that require that we and our employees place the interests of our clients first. As such, our Code of Ethics ("Code") covers all employees and sets forth guidelines that promote ethical conduct and adhere to the highest duty of trust and fair dealing in placing the interests of our clients ahead of our employees' own personal interests or the interests of others.

The Code also provides guidance to employees regarding conflicts of interest, board memberships, outside business activities, confidentiality, client gifts and entertainment, personal trading and reporting, and insider trading. Under the Code of Ethics, employees must conduct their personal securities transactions in a manner that neither interferes with any client's portfolio transactions nor otherwise takes inappropriate advantage of an employee's relationship to such client. A copy of the Code of Ethics is available upon request.

While we permit our employees to engage in personal securities transactions, as a company we recognize that these transactions may raise potential conflicts of interests. This is particularly true when they involve securities owned by, or considered for purchase or sale for, a client account by us or our sub-advisers. The Code provides employees with specific guidance concerning personal security investments and the responsibilities associated with that activity. All of our employees are subject to the following restrictions:

- They may not trade while in possession of material, non-public information.
- They must complete and keep current an annual Conflicts of Interest Questionnaire concerning any potential conflicts.
- They must adhere to restrictions regarding the receipt and giving of gifts and entertainment.

Some provisions of the Code, particularly with respect to personal trading, apply only to "Access Persons" (defined as officers or directors or persons who have access to nonpublic information regarding any client's purchase or sale of securities). Specifically, the Code requires all Access persons to:

- Report personal securities transactions in "Covered Securities," which would not include transactions involving direct obligations of the US Government, shares of unaffiliated open end investment companies, commercial paper, certificates of

deposit, high quality short term investments and interests in qualified state college tuition programs.

- File quarterly reports and certifications of their personal securities transactions of covered trading activity and annual reports of brokerage accounts with our compliance officer.
- Not engage in short term trading of any shares of a registered investment company which is advised or sub-advised by an affiliated adviser, with the exception of money market funds.
- Not purchase IPOs or private placements without prior approval.

In addition, employees who make recommendations regarding the purchase or sale of securities for client accounts (i.e., Chief Investment Officer) are deemed to be “Investment Personnel,” and are subject to further restrictions with respect to their personal trading activities which include:

- Investment Personnel may not purchase or sell shares in an affiliated fund for their own account if any purchase or sale of such security has been made for a client account in the prior seven days. This primarily involves our mutual fund asset allocation services.

We may solicit clients to invest in the MIREF for which we are the discretionary manager and from which we derive a management fee. An individual who is a principal executive officer of NYLIC and New York Life Investments also serves as the Executive Vice President of McMorgan and as a member of its Real Estate Committee.

In order to address potential conflicts, McMorgan and New York Life Investments have implemented procedures to provide for the equitable allocation of real estate investment opportunities among the clients of both firms. McMorgan’s procedures include the adoption of a rotational allocation system to be utilized whenever a real estate opportunity meets at least one client’s investment criteria, and are intended to provide for the fair and equitable treatment, over time, with regard to suitable real estate investment opportunities for each client that has expressed interest in a particular real estate transaction.

We may solicit clients to purchase or sell mutual funds or private funds that are affiliated with us, and we may invest a client’s assets in mutual funds or separate accounts that are affiliated with us. We have procedures that require suitability determinations for all purchasers within a private fund. Please see *Other Financial Industry Activities and Affiliations* above. Additionally, our adviser affiliates may recommend investments that its affiliates also own, or may recommend investments in which its affiliates have a proprietary or other financial interest, which could pose potential conflicts of interest.

Each adviser affiliate has adopted a Code of Ethics which is designed to set forth the general fiduciary principles governing employees, require compliance with the Federal Securities laws, and detect and prevent conflicts of interest when employees engage in personal securities transaction. We perform periodic oversight of each affiliated sub-adviser’s Code of Ethics program.

In order to address potential conflicts of interest at a firm-wide level, McMorgan and each of its affiliates are autonomous and operate separately from each other and independent with respect to investment strategy, trading and operations. Furthermore, affiliates are generally not privy to another affiliates' information (such as advanced investment decisions, research, client information) that may potentially pose conflicts of interest. In the event such information is shared, the appropriate controls are placed around the information in order to limit any potential conflicts of interest. Specifically, New York Life Investments and its affiliates have established information barrier policies that serve to limit the dissemination of material non-public information.

Other potential conflicts associated with our affiliated advisers include:

- Unfair allocation of limited investment opportunities between affiliated and unaffiliated accounts.
- Preferential allocation of investment opportunities to affiliated accounts which pay a performance-based management fee.
- Placing trades for our affiliated accounts before or after trades for our other accounts to take advantage of (or avoid) market impact.
- Using information concerning transactions in an advisory affiliate's client accounts, or in *The MainStay Funds*, to the benefit of our client accounts.

These potential conflicts are mitigated by the fact that our affiliated insurance company general accounts have different investment strategies than our third-party accounts. As a result of these different strategies, transactions that are appropriate for an affiliated account may not be appropriate for an unaffiliated account and vice versa.

To further mitigate these potential conflicts of interest, in the event that a purchase or sale is appropriate for both an affiliated and an unaffiliated account, such orders at our affiliated advisers are typically aggregated or "bunched" as one order. These orders are then allocated across client accounts in a fair and equitable manner to ensure that no one client account receives preferential treatment over another (see "*Brokerage Practices*" below).

Adviser affiliates have policies that prohibit allocating or re-allocating securities to enhance the performance of one account over another or to favor any affiliated account over another account.

McMorgan performs limited securities trading and investment management functions. Individual investment decisions to purchase or sell equity or fixed income securities within separate account products are delegated to our affiliated advisers through sub-advisory agreements. With regard to securities transactions placed in our client separate accounts by sub-adviser affiliates, McMorgan does not have access to investment recommendations before the transactions are placed and generally receives trading information from our sub-advisers on the next business day after the transaction is placed.

A copy of the Code may be obtained by sending a written request to:
McMorgan & Company LLC
One Front Street, Suite 500
San Francisco, CA 94111
Attention: Chief Compliance Officer

Item 12. Brokerage Practices

Selection and Compensation of Broker-Dealers

We have delegated the brokerage selection for equity and fixed income separate accounts to our Sub-Advisers. We perform periodic oversight of this function. You can obtain sub-adviser policies regarding investment and brokerage selection within their ADV Part II which will be made available upon request.

Soft Dollar Arrangements:

We have delegated the trading and brokerage execution for equity and fixed income separate accounts to our sub-advisers. We perform periodic oversight of the use of soft dollar arrangements. We believe it is common practice for investment advisers and other investors to receive brokerage and research services from broker-dealers that execute portfolio transactions for clients, and from third parties with which such broker-dealers have arrangements. The brokerage commissions that are used to acquire research in these types of arrangements are known as "soft dollars".

An inherent conflict of interest exists because our sub-advisers could use their own resources to purchase these services. Thus, sub-advisers have an incentive to disregard their best execution obligation when directing transactions and an incentive to generate more trades to earn soft dollar credits for services. McMorgan does not enter into any soft dollar arrangements directly.

Our Sub-Advisers have adopted policies pertaining to their use of soft-dollar arrangements which are described in their ADV Part II which will be made available upon request. Copies will be provided upon client request.

Brokerage for Client Referrals

In selecting or recommending broker-dealers, our sub-advisers are prohibited from considering a broker-dealer's referral of clients to them. They also are not permitted to consider its sale of shares of *The Mainstay Funds* or of any private funds that any of our affiliates advise in selecting broker-dealers. While our sub-advisers may direct brokerage to broker-dealers that have consulting divisions that might refer clients or investors, there is no agreement to do so.

Directed Brokerage:

We have delegated primary responsibility for all trading functions for equity and fixed income separate accounts to our Sub-Advisers. We perform periodic oversight of these delegated functions. Based on written client communications, sub-advisers may accept directed brokerage arrangements. Clients who direct brokerage may pay higher commissions than those who do not since this limits the ability of sub-advisers to negotiate commissions for the clients. There may be a recapture component to the directed brokerage arrangement benefiting the client. Our sub-advisers have adopted policies pertaining to the use of directed brokerage which are described in their ADV Part II and will be made available upon client request.

Aggregation and Allocation of Orders:

We have delegated primary responsibility for all trading functions for equity and fixed income separate accounts to our Sub-Advisers. We perform periodic oversight of this delegated function. Our sub-advisers have adopted policies pertaining to the aggregation and allocation of orders which are further described in their ADV Part II and will be made available upon client request.

Item 13. Review of Accounts

Monitoring

McMorgan equity and fixed income separate accounts are monitored continuously by affiliated sub-advisers in an effort to make sure that client objectives are being achieved. Our sub-adviser's portfolio management teams are responsible for portfolio strategy and composition and managing client accounts in compliance with client investment guidelines and restrictions. Reviews may include (depending on the asset class) reviews of sectors, securities, trade levels, durations and yield exposures.

Formal weekly and informal ad hoc meetings are typically held to discuss portfolio positions, strategies, trends and relative value. Where possible, portfolio attributions versus the benchmarks are calculated monthly to determine how investment decisions and associated risks have performed. Quarterly portfolio reviews are also conducted which typically include a review of portfolio holdings, characteristics, strategies and account performance versus portfolio benchmarks.

In order to prevent guideline breaches, client guidelines that can be systematically monitored are entered into front-end trade order management and compliance monitoring systems on a pre-trade basis. Overnight compliance is run on client accounts daily. Dedicated compliance staff at the sub-advisers review and investigate any alerts or breaches identified by the system and report material items to McMorgan. In addition to the daily Compliance reviews described, portfolio activity is monitored and reviewed by portfolio management team members.

Our Chief Investment Officer conducts regular periodic reviews of portfolio performance results, trading activity and each sub-adviser's ongoing account review. The oversight process includes examination of compliance controls, review of internal and external audit results, operational infrastructure and changes in key personnel.

We also provide allocation services between mutual funds and a money market fund in accordance with investment management guidelines. Our Chief Investment Officer performs monthly or more frequent reviews of these allocations.

Real estate portfolios are managed in accordance with separate account guidelines and MIREF offering documents. Our portfolio manager and asset managers perform quarterly reviews of these parameters.

Client Reporting

The content and frequency of client reports vary by client. Reporting requirements are typically part of the contract negotiations and are memorialized in the signed investment management agreement. Our client reports typically include portfolio market values, certain transaction and performance information, holdings and information covering portfolio or economic outlook. Customized reporting is typically provided as frequently as requested by clients.

Item 14. Client Referrals and Other Compensation

From time to time, we may enter into agreements with our affiliated advisers to refer clients to each other. In this case, we may pay or receive a cash fee for such referrals. If we pay or receive a cash fee for client referrals, we comply with the requirements of the SEC's cash solicitation rule to the extent that they apply.

Item 15. Custody

We do not have direct custody of client funds or securities for our client accounts invested in equity, fixed income or real estate separate accounts or mutual fund allocation strategies. All client accounts are maintained at qualified custodians, such as banks or broker-dealers that are chosen by the client. Clients receive account statements directly from their custodians and should carefully review those statements. In addition, as requested, you may also receive periodic investment reports from us. When you receive a client investment report from us, you are encouraged to compare it to the account statement that you received from your custodian to identify any discrepancies.

With regard to our private real estate fund MIREF, we do maintain custody of the client funds and real estate assets. When we are deemed to have custody of a client's account, we comply with the custody rules under the Investment Advisers Act of 1940 which includes certain exemptions regarding pooled investment vehicles. We distribute MIREF's annual audited financials within 120 days following the fiscal year end. These rules are designed to limit the risk that client assets would be misappropriated.

Item 16. Investment Discretion

We have investment discretion to manage securities on behalf of client accounts. Clients may impose restrictions on this discretion by, among other things, prohibiting the purchase of specific securities, or prohibiting the purchase of securities within a specific industry. Clients may also restrict the use of certain broker-dealers to execute trades, or may restrict the amount of securities that can be bought or sold within the account.

Client imposed restrictions are detailed in the client's investment advisory agreement or in an amendment to the investment advisory agreement. Prior to opening a new client account, we obtain all necessary information to ensure that the account is properly established on our client management and portfolio accounting systems.

Item 17. Voting Client Securities

We will vote the proxies of our clients, where proxy voting authority has been delegated to McMorgan, solely in the interest of our clients and for the exclusive purpose of providing benefits to them. We will not subordinate the interests of clients to unrelated objectives. Additionally, we will vote each proxy received for any securities held by MIREF directly.

We have delegated the primary responsibility for voting the proxies of our equity separate account clients to MSI. We perform periodic oversight of MSI's proxy voting processes. McMorgan and MSI have each adopted proxy voting policies and procedures (the "Proxy Policy") designed to ensure that all proxies are voted in the best interest of our clients without regard to the interests of McMorgan, MSI or other parties.

Where clients have delegated authority to vote proxies to us, we will vote them in accordance with our Taft-Hartley Advisory Services policy which is based upon the AFL-CIO Proxy Voting Guidelines and comply with all the fiduciary standards delineated by the U.S. Department of Labor.

In voting proxies, material conflicts may exist when one of our affiliates:

- Manages the issuer's or proponent's pension plan.
- Administers the issuer's or proponent's employee benefit plan.
- Provides brokerage, underwriting, insurance or banking services to the issuer or proponent.
- Manages money for an employee group.

Additional material conflicts may exist if one of our affiliate's executives is a close relative of, or has a personal or business relationship with:

- An executive of the issuer or proponent.
- A director of the issuer or proponent.
- A person who is a candidate to be a director of the issuer.
- A participant in the proxy contest.
- A proponent of a proxy proposal.

A material conflict may also exist when an affiliated adviser manages a separate account, a mutual fund or other private investment fund that invests in *The MainStay Funds*.

If a potential conflict exists, our affiliated advisers have processes in place to forward override requests to a Proxy Voting Committee for appropriate resolution. The Proxy Voting Committee would consider the facts and circumstances of the potential conflict, and determine how to vote. This determination could include: permitting or denying the override request; delegating the vote to an independent third party; or obtaining voting instructions from the client.

Clients wishing to obtain either a copy of McMorgan or MSI's proxy voting policies and procedures or information as to how proxies were voted for securities held in their account, should send a written request to:

McMorgan & Company LLC
One Front Street Suite 500
San Francisco, CA 94111
Attn: Compliance Officer

Item 18. Financial Information

We are not required to file a balance sheet for our most recent fiscal year because we do not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance.