

ST. JAMES INVESTMENT COMPANY, LLC

PART 2A OF FORM ADV

THE BROCHURE

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This brochure provides information about the qualifications and business practices of St. James Investment Company, LLC ("St. James"). If you have any questions about the contents of this brochure, please contact us at 214-484-7250. 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 St. James is also available on the SEC's website at: www.adviserinfo.sec.gov.

Material Changes

St. James Investment Company's most recent update to Part 2 of Form ADV was made in October 2010. St. James' business activities have not changed materially since the time of that update. However, in 2010 the SEC required significant changes to the content and format of Part 2 of Form ADV. This brochure, which reflects those changes, is materially different from brochures used by St. James in prior years.

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Advisory Business

St. James was founded in March of 1999 and is owned by Brian Mark, Robert Mark, Larry J. Redell, and William Sachs. As of January 1, 2011 St. James managed \$504.7 million on a discretionary basis on behalf of 1,069 clients.

St. James is an independent, fee-only registered investment advisory firm providing customized portfolio management to private individuals, trusts and estates, charitable organizations, endowments, foundations, and retirement plans. St. James manages equity, balanced and fixed income portfolios using clearly defined investment objectives and guidelines established in consultation with our clients.

St. James provides asset management services to our clients. St. James primarily utilizes a value investment strategy which is implemented through the use of equity and fixed income securities, as well as open end mutual funds and Exchange Traded Funds ("ETFs and CEFs").

If a client's account is a pension or other employee benefit plan governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), St. James acknowledges that it is a "fiduciary" to the plan as that term is defined under Section 3(21)(A) under ERISA.

Fees and Compensation

Clients pay St. James an annual fee for services rendered under their respective investment advisory agreement. St. James calculates the annual fee according to the terms set forth below in the Fees and Compensation section. Fees are paid quarterly in advance or in arrears based on market value of the account on the last trading day of the previous quarter. Fees for partial quarters are prorated based on the number of days the client's account was open during the quarter. A client's account being managed for liquidation is included at the initial account date valuation for fee purposes. Clients understand that account assets invested in shares of mutual funds or other investment companies ("funds") are subject to additional fees and expenses, as set forth in the prospectuses of those funds, paid by the funds but ultimately borne by the client.

Fees are deducted from the client's managed account in accordance with this Brochure and the custodian's account application.

Refunds of fees may be available upon cancellation of the Investment Advisory Agreement as herein provided.

St. James wishes to state that, at times, the fees charged may be higher or lower than normally charged in the industry, and it is possible the same, similar, or significantly different services may be available from other investment advisers at higher or lower rates.

Some of the factors that determine which fee schedule is used and the total fee charged are the type of services provided, type of account being managed, the custodial arrangements, and the total assets under management from related accounts. St. James' investment management services allow for negotiable fees but are typically structured as follows:

Individually-Managed Accounts:

1. Standard Linear Fee Schedule

Portfolio Value	Maximum Annual Fee
Up to \$1,749,999.99	2.00%
\$1,750,000 – \$4,999,999.99	1.50%
\$5,000,000 +	1.25%

2. Standard Tiered Fee Schedule

Portfolio Value	Maximum Annual Fee
\$1 - \$349,999.99 (First \$349,999.99)	1.50%
\$350,000 - \$749,999.99 (Next \$449,999.99)	1.25%
\$750,000 +	0.90%

Sub-Advised Accounts:

St. James provides sub-advised portfolio management services for a number of independent Registered Investment Advisers, Broker-Dealers, Banks and Trust Companies. For servicing these individually managed accounts, St. James charges an annual asset management fee. Clients pay this fee quarterly in arrears or advance. St. James calculates this fee and debits the sub-advised client's account directly for those fees. When St. James renders investment management services on behalf of a client for a period less than a calendar quarter, St. James will prorate the fee on the basis of days in which the client's assets were managed over the number of days in the calendar quarter. St. James receives an annual fee of 0.75% based on the assets managed. The fee is negotiable based upon the type of services provided, type of account(s) being managed, the custodial arrangements, and the total assets under management from related accounts and size of the assets managed on behalf of the organization utilizing St. James as a sub-adviser.

Consulting Services Fees:

The fees for consulting services are negotiated between St. James and the Client. Fees are assessed on a flat fee for the consulting project and are a set dollar amount subject to our Consulting Services Agreement. This type of agreement is typically for an individual who wants a one-time analysis and discussion of their investments, or as desired by the individual(s).

Model Distribution:

In select circumstances, St. James distributes a model of an investment portfolio for an annual management fee of up to 0.75%. This fee is negotiable based on the size of the account and other factors that may be taken into consideration.

General Information on Fees:

In all matters, St. James' portfolio management services are analytical and advisory only and do not include legal or other professional services. St. James will work with legal, accounting, insurance or other professional advisors if requested by the client to ensure the coordination of all pieces involved in the investment management process, however, St. James is strictly a portfolio manager only and is not responsible for any of the client's outside service providers.

In addition, clients may pay fees for custodial services, account maintenance, transaction fees and other fees associated with maintaining an account. St. James does not share in any portion of such fees.

All fees paid to St. James for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus and will generally include a management fee, other fund expenses, and possibly a distribution fee. A client may invest in some mutual funds directly without the services of St. James. In that case, the client would not receive the services provided by St. James, which are designed, among other things, to assist the client in determining which investment management programs and money managers are most appropriate to the client's financial situation and objectives. The client should review both the fees charged by the funds and the fees charged by St. James to fully understand the total amount of fees to be paid by the client.

Performance Based Fees and Side-by-Side Management

St. James does not charge any performance fees.

Types of Clients

St. James generally provides advisory services to private individuals, trusts and estates, charitable organizations, endowments, foundations, and retirement plans. St. James requires that separately managed accounts under the Core Equity composite have a minimum of \$250,000 in total asset value to be managed. Exceptions may be made in certain situations.

Methods of Analysis, Investment Strategies and Risk of Loss

We employ a fundamental investment discipline to equity portfolio management. This discipline starts with a measurement of intrinsic value of a business in relation to the price of its shares. The higher the quality of the business in terms of financial strength, free cash flow, earnings growth and internal rate of return, the higher our view of intrinsic value and the more we find the investment attractive. Our investment research seeks to determine the appraised value of a company. The appraised value, or worth of a company, is sometimes referred to as intrinsic value, private market value, or break-up value. Investments are ideally made at a discount to our view of a company's current intrinsic value. This allows us to invest with a margin of safety, as we strongly believe that the price paid for a company will ultimately determine return. By adhering to the principles of intrinsic value and margin of safety, our investment philosophy typically runs counter to the general market psychology. The buying and selling of companies is therefore based on investment discipline, not popular opinion.

We contend that a well-researched concentrated portfolio of our best ideas provides the best opportunity to protect and grow capital. The typical portfolio will have no more than 25 companies, the majority of which are based in the United States. Portfolios are not constrained by market size or capitalization and a significant portion of portfolio assets may be invested in small, medium, or large companies with one market capitalization being more heavily weighted over the other at any given time.

The core effort in our research process is to determine a realistic approximation of fair value for a company's stock and, if fundamentally attractive, to purchase the stock at a substantial discount to fair value. Our expectation is to hold positions for approximately five years.

Stage One: Qualification

We typically begin with data from the Value Line Index – an equal-weighted stock index containing 1,700 companies from the NYSE, American Stock Exchange, and NASDAQ. Our first task is to eliminate companies with poor balance sheets. We avoid stocks which are new to the market, as it is difficult to ascertain realistic fair value based upon a short operating history.

Stage Two: Quantitative Valuation

Once pre-qualified, we evaluate remaining candidates via our analytical valuation models as we try to understand fair value. This process, based upon the classic value-oriented security analysis pioneered by Graham and Dodd, employs both absolute and relative criteria for determining fair value. On a relative basis, we will examine criteria such as price-to-earnings (P/E), price-to-book (P/B) and price-to-sales (P/S)

in comparison to historic levels. Ideally, we want market value of a security to be at least 40% below intrinsic value, narrowing the universe of prospective investments to approximately 50 undervalued opportunities.

Stage Three: Fundamental Qualitative Research

We further examine our undervalued subset of companies to understand why a particular company is inexpensive and if it is likely to move toward intrinsic value. Importantly, we carefully differentiate between short-term operating issues and fundamental weaknesses. As part of our diligence, we review a company's financial statements and corresponding filings, and conduct discussions directly with the company when necessary. Finally, our qualitative analysis always includes an assessment of senior management's expertise, shareholder orientation and insider ownership.

The result of this qualitative process is a final decision on the company under review. We determine if (1) we have an interest in purchasing a company's stock as well as (2) the preferred purchase price.

Stage Four: Portfolio Construction

Portfolios are constructed employing the 20 to 25 most attractive stocks across 12-20 industries of the 96 classified by Value Line. We employ a self-imposed restraint of investing no more than 20% in an industry.

Stage Five: Sell Discipline

Central to our philosophy is a strict sell discipline. Positions are sold if there is a significant change in long-term fundamental prospects or if the balance sheet is no longer sufficiently conservative. Further, our process determines a sell target at the time of portfolio inclusion – typically fair value +/- 10%.

The description contained herein is an overview of the risks entailed in ST. JAMES's investment strategy and is not intended to be complete. All investing involves a risk of loss and the investment strategy offered by St. James could lose money over short or long periods. Performance could be hurt by a number of different market risks including but not limited to:

Investing in securities is inherently risky. An investment in individual securities or in a portfolio of securities could lose money. The investments selected by St. James should be deemed speculative investments and are not intended as a complete investment program. These types of investments are designed for sophisticated investors who fully understand and are capable of bearing the risk of loss of their entire investment. St. James cannot give any guarantee that it will achieve its investment objectives or that any client will receive a return of its investment.

Bankruptcy of a broker or custodian could causes excessive costs or loss of investor funds. If a broker with whom St. James has an account becomes insolvent or bankrupt, St. James may be unable to recover all or even a portion of the assets maintained by clients with that broker. Similarly, if a custodian housing a client's securities or other assets becomes bankrupt or insolvent, the client may be unable to recover all or even a portion of the assets held by the custodian.

St. James may rely on information that turns out to be wrong. St. James selects investments based, in part, on information provided by issuers to regulators or made directly available to St. James by the issuers or other sources. St. James is not always able to confirm the completeness or accuracy of such

information, and in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and a result in losses.

St. James may fail to identify successful companies. Identifying undervalued securities and other assets is difficult, and there are no assurances that such a strategy will succeed. Furthermore, clients may be forced to hold such investments for a substantial period of time before realizing any anticipated value.

Investing in securities entails risks associated with the underlying business. Investments in securities entails all the risks associated with the underlying businesses, including reliance on a company's managers and their ability to execute business strategies. In addition, all businesses face risks such as adverse changes in regulatory requirements, interest rate and currency fluctuations, general economic downturns, changes in political situations, market competitions and other factors. St. James will not have day-to-day control over any company in which it invests for clients.

Disciplinary Information

St. James and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

Other Financial Industry Activities and Affiliations

Robert Mark and William Sachs are Members of SRCM LLC, the general partner of Source Rock Minerals LP ("Source Rock"), a legal entity formed to hold private oil and natural gas mineral and royalty interests. Some clients of St. James' clients have purchased limited partnership interests in Source Rock. This partnership is currently closed to new investors.

Robert Mark is the Manager of Voyager Advisors LLC, a legal entity formed to hold private timber interests. There are no clients of St. James invested in Voyager Advisors.

St. James is a SEC registered investment adviser. However, William Sachs is separately licensed as a registered representative of Summit Alliance Securities, a registered broker-dealer and a FINRA member firm. William Sachs receives no commission or additional compensation for accounts that are advised by St. James and clear through Summit Alliance Securities.

While employees endeavor at all times to put the interest of the clients first as part of St. James' fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest and may affect the judgment of these individuals when making recommendations.

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

St. James, its owners, employees and/or solicitors may buy or sell the same securities that St. James recommends to clients for their own accounts. St. James and its related parties earn no commissions.

No person associated with St. James may buy or sell any security prior to a known transaction(s) in a client's account so the associated person may not benefit from trades placed on behalf of clients. Because

these situations result in a conflict of interest, the following restrictions have been placed on all associated persons:

- An officer or employee of St. James should not buy or sell securities for their personal accounts if the decision to buy or sell is determined based on information learned from their position at St. James – if such information is not readily available to the investing public on reasonable inquiry.
- No officer or employee should place his or her interests in front of any advisory client. Nor should the interests of family or friends be placed in front of other advisory clients.
- St. James will maintain a list of all security holdings for it as well as anyone listed above.
- A principal or compliance officer of the firm shall review the holdings on at least a quarterly basis.
- St. James requires that all employees and officers of the firm act in accordance with all applicable Federal and State regulations governing investment advisory practices.
- Any individual that fails to follow these procedures may be subject to termination.

Code of Ethics

St. James has adopted a Code of Ethics Policy to prohibit conflicts of interest from personal trading by advisory personnel and has established standards of conduct expected of its advisory personnel.

St. James has set forth in the Code of Ethics Policy statements of general principals, required course of conduct, reporting obligations, and review and enforcement of the Code of Ethics Policy.

St. James will provide a copy of the Code of Ethics Policy to its clients or prospective clients upon written request.

Brokerage Practices

St. James will suggest the services of Schwab Institutional, which is part of Charles Schwab & Company, to its clients that St. James directly advises. In recommending Schwab Institutional, St. James considers a number of factors, including financial condition, acceptable recordkeeping, ability to obtain best price, market knowledge and expertise, commission structure, reputation and integrity.

When St. James acts as a sub-adviser, the adviser will direct the custody relationship.

A client may direct St. James to effect transactions in the client's account through a specific broker-dealer. Under such a directed brokerage arrangement, the client is responsible for negotiating terms for their account directly with the broker-dealer. For accounts subject to directed brokerage arrangements, St. James will not aggregate trades or seek better execution services or prices from other broker-dealers. Consequently, St. James may be unable to obtain best execution on behalf of clients that direct brokerage; such clients may pay materially disparate commissions, greater spreads, or other transaction costs, or receive less favorable net prices on transactions than would otherwise be the case.

Generally orders for the same security at the same broker/dealer are combined or "batched" to facilitate best execution concerns. St. James effects batched transactions in a manner designed to ensure that no participating client, including any proprietary account, is favored over any other client. Specifically, each

client that participates in a batched transaction will participate at the average share price for all of the St. James' transactions in that security on that business day, with respect to that batched order. Securities purchased or sold in a batched transaction are allocated pro-rata, when possible, to the participating client accounts in proportion to the size of the order placed for each account. St. James may, however, increase or decrease the amount of securities allocated to each account if necessary to avoid holding odd-lot or small numbers of shares for particular clients. Additionally, if St. James is unable to fully execute a batched transaction and St. James determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro-rata basis, St. James may allocate such securities in a manner determined in good faith to be a fair allocation. In addition, typically the trading sequence follows an alphabetical rotational system by custodian name so that clients of each brokerage firm, bank custodian or trust company will have their opportunity to participate in a transaction first. This rotational trading mechanism aims to provide for fair treatment for each client account. Employees of St. James will also participate in any trading done on an aggregate basis.

Review of Accounts

St. James reviews all accounts on at least a monthly basis by Robert J. Mark (Dallas) or Brian C. Mark (New York), each of which has Portfolio Manager duties dependant upon where the account is serviced. Larry J. Redell will also periodically review select accounts. Security weightings, cash level and client risk tolerance are considered. Particular attention is given to the strength of a company's balance sheet, return on invested capital, quality of earnings and price level. Account holdings will also be reviewed at any time as changing market conditions warrant.

St. James shall provide clients, via their custodian, with a report each month that lists all assets held by the client and the values of each asset. The client shall receive no less frequently than on a quarterly basis and withing 30 days within the end of such quarter the following reports:

- a) Portfolio performance over the last quarter and year
- b) Performance results of comparative benchmarks for the same periods
- c) Performance reported in compliance with GIPS standards
- d) End of quarter status regarding asset allocation
- e) Billing notification

Client Referrals and Other Compensation

St. James utilizes the services of various custodians / broker-dealers, collectively referred to as "Custodians." While there is no direct benefit received for the investment advice given to the client and St. James' use of these custodians, economic benefits are received by St. James which would not be received if St. James did not utilize the Custodians' services.

These benefits do not depend on the amount of transactions directed by St. James to the Custodians. These benefits may include: a dedicated trading desk that services clients of the Custodian exclusively, a dedicated service group and an account services manager dedicated to St. James' accounts, access to real time order matching system, ability to "block" client trades, electronic download of trades, balances and positions of the Custodians' web sites, duplicate and batched client statements, confirmations and year-end summaries, the ability to have advisory fees directly debited from client accounts (in accordance with state and federal requirements), availability of third party research, access to the mutual funds of the Custodians' affiliates, marketing support, and ability to participate in client referral programs. It should

be noted that all of these benefits are generally available today from a variety of large brokerage firms and clearing agents at no extra cost or special charge to the St. James Investment Company.

If a client is introduced to St. James by either an unaffiliated or affiliated solicitor, St. James may pay the solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. If the client is introduced to St. James by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of the solicitor relationship and shall provide each prospective client with a copy of St. James' written disclosure statement, including this Brochure, together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms and conditions of the arrangement between St. James and the solicitor, including the compensation to be received by the solicitor from St. James. Any affiliated solicitor of St. James shall disclose the nature of the relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of St. James' written disclosure statement.

Custody

All client assets are held in custody by unaffiliated qualified custodians, either broker/dealers or banks, but St. James can access client funds through its ability to debit advisory fees. For this reason St. James is considered to have custody of client assets. The custodians send quarterly account statements directly to clients. Clients should carefully review statements received from the custodian, and should compare these statements to any account information provided by St. James.

St. James may also have access to assets of those clients that are invested in Source Rock since members of St. James are members of the General Partner of Source Rock. Limited partners of Source Rock will not receive statements from the custodian. Instead the General Partner of Source Rock is subject to an annual audit and the audited financial statements are distributed to each limited partner. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the partnership's fiscal year end.

Investment Discretion

St. James does have the authority to determine, without obtaining specific client consent, the securities to be bought or sold and the amount of securities to be bought and sold. This is called discretion or discretionary authority. All discretionary authority is limited to the client's account as managed by St. James and to the limited power of attorney in the custodian's (Schwab Institutional, Fidelity Capital Markets, TD Ameritrade, Pershing or others) application.

Voting Client Securities

It is St. James' policy to vote proxies for all client accounts for which the Company has a direct relationship with the client. In cases where St. James has been engaged as a sub-adviser, St. James will not exercise proxy voting authority over these accounts unless the advisor or client engaging St. James for sub-advisory services has requested St. James to assume proxy voting responsibilities.

Objective: St. James recognizes that corporate governance and shareholder prospects can directly affect shareholder values. The purpose of this policy is to ensure that St. James proxies are voted in the best interest of St. James clients so as to maximize values over time.

Delegation: The Chief Investment Officer (“CIO”) has the responsibility for proxy voting and administration. The CIO may delegate such responsibility to professional members of the investment staff who are qualified to analyze proxy issues and exercise prudence when discretion is required to vote proxies. The CIO or designees are responsible for ensuring that they thoroughly understand the issues that arise in how proxies are voted. When appropriate, the CIO or the designee may consult with consultant or advisors.

Control: The CIO or the designee will vote proxies in a timely manner in accordance with the policy unless it is in the best interest of St. James’ clients to vote otherwise. St. James’ complete proxy voting policy and procedures are memorialized in writing and are available for review. The staff will maintain a record of votes on all proxy issues with the St. James’ complete proxy voting record available to clients. The CIO will not vote proxies when the custodian utilized by the client does not allow the advisory firm to provide this function. Please contact Amy Burson to obtain a copy of the proxy voting policy and procedures and/or proxy voting records.

St. James will not exercise class action voting authority over client securities. Any decision to participate in a class action proceeding shall at all times rest with client. Client shall in no way be precluded from contacting St. James for advice or information about a particular class action proceeding. However, St. James shall not be deemed to have voting authority solely as a result of providing such advice to client.

Financial Information

St. James does not require or solicit the prepayment of fees six months or more in advance.

St. James has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

