

FORM ADV – PART 2A: Firm Brochure

Bel Air Investment Advisors LLC

1999 Avenue of the Stars, Suite 2800

Los Angeles, CA 90067

310-229-1500

www.belair-llc.com

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This Brochure provides information about the qualifications and business practices of Bel Air Investment Advisors LLC (“Advisor” or “Bel Air”). If you have any questions about any of the information in the Brochure, please contact our Chief Compliance Officer at 310-229-1500. 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. Registration with the SEC or state authority does not imply a certain level of skill or training.

Additional information about Bel Air also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This brochure updates information regarding our assets under management, fee information, and including edits to make the document consistent.

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Item 4 – Advisory Business

Bel Air Investment Advisors LLC (the "Advisor") provides investment advisory services to a variety of individuals, families, trusts, institutional and corporate clients. Advisor provides investment advisory and consulting services primarily through separate accounts, managing such assets directly and in combination with the use of mutual funds, exchange traded funds, other pooled investment vehicles, and sub-advisers for particular and other specialized strategies. Advisor maintains several formal investment strategies that it manages internally (the Bel Air Core, Bel Air Select, Bel Air Absolute Return Fund, and Bel Air fixed income.) In managing accounts, Advisor will structure the client portfolios to account for client-specific needs and limitations, investment objectives and goals, and risk tolerance.

Advisor is registered as an investment advisor with the U.S. Securities and Exchange Commission, as is its advisory affiliate, Bel Air Management LLC ("BAM"). Additional information about BAM is contained in its Form ADV Part 2A.

Advisor was founded in 1997; Advisor is wholly owned by its employees, either directly or through their respective family or personal trusts. Messrs. Todd Morgan, Reed Halladay, and Darell Krasnoff are the principal owners (through trusts) of the firm.

Advisor also provides consulting services, in which instance it advises clients about investment advisers or pooled investment vehicles (i.e., hedge funds) to be retained directly by the client, if the client determines to select such managers/funds. Advisor evaluates investment advisers or particular investment strategies or vehicles, and if subsequently engaged by or on behalf of a client, monitors the activities of such investment advisers, strategy or vehicle for adherence to client investment objectives and risk considerations. Advisor also assesses the investment advisers' level of performance and recommends to clients whether to continue the relationship where appropriate. For these services Advisor receives either a fixed fee or a fee based on a percentage of the assets monitored by Advisor.

As of December 2011, Advisor had assets under management of approximately \$5.04 billion.

Item 5 – Fees and Compensation

Advisor receives an annual management fee of between 0.15% and 1.30% -- depending on the size of the account, nature of the investment strategy, services provided to the client, and whether a sub-adviser or fund is retained to pursue a particular strategy for the client. For equity strategies, Advisor charges an annual fee of between 0.35% and 1.30%; the annual fee for fixed income accounts ranges from 0.15% to 0.60%. The fees, which are negotiable (based on the size and nature of the account, the investment strategies used, and nature of the services provided), are charged quarterly in arrears and based on the average of the value of the assets in the accounts as of the end of each month. Advisor prorates the fee for the initial period and at the end of the relationship.

If a sub-adviser is engaged, client will pay the fee charged by that manager as an asset management fee, as well as an oversight fee to Advisor. Similarly, if a client invests in mutual funds, exchange traded funds or other pooled investment vehicles, there will be costs at the fund level (i.e., the expense ratio) as well as an oversight fee paid to Advisor. When Advisor or BAM is the investment advisor to the fund or pooled vehicle (and receives compensation from the fund – either directly or through its ownership interest in the fund sponsor), Advisor does not typically charge an oversight or separate management fee to clients for that investment. Advisor will, however, take the amount of the investment into consideration for the purpose of establishing the rate of the advisory fee for the client's accounts.

When acting solely as an investment advisory consultant, Advisor is paid a fixed fee, which is negotiated with the client.

Clients will be charged brokerage commissions (for equity transactions), ticket charges (which are applied to most transactions) and, for mutual funds, ETFs or other pooled investment vehicle, will incur the fund expenses incurred by the fund. Advisor's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which will be incurred by the client. For trades in equity securities where Advisor has the authority to determine or select the broker, clients pay the same commission rate, whether the transaction is executed through Bel Air Securities LLC (Advisor's affiliated broker-dealer ("BAS")) or through a prime or executing broker. Because the commission rate established by BAS is negotiated between Advisor and BAS, there are inherent limitations in that negotiation process.

In selecting mutual funds, Advisor seeks funds that have the most favorable expense ratio available (based on the ability to qualify for that share class) and, when feasible, does not impose sales charges or Rule 12b-1 fees (distribution fees). There will be circumstances in which the mutual fund that is selected for client investments will pay or incur such charges (which will be incurred by the client through ownership of the mutual fund). For those funds for which there is a Rule 12b-1 fee or sales charge, BAS will usually receive that fee when permissible.

Due to the common ownership between Advisor and BAS, when BAS receives a fee or commission the economic benefit will be received by the owners of Advisor. This presents a conflict of interest in that it may create an incentive to recommend investment products or funds based on the compensation received rather than solely on the needs of the client. Advisor will only effect transactions through BAS, however, when it is consistent with its duty to its clients. Clients have the option to purchase securities (including mutual funds) through other brokers or agents not affiliated with Advisor; however, such investments might be subject to different expenses (such as a different expense ratio for differing share classes) and will be subject to the charges imposed by the other broker-dealer. Advisor does not reduce its advisory fee to offset any Rule 12b-1 fee, commissions, or other expense incurred by clients except as required by applicable law.

BAM (an advisory affiliate of Advisor) serves as either the general partner or other affiliated role to a limited number of pooled investment vehicles; for its services, BAM will usually receive a performance and management fee. Although it will only recommend the purchase of a BAM-affiliated fund when the fund meets the investment objectives of the client, Advisor may have a motivation to refer clients to invest in a fund for which BAM receives a performance or management fee. Further, employees of Advisor may invest in BAM-affiliated funds or place orders through BAS without paying a fee or commission or at a reduced rate. That an employee is invested in such a fund may also raise certain, potential conflicts of interest. Advisor believes, however, that having its employees invested in BAM-affiliated funds places the interests of those persons (as well as Advisor) in line with the interests of clients.

In addition, BAS and JP Morgan Clearing Corporation have entered into a clearing agreement that provides that BAS will use JPMCC as its exclusive clearing agent. JPMCC imposes a charge for individual transactions, and BAS passes along such charge to clients (which is described as a "ticket charge" or "service fee" on the trade confirmation). Under the clearing agreement, BAS receives a negotiated credit from JPMCC (for obligations that JPMCC previously incurred or supplied directly, such as rent, and computer and software systems), in addition to a portion of the interest charged by JPMCC on debit balances and short positions, a portion of the interest charges on client accounts, and a portion of the rebates or distribution fees paid to JPMCC on mutual fund balances (when permitted). Revenue generated by BAS and items of value received by BAS through the clearing arrangement with JPMCC will benefit the principals of Advisor due to the common ownership. Advisory fees paid by clients are not reduced or offset by these sources of income or these benefits unless required by law.

Clients may choose to have advisory fees deducted quarterly from their custodial account to facilitate billing, or to be invoiced quarterly. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, all earned, unpaid fees will be due and payable.

The custodial firm used by the client may charge additional fees or expenses, which may include transaction fees on purchases or sales of securities. In some instances, the custodian

may charge custodial fees and account maintenance fees (particularly for IRA and other retirement accounts).

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

Advisor does not currently charge performance-based fees. Its advisory affiliate, BAM, receives performance fees, either directly or indirectly, from the funds for which it acts as general partner or otherwise participates in the ownership of the general partner of the fund. Such arrangements are solely with qualified clients, subject to Section 205(a)(1) of the Investment Advisers Act of 1940 ("Advisers Act") in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, BAM will include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for Advisor or BAM to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. All clients will be treated fairly and, to the extent feasible, uniformly (subject to the investment objectives, restrictions, and risk tolerance of the different clients).

Item 7 – Types of Clients

Advisor provides investment advisory services to ultra high net worth individuals, their family members, related investment vehicles and trusts, as well as, charitable institutions, foundations, and other institutional clients. While Advisor may, as an accommodation, accept accounts that have fewer assets, clients of Advisor generally have investable assets of \$20 million.

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

Methods of Analysis. In providing investment advisory services, Advisor's analysis methods include a review of the fundamentals of the securities recommended for client accounts, other fundamental analysis, technical factors (including at times review of charting) as well as the cyclical elements of the securities markets (to a more limited extent) and economic cycles. While a number of different factors, data and information will be considered and used by Advisor in making securities selection decisions, the primary method used by Advisor is fundamental analysis.

Investment Strategies. Advisor offers its investment advisory services principally through different investment strategies or platforms: Bel Air Select; Bel Air Fixed Income; Absolute Return Fund; Bel Air Core; Energy Infrastructure Fund; and its open architectural platform (multi-manager platform).

Each strategy used (whether one of the internally managed strategies or on the multi-manager platform) may engage in frequent trading (depending on market conditions and the performance of the individual securities identified for the strategy). Such trading, particularly when there is an additional expense or cost associated with the transaction, can adversely affect performance.

Bel Air Select. The Bel Air Select is a concentrated portfolio of between 15-25 securities, most of which are large cap, U.S. domestic securities. The strategy may, at any given time, hold small- and mid-cap in addition to large-cap stocks, as well as securities of multi-national corporations. The strategy is not diversified across industry sectors or groups and there is no weighting as to such sectors or groups within the strategy. In addition, to the risks inherent in investing in equity securities generally, a concentrated portfolio, such as the Select, presents certain risks because it is not as widely diversified across different types of stocks and asset classes.

Bel Air Fixed Income. Individual client portfolios of fixed income securities are constructed to meet the investment objective, income needs and risk profile of individual clients. Portfolios are constructed individually with an emphasis in selecting the securities on credit quality and liquidity. Due to the tax status of most clients, a substantial portion of client's fixed income portfolios will usually be invested in municipal bonds or other tax-advantaged fixed income instruments. The strategy invests in debt instruments primarily of domestic U.S. issuers. In addition to the risks of investing in fixed income instruments (credit risk; default risk; re-investment risk; interest rate risk and repayment risk) the municipal bond market can be particularly inefficient as it is a regional over-the-counter market with a large number of issuers with a general lack of transparency.

Bel Air Absolute Return Fund. The Bel Air Absolute Return Fund ("Absolute Return Fund") is a fund of hedge funds that invests in a number of other managers selected by Advisor. Those underlying managers employ a variety of different investment strategies (i.e., long/short, equity hedging, event driven, distressed securities, emerging markets, managed futures, convertible arbitrage, fixed income and global macro, among others). Each of those particular strategies involve risks associated with the use of that strategy. In addition to general market risk, the interests in the fund are not registered with the SEC or state securities regulators. Further, redemption from the fund may only be made at the end of a calendar quarter and only after an investor has been invested in the fund for a minimum of one year. There are a number of other risk factors that are pertinent to an investment in the Absolute Return Fund, which factors are described in detail the fund's private placement memorandum. Investors are encouraged to review that document, as well as the fund's other documents, in detail prior to making an investment in the fund.

Bel Air Core. The Bel Air Core is a long only equity strategy that invests in large capitalization, primary U.S. domestic, securities. The strategy typically has between 40-50 securities in the portfolio. For each sector within the S&P 500 that accounts for more than 5 percent of the value of that index, the Core will have investments in that sector with a weighting of at least 50

percent and no more than 200 percent. The performance of the individual companies within the sector, and the performance of the defined sector itself, will have a primary impact on performance.

Energy Infrastructure Fund. The fund invests in securities of issuers of energy-related master limited partnerships (“MLPs”), MLP affiliates, and other energy midstream or infrastructure energy companies, particularly those participating in the business of operating oil and gas pipelines, terminals and storage facilities. BAM serves as a general partner of the Energy Infrastructure Fund; however, the fund’s other general partner makes the investment decisions and places the trades for the purchase and sale of securities for the fund. There are a number of risk factors that are pertinent to an investment in the fund, which factors are described in detail the fund’s private placement memorandum. Investors are encouraged to review that document, as well as the fund’s other documents, in detail prior to making an investment in the fund. In addition to general market risk and the concentration of the fund’s investments in energy sector, the interests in the fund are not registered with the SEC or state securities regulators. Further, redemption from the fund may only be made at the end of a calendar month, limiting the liquidity of an investment in the fund.

Bel Air Multi-Manager Platform. Advisor conducts research on outside managers, mutual funds, ETFs, and other pooled investment vehicles that it, if consistent with the client’s investment objectives and risk profile, recommend for investment. These strategies include a wide array of strategies, including large cap, mid cap, small cap, high yield, distressed debt, foreign debt funds, emerging markets funds, among others. The investments made in securities are subject to the risks inherent in investing generally and that particular strategy, such as political risks, economic risks, currency risk. Also, the ability of Advisor to identify and select managers that will perform in accordance with the manager’s investment mandate, as well as the individual managers to identify and select securities within that mandate, are additional risks inherent in the platform.

Risk of Loss. Investing in securities involves risk of loss that clients should be prepared to bear. As with all investments, there are risks inherent in investing in securities, which risks vary depending on the nature of the investment, the strategy pursued, the type of instrument used to pursue or give effect that strategy, the conditions and performance of the U.S. and global economies, as well as the performance/financial condition of the individual company or entity issuing the security. As with all investments, the value of the investment at the time of sale will fluctuate and might be greater or less than the value at the time of purchase. Primary risks inherent in investing in the types of securities used for client accounts include: risk of loss of principal; interest-rate risk; credit risk; currency risk; reinvestment risk; economic risk; political risks and currency risk (principally for foreign securities); liquidity risk; risk of default; liquidity risk; inflation and market volatility in general.

While Advisor seeks to assess the merits of investing in a particular security based on the perceived risks and potential rewards, there are no assurances that Advisor’s assessments will

be correct or that subsequent events or company or market changes will not render the assessment incorrect at a later time.

Investments in pooled investment vehicles (such as the Absolute Return Fund and the Energy Infrastructure Fund, as well as the individual mutual funds and ETFs on the multi-manager platform) entitle various risks, many of which are specific to the particular investment vehicle. Each pooled vehicle has a detailed discussion of risks that are applicable to it as part of its private placement memorandum or prospectus/statement of additional information. Investors are encouraged to review those documents in advance of any investment for a complete discussion of those risks.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Advisor or the integrity of Advisor's management. Advisor has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Advisor and BAS are under common control. In addition, Advisor is the sole owner of BAM. Advisor recommends, when appropriate based on the investor's investment objective and risk profile, that clients invest in funds for which BAM serves as general partner or otherwise has an interest in the fund or fund sponsor. Advisor will, as a result of a client investment, indirectly receive revenue, from the fund because of its ownership of BAM. Because Advisor does not typically charge a separate fee for its services for the client investment in such fund there is no extra layer of fees to the client. Advisor will only recommend investments in funds when the investment is consistent with the client's investment objective, goals, and risk profile.

Advisor selects or recommends other advisers for clients, both as part of its consulting services and as an investment adviser (i.e., the multi-manager platform). Other advisers are identified and selected based on a number of factors, the primary one of which is the adviser's ability to perform in managing assets in asset classes for which it has indicated expertise. Advisor recommends or selects such advisers either directly (through separately managed accounts held in the name of the client) or through an investment vehicle, such as a mutual fund or alternative investment (such as a hedge fund).

On a very limited basis, and only with disclosure and client consent, Advisor will receive compensation for recommending another adviser to client. When such arrangements occur, Advisor's practice is to apply the compensation received from the other adviser as an offset to the fee the client would have otherwise paid to Bel Air.

BAS has entered into a clearing agreement with JPMCC under which JPMCC acts as custodian and clearing agent for Advisor's clients and BAS's customers whose assets are custodied at JPMCC. For those clients who elect to custody cash and securities elsewhere, JPMCC may, at the direction of Advisor, assist in clearing trades to settle at client's designated custodial broker or bank. JPMCC imposes ticket charges on trades that are cleared through JPMCC and these charges are paid by clients, which fee is remitted to JPMCC. BAS receives a portion of the interest charged on debit balances and short positions by JPMCC, certain additional credits, a portion of the interest paid on client accounts, and a portion of the rebates paid to JPMCC by money market funds in which cash in client accounts may be invested, unless prohibited by applicable law.

Clients of Advisor generally will authorize and direct it to execute securities transactions through BAS as introducing broker. BAS will receive commissions for client trades that it handles as well as income and other benefits resulting from BAS's clearing agreement with JPMCC. BAS will also receive fees for acting as placement agent for pooled investment vehicles in which clients of Advisor invest. By virtue of the common ownership of Advisor and BAS, the executive officers and owners of Advisor will indirectly receive (through the corresponding ownership of BAS) the economic benefit of the commissions and other sources of income noted above. In addition, BAS may choose to pay a portion of these commissions and this income to its registered representatives, who are also employed by Advisor. As a result of the common ownership and payment of commissions, BAS may have a conflict of interest in limiting commissions and other transaction costs when executing brokerage transactions for advisory clients. Moreover, due to the common ownership between Advisor and BAS, there are inherent limitations regarding the negotiation of commission rates for transactions handled by BAS.

BAM serves as the general partner of the Bel Air Absolute Return Fund LP, which is a fund of funds. In addition, BAM serves as general partner of the Energy Infrastructure Fund LP, which invests in energy-related master limited partnerships and other energy-related companies. Also, BAM is a corporate affiliate of the Bel Air Energy MLP Infrastructure Fund, LP. BAM receives a fee paid from the management fee and performance fee for its various roles from the related funds. Details regarding the investments made by each fund are described in the fund's private placement memorandum and other fund documents, which investors are encouraged to read prior to any investment. Advisor is the sole member of BAM.

Advisor recommends that its clients invest in funds from which BAM receives either a portion of the management fee, performance fee or both. When BAM receives a portion of such fees, Advisor typically does not apply a fee for its services to the client. Due to the existence of a fee sharing arrangement for BAM or Advisor's ownership interest in BAM, Advisor may have a motivation to refer clients to invest in such funds. Further, employees or principals of Advisor may invest in such funds and such investments will typically have either a reduced or waived fee. That an employee or principal of Advisor is invested in a such fund may also raise certain potential or actual conflicts of interest. Advisor believes, however, that on balance having its employees and principals invested in funds that BAM is affiliated with places such persons' interests in line with those of its investment advisory clients.

Also, employees of Advisor may receive, directly or indirectly, a portion of certain fees, concessions or other remuneration for their personal investments in unregistered investment pools or other investments. Such benefits might not typically be available to clients, and therefore, employees of Advisor may receive a benefit in connection with client transactions or transactions in the same securities as those purchased by clients. In addition, and unlike transactions executed for the benefit of Advisor's clients, securities transactions executed through Broker/Dealer on behalf of Advisor's principals, employees and most family-related accounts are processed without commission charges. Although commissions are not charged to these related persons, they do pay clearing expenses to Broker/Dealer which expenses are similarly paid by Advisor's clients. Advisor's principals, employees and their related accounts will continue to receive the benefit of commission-free trading regardless of the amount of client transactions placed with Broker/Dealer.

Item 11 – Code of Ethics

Code of Ethics and Personal Trading. Advisor has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. Included within the code is a policy to conduct Advisor's activities in accordance with the highest ethical standards and in accordance with all applicable laws and regulations. In addition, the code provides that employees are required to provide Advisor with information as to transactions and holdings in employee accounts. (For purposes of the policy, an employee's or principal's "personal account" generally includes any account (a) in the name of the employee or principal, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which the employee or principal is a trustee or executor, or (c) which the employee or principal controls). Also, certain non-public investment opportunities are brought to Advisor's attention through the personal relationships with Advisor's employees or affiliates (instead of client account activity), clients may not be given the opportunity to invest in these securities absent unusual circumstances. Instead, Advisor's employees or affiliates may invest in these non-public securities for their own accounts.

All supervised persons must acknowledge the terms of the Code of Ethics annually, or when the code is amended. A copy of Advisor's code of ethics is available upon request.

Participation or Interest in Client Transactions. In the course of providing advisory services, Advisor may simultaneously recommend the sale of a particular security for one account while recommending the purchase of the same security for another account if such recommendations are consistent with each client's investment objectives and guidelines. In certain circumstances, Advisor will give effect to such recommendations through "crossing transactions" for clients without causing these clients to incur brokerage commissions or transaction charges (clients, will however, pay applicable ticket and clearing charges).

In certain circumstances, and in compliance with applicable laws, Advisor will execute "agency cross" transactions when it has an advisory client effecting a transaction and a brokerage customer of the Broker/Dealer on the other side of the trade. These crossing transactions occur when they are in the best interests of the advisory client to be on the other side of the

transaction. In these circumstances, Advisor will effect such transactions in accordance with Rule 206(3)-2 under the Advisers Act (See Item 12 below).

Advisor may recommend to clients the purchase or sale of securities in which it, or its owners, officers, employees, or related persons have a financial interest, including the Absolute Return Fund and the Energy Infrastructure Fund. Moreover, Advisor permits its employees to engage in personal securities transactions. It is possible that owners, officers, employees, or related persons of Advisor may buy or sell securities or other instruments that Advisor has recommended to clients and may engage in transactions for their own accounts in a manner that is inconsistent with Advisor's recommendations to a client. Personal securities transactions by employees may raise potential conflicts of interest when such persons trade in a security that is owned by, or considered for purchase or sale for, a client. Advisor has adopted policies and procedures designed to detect and prevent such conflicts of interest. When such conflicts do arise, the policies and procedures are designed to result in the Advisor effecting transactions for clients in a manner that is consistent with its fiduciary duty to its clients and in accordance with applicable law. Persons associated with Advisor who wish to purchase or sell securities of the types purchased for clients may do so only in a manner consistent with Advisor's fiduciary obligations.

Advisor anticipates that, in appropriate circumstances and consistent with clients' investment objectives, it will cause accounts over which Advisor has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Advisor, its affiliates and/or clients, directly or indirectly, have a position of interest. In addition, there will be circumstances in which Advisor personnel will trade for their personal accounts in a manner that differs from actions taken for client accounts, including in securities which are recommended to and/or purchased for Advisor's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Advisor will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Advisor's obligation of best execution. Advisor's principals and employees, as registered representatives of BAS, may, directly or indirectly, receive a portion of the commissions charged on transactions executed for client accounts when client trades are executed through BAS. Also, employees of Advisor may receive, directly or indirectly, a portion of certain fees, concessions or other remuneration (including 12b-1 fees) for their personal or client investments in unregistered investment pools or mutual funds. Such benefits might not typically be available to clients, and therefore, employees of Advisor may receive a benefit in connection with client transactions or transactions in the same securities as those purchased by clients. In addition, and unlike transactions executed for the benefit of Advisor's clients, securities transactions executed through BAS on behalf of Advisor's principals, employees and most family-related accounts are processed without commission charges. Although commissions are not charged to these related persons, they do pay clearing expenses

to BAS which expenses are similarly paid by Advisor's clients. Advisor's principals, employees and their related accounts will continue to receive the benefit of commission-free trading regardless of the amount of client transactions placed with BAS.

Item 12 – Brokerage Practices

As noted in Item 10 above, Advisor has an affiliated broker-dealer to which it will place orders for the purchase or sale of securities. Most transactions in fixed income instruments will be handled by Advisor's broker-dealer affiliate, BAS. Neither Advisor nor BAS charges a commission, mark-up or spread on fixed income transactions. In addition, orders for the purchase or sale of mutual funds will also be placed through BAS. As with fixed income instruments, no commission or mark-up is applied to transactions in mutual funds. Equity orders, options and orders for exchange-traded funds are often placed through BAS. A commission will be applied to such orders, in accordance with the commission schedule then applicable.

In addition, Advisor will direct orders on a prime brokerage basis to third-party brokerage firms (consistent with its best execution obligations). For those clients that are not eligible to engage in prime broker trading (i.e., account is maintained on a deliver versus payment basis, the account does not have sufficient assets to qualify for prime brokerage, or the agreements required under securities regulations are not in place for the account) the orders will typically be placed with BAS. Clients that are not prime broker eligible will not typically be able to use prime or executing brokers other than JP Morgan. Also, such clients might not be in a position to receive issuances of New Issues (i.e., initial public offerings) or secondary offerings unless JP Morgan accepts an allocation as part of the underwriting syndicate.

For transactions across an equity strategy managed by Advisor, there will be at least two orders (and different execution channels used for those trades). So as to not have orders potentially competing with each other in the open market, one order will usually be completed prior to placing the order for the other portion of the strategy trade. Prices that clients receive will differ between the orders because the orders cannot be combined or "bunched" to give an average price. While Advisor has implemented order handling procedures designed so that clients are treated fairly, there might be instances in which one of the orders is not placed until a later time due to the inability to execute the first order because of market conditions or limited liquidity at the intended execution price. In that circumstance, execution prices could differ significantly. Also, when only a portion of the order is executed, clients will receive only a portion of the intended amount (typically on a pro rated basis). If the price of the security changes substantially, the portfolio manager may decide to not execute the remainder of the initially intended order.

Advisor or the sub-advisor (if it so chooses) may execute client transactions directly through BAS or indirectly by executing client transactions through another broker-dealer and causing that broker-dealer to "step out" a portion of the transaction effected through that broker-dealer to

BAS. When transactions are executed directly or indirectly through BAS, BAS earns transaction-based compensation and this compensation results in an economic benefit to Advisor and its principals. In the event that a client or an account is managed in whole or part by a sub-advisor (through a consulting arrangement or multi-manager platform) the corresponding sub-advisor retains the discretion to place trades for the account; as such, the assets or entire accounts, as applicable, placed with sub-advisors will not be taken into consideration by Advisor in making decisions as to whether to allocate for, participate in, or receive any pro rata distribution of, investments in New Issues, as defined below.

In selecting a broker to execute a transaction for a client, Advisor may consider a variety of factors, including the following: the broker's capital depth; the broker's market access; the broker's transaction confirmation and account statement practices; Advisor's knowledge of negotiated commission rates and spreads currently available; the nature and character of the markets for the security or instrument to be purchased or sold; the desired timing of the transaction; the execution, clearance and settlement capabilities of the broker selected and others considered; the reputation and perceived soundness of the broker selected and others considered; Advisor's knowledge of any actual or apparent operational problems of a broker; the other services, including research, supplied by the broker/dealer; and the reasonableness of the commission or its equivalent for the specific transaction.

In directing orders to broker-dealers for execution services, Advisor will take into consideration whether the broker provides research to Advisor, as well as the quality of the research provided (in addition to the execution capability of the broker). The research received will be used, to the extent feasible, to benefit all client accounts; the benefits are not therefore limited to those clients who may have generated a particular benefit although certain soft dollar allocations are connected to particular clients or groups of clients. As a result, a client may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client. Brokers selected by Advisor may be paid commissions for effecting these transactions for Advisor's clients that exceed the amounts other brokers would have charged for effecting these transactions if Advisor determines in good faith that such amounts are reasonable relative to the value of the brokerage and/or research services provided by those brokers, viewed either in terms of a particular transaction or Advisor's overall duty to its discretionary client accounts.

BAS may act on an agency or "agency cross" basis to the extent permitted by law, and will be entitled to compensation for its agency services. Agency cross transactions occur when an advisory client is on one side of the transaction and a customer of BAS is on the other side of the transaction. (These types of transactions are distinct from "crossing" transactions where advisory clients are on both sides of the transaction. In "crossing" transactions, clients do not pay transaction-based compensation to BAS or any other broker-dealer for effecting such transactions; clients do pay, however, a ticket charge for clearing services.) When affecting an agency cross transaction, Advisor will obtain market quotes from reliable unaffiliated broker/dealers and effect these transactions at the highest quoted bid price. Clients may revoke

this authorization at any time by written notice to Advisor. Neither Advisor nor BAS may act as principal in connection with any advisory client transaction, except as provided by law.

Advisor will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker and thereby justify higher commissions or their equivalent than would be the case with other transactions requiring more routine services. In addition, when selecting brokers to execute transactions, in rare circumstances Advisor may, consistent with its best execution obligation, consider as a factor whether the broker has referred clients to Advisor. Advisor will not have specific arrangements or use a specific formula to determine precise amounts in connection with this factor

When consistent with the best interests of Advisor's clients, orders being placed at the same time for the accounts of two or more clients may be "bunched" or placed as an aggregated order for execution. Bunching orders may enable Advisor to seek more favorable executions and net prices for the combined order. Any orders placed for execution on an aggregated basis are subject to Advisor's order aggregation and allocation policy and procedures that are designed to ensure that clients are treated in a fair and equitable manner. This policy and these procedures are intended to meet, where applicable, the legal standards applicable to Advisor under federal and state securities laws and the Employee Retirement Income Security Act of 1974 and its obligations as a fiduciary to each client. Pursuant to this policy, orders to purchase or sell securities for all accounts managed by Advisor, including proprietary accounts of Advisor, its affiliates and related persons, and accounts in which any of them has a beneficial interest, may be aggregated or "bunched" for execution.

When trades are bunched, clients will receive the average share price, share transaction costs (other than commissions in instances in which an order for an employee or employee-related account is bunched with other client orders) on a pro rata basis based on each client's participation in the transaction, and be charged the pre-determined commission rate, which may vary from client to client and will be lower for employee and employee-related accounts. Clients may limit Advisor's authority to combine or bunch such orders. In such situations, Advisor may not be in a position to negotiate equal or similar commission rates or spreads that it is obtaining for its other clients and such client will not necessarily receive the same price as the average price shared by clients participating in the aggregated order. In addition, Advisor executes non-directed aggregated orders typically before directed orders. In placing certain securities transactions, particularly transactions in smaller cap issuers, Advisor's non-directed aggregate order put into the market first may have an impact on the price of securities executed after the directed aggregate order has been executed. As a result, directing such transactions to a specific broker-dealer may result in higher commissions, greater spreads, or less favorable net prices than would be the case if Advisor were authorized to combine or bunch transactions for the client's account.

Advisor has separate procedures covering the aggregation and allocation of securities sold in underwritten public offerings ("New Issues"). Generally, these procedures contemplate aggregating purchases for advisory clients based on the investment strategy pursued by the

client (and which investment meets client's objectives, restrictions, and risk profile). When the amount available is less than the original order, the reduced amount will generally be allocated to advisory clients proportionally to the original order, although allocations of partially filled orders may not be proportional from time to time (particularly when the execution represents a small percentage of the order). In cases where a reduced or nominal amount is received, shares will be allocated on a rotational basis by advisory client account number order. When a New Issue meets the investment criteria of more than one strategy and the respective portfolio manager or management teams determines that the New Issue is suitable for the corresponding strategy, the New Issue will be allocated among the strategies first relative to total equity assets invested in the participating strategies and, then within each strategy. Advisor recognizes a theoretical conflict of interest exists in any decision to allocate investment opportunities, including New Issues, to strategies that have higher management fees. Nonetheless, Advisor will make allocation decisions emphasizing the quality and associated risks of New Issues and the suitability of the investment for the particular investment strategy.

In some circumstances, a client will designate a particular broker/dealer through which trades are to be effected or placed, typically under such terms as the client negotiates with that particular broker or dealer. Where a client has directed the use of an unaffiliated broker or dealer, Advisor generally will not be in a position to negotiate commission rates or spreads freely or, depending on the circumstances, to select brokers or dealers based on best execution. Additionally, transactions for a client that has directed that Advisor use a particular broker/dealer may not be commingled or "bunched" for execution with orders for the same securities for other managed accounts, except to the extent that the executing broker or dealer is willing to "step out" such transactions to the client's designated broker or dealer.

Trades for a client that has directed use of an unaffiliated broker or dealer may be placed at the end of bunched trading activity for a particular security. Accordingly, directed transactions may be subject to price movements, particularly in volatile markets, that may result in the client receiving a price that is less favorable than the price obtained for the bunched order. Under these circumstances, the direction by a client of a particular broker/dealer to execute transactions may result in different commissions, greater spreads, or less favorable net prices than might be the case if Advisor were empowered to negotiate commission rates or spreads freely, or to select brokers or dealers based on best execution, and if the broker/dealer is not one used regularly by Advisor, there may be additional credit and/or settlement risk.

Soft Dollar Practices. Consistent with obtaining best execution for clients, Advisor may direct brokerage transactions for clients' portfolios to brokers who provide research and execution services to Advisor and, indirectly, to Advisor's clients. These services generally would be of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment Advisor's own internal research and investment strategy capabilities. Advisor does not generally attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research it receives will help Advisor to fulfill its overall duty to its clients. Advisor uses research obtained in this manner for the benefit of all of its clients. As a result, a client may pay brokerage commissions

that are used, in part, to purchase research services that are not used to benefit that specific client. Brokers selected by Advisor may be paid commissions for effecting these transactions for Advisor's clients that exceed the amounts other brokers would have charged for effecting these transactions if Advisor determines in good faith that such amounts are reasonable relative to the value of the brokerage and/or research services provided by those brokers, viewed either in terms of a particular transaction or Advisor's overall duty to its discretionary client accounts. Advisor does not apply a "mixed-use" allocation to the credits and services received indirectly through the clearing arrangement with JPMCC.

Prime Brokerage. Advisor maintains on behalf of client, "prime brokerage" arrangements, with several broker-dealers (each a "Prime Broker"). Through these arrangements, Prime Brokers will provide certain record keeping services and perform the following functions, among others: (1) arrange for the receipt and delivery of securities bought, sold, borrowed, and lent; (2) make and receive payments for securities; (3) maintain custody of cash and securities; (4) deliver cash to accounts; and (5) tender securities in connection with tender offers, exchange offers, mergers, or other corporate reorganization. Securities transactions for client accounts placed with Prime Brokers will generally be cleared through JPMCC.

Advisor has established and maintains general trade allocation policies and procedures designed so that over time trades are allocated among client accounts for which such trades are appropriate in a fair and equitable manner.

Clients generally will authorize Advisor to determine the broker/dealers (including BAS) to which to place their securities trades, as Advisor deems appropriate. By so authorizing Advisor to place orders in this manner, Advisor may direct orders to BAS or other firms that may provide Advisor with a direct or indirect benefit in the form of commissions (for orders placed with BAS), research, or other services. In particular, to the extent that orders are placed with broker/dealers from which Advisor receives a benefit (including BAS), the commission rates, clearing and execution costs for client account transactions, and correspondingly the rates and costs clients pay, may not be as favorable as the rates and execution costs that Advisor might be able to obtain at broker/dealers that do not provide Advisor with such benefits.

BAS earns transaction-based compensation and this compensation results in an economic benefit to Advisor. BAS acts as placement agent for the funds, including those for which BAM acts as general partner or other corporate affiliate. For that role BAS receives a fee from fund that would otherwise have been payable to BAM as management or performance fees. (Clients do not pay "twice" for such services). The ownership of BAS is the same as for Advisor.

Advisor maintains a facilitation account for the benefit of clients. The facilitation account is used as an execution channel that allows Advisor to efficiently buy and sell securities for its clients while maintaining client confidentiality. No securities purchased or sold through the facilitation account is for the benefit of Advisor, any of its principals, officers or employees. Furthermore, Advisor does not maintain an inventory of securities nor does it trade for its own account. Thus, securities purchased or sold through use of the facilitation account is free of any mark-ups or mark-downs. For a very brief period of time, however, Advisor could be viewed as technically

"owning" the securities bought or sold through these accounts on what might be referred to as a "riskless principal" basis. Nevertheless, Advisor believes that the use of this account and the subsequent ease of clearing and settling these transactions through BAS's clearing firm, JPMCC, is more efficient relative to other methods for investing client assets and in the best interest of its clients.

In the event that Advisor has erred in handling or executing a client transaction (e.g., purchase instead of sale; incorrect amount, account or symbol; inadvertent trade through account restriction; or other error/mistake) the client account will be placed in the same position, to the extent feasible, as if the error or mistake had not taken place. As a policy, no client will be disadvantaged as the result of a trading error or mistake. Advisor will bear the economic risk of returning the client to the position the client would have been but for the error/mistake; due to incurring such risk, Advisor may in certain instances retain the economic benefit associated with an error/mistake.

Generally, client investment advisory agreements authorize Advisor to determine, consistent with the client investment objectives, which securities and the total amount of securities to be bought or sold for client accounts. Advisor's decisions to buy and sell securities for clients are subject to the overall review of the clients. Advisor's primary objective in placing orders for the purchase or sale of securities for a client's account is to obtain the most favorable net results, taking into account such factors as price, commission, size of order, difficulty of execution, confidentiality, and skill required of the broker. Advisor negotiates commission rates with its clients that will apply to all trades for client accounts notwithstanding what an executing broker may independently charge for such transactions.

Item 13 – Review of Accounts

Advisor reviews accounts periodically, which might be daily, weekly, monthly or quarterly, depending on the nature of the account, market conditions, the type of strategy pursued by or for the client, and other considerations. While the number or combination of reviewers may vary from client to client, portfolios, the accounts in the portfolios, and transactions will be reviewed by managing directors, client service professionals, portfolio managers or compliance officers. Advisor provides clients with reports on a quarterly basis (at a minimum); the reports include a summary of holdings, portfolio valuation, and performance information.

Item 14 – Client Referrals and Other Compensation

In a limited number of circumstances, Advisor may provide payment to a third-party for referring prospective clients to Advisor. In those instances, the prospective client is informed of the relationship and must sign a disclosure form indicating that the prospective client is aware of the arrangement. The compensation paid to the other person will be from the advisory fee paid to Advisor. Also, there are a few instances in which Advisor has been compensated by a third-

party advisor for making referrals to others. Again, the client is advised of the relationship and must sign a disclosure form that provides important information to the client about the nature of the relationship.

Item 15 – Custody

Clients will receive a statement from Advisor at least quarterly, as well as a statement from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Advisor urges clients to carefully review the statement from the firm holding the client's assets and to compare such official custodial records to the account statements that we provide to you. Our statements may vary from custodial statements based on the accounting procedures, reporting dates, or valuation methodologies of certain securities.

As noted above, clients typically engage JPMCC to act as custodian for their accounts. Advisor's affiliate, BAS, has entered into a clearing agreement with that firm that provides financial benefits to BAS. Please see Item 10 for details of that arrangement.

Clients who choose to have their assets held by JPMCC do not pay a separate custodial fee (with the exception of individual retirement accounts, which are charged an annual maintenance fee by JPMCC). Clients will pay ticket charges and commissions for securities transactions, as well as certain other fees for services provided, however. Depending on whether the client has provided authority to do so, Advisor might deduct the advisory fee payable from the client account with the custodian. In all instances, the client will be provided a bill reflecting the amount of the fee payable.

Item 16 – Investment Discretion

Advisor usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. The terms of the grant of that authority are contained in the investment management agreement executed by the client. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Advisor observes the investment policies, limitations and restrictions of the clients for which it advises. Client investment guidelines and restrictions must be provided to Advisor in writing.

Item 17 – Voting Client Securities

Advisor typically does not obtain authority from clients to vote proxies and advises clients in that regard. Advisor may, when requested, provide advice to clients regarding the clients' voting of proxies.

When, however, Advisor does have authority to vote proxies, its general policy is to vote proxies in a manner consistent with clients' best interests. In circumstances in which a conflict of interest arises, Advisor's policy contains procedures, such as retaining third-party research to vote the proxies in accordance with the research conducted by such entity or to obtain client directive as to manner in which to vote the proxy. A copy of Advisor's proxy voting policies and procedures is available upon request.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Advisor's financial condition. Advisor has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

