

**ITEM 1  
COVER PAGE**

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**PART 2A OF FORM ADV: FIRM BROCHURE**

**STERLING STAMOS CAPITAL MANAGEMENT, L.P.**

March 30, 2012

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*This brochure provides information about the qualifications and business practices of Sterling Stamos Capital Management, L.P. ("Sterling Stamos") any questions about the contents of this brochure, please contact us at (212) 287-2800 or [info@SterlingStamos.com](mailto:info@SterlingStamos.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.*

*Additional information about Sterling Stamos also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

## **ITEM 2**

### **MATERIAL CHANGES**

There have been no material changes since the last March 31, 2011 update.

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## **ITEM 4**

### **ADVISORY BUSINESS**

#### **A. General Description of Advisory Firm.**

Sterling Stamos is organized as a Delaware limited partnership and began operations as an investment adviser in June 2002. Peter Stamos serves as the Chairman, CEO and Co-Managing Partner and is one of the largest owners of Sterling Stamos along with Merrill Lynch L.P. Holdings Inc., a wholly owned subsidiary of Merrill Lynch & Co. ("Merrill Lynch"), which was acquired by Bank of America Corporation ("BAC") on December 31, 2008. At the direction of Peter Stamos, Sterling Stamos' senior management and staff manage day-to-day operations, including making all investment decisions and client servicing for its Clients (as defined below). Merrill Lynch has designated directors to Sterling Stamos' board of directors, but this board of directors does not oversee the investment decisions or other day-to-day operations of Sterling Stamos.

BAC is a publicly held corporation and through its ownership of Merrill Lynch holds an interest in Sterling Stamos.

#### **B. Description of Advisory Services.**

Sterling Stamos provides investment advisory services to (i) a series of private funds employing multi-manager investment programs (the "Funds") and (ii) various individual investment portfolios or managed accounts (the "Managed Accounts" and together with the Funds, the "Clients"). The investment programs of the Clients may include allocations to up to five asset classes: fixed income, absolute return, equities, private equity, and real assets, subject to the specific investment objectives of each Client.

When advising a Fund, Sterling Stamos invests the assets of each Client primarily in private investment funds or managed accounts (collectively, "Portfolio Funds," i.e. hedge funds) managed by fund managers ("Fund Managers") selected by Sterling Stamos. The assets of the various Funds are allocated by Sterling Stamos acting in its sole discretion in accordance with the different objectives and strategies of each Fund. Acting as investment adviser or sub-adviser and in some cases as the general partner to the Funds, Sterling Stamos (i) identifies and negotiates investment opportunities for the Funds and (ii) participates in the management, monitoring and disposition of the Funds' investments. Except for an initial determination as to a person's suitability for investment in the Funds, the individual needs of the investors in the Funds are not the basis of investment decisions made by Sterling Stamos. An allocation analysis is provided directly to the Funds and not individually to the Funds' investors.

When advising a Managed Account, Sterling Stamos conducts an initial review and analysis of the Managed Accounts existing investment portfolio, if any, and recommends an allocation of assets to various Portfolio Funds taking into account the Managed Account's risk tolerance, liquidity requirements,

investment objectives, and Sterling Stamos' overall market outlook. The owner of the Managed Account may accept or reject such recommendations and bears responsibility for executing the purchase or sale of any investment.

In certain limited instances, Sterling Stamos may provide services where Sterling Stamos is not managing assets for the Client but rather furnishing the Client with an allocation analysis. In such cases, Sterling Stamos may analyze the asset allocation of a Client's investments across the Funds and other investments. Sterling Stamos may provide recommendations of Funds with whom the Client may invest and may also provide advice regarding improved asset allocation and diversification which the Client may or may not act upon.

C. Availability of Customized Services for Individual Clients.

When advising a Managed Account, Sterling Stamos conducts an initial review and analysis of the specific Client's existing investment portfolio, if any, and recommends an allocation of assets to various Portfolio Funds taking into account the Client's risk tolerance, liquidity requirements, investment objectives, and Sterling Stamos' overall market outlook. The owner of the Managed Account may accept or reject such recommendations and bears responsibility for executing the purchase or sale of any investment.

When advising a Fund, the assets of the various Funds are allocated by Sterling Stamos acting in accordance with the different objectives and strategies of each Fund as dictated by each Fund's offering materials. Except for an initial determination as to a person's suitability for investment in the Funds, the individual needs of the investors in the Funds are not the basis of investment decisions made by Sterling Stamos. An allocation analysis is provided directly to the Funds and not individually to the Funds' investors.

In certain limited circumstances, Sterling Stamos may enter into written agreements such as side letters with one or more investors in the Funds whereby the agreements may contain provisions that limit the types or amounts of investments a particular Fund may undertake.

D. Assets Under Management.

Sterling Stamos manages \$6,133,575,237 in client assets on a discretionary basis, and \$1,447,688,275 on a non-discretionary basis as of December 31, 2011. In certain instances, a Client may invest in another Fund, and therefore such assets will be double-counted when calculating the assets under management, because the prescribed method of computation consists of an aggregation of each Client's assets.

## **ITEM 5**

### **FEES AND COMPENSATION**

#### **A. Advisory Fees and Compensation.**

With respect to the Funds, Sterling Stamos generally charges a quarterly fee computed at an annual rate of up to 1% of assets under management, paid at the beginning of each quarter, as described in the relevant offering documentation and/or investment management agreements of each particular Fund. In addition, performance fees may be charged of up to 20%, as described in the relevant offering documentation and/or investment management agreements of each particular Fund. Performance based fees are generally paid after the end of each fiscal year. Fund fees are generally non-negotiable.

With respect to Managed Accounts, the terms including management and performance fees are negotiated separately with each investor and described in the Managed Account's investment advisory agreement. Sterling Stamos may by mutual agreement with certain managed accounts provide additional investment advisory services for a fixed fee.

#### **B. Payment of Fees.**

With respect to the Funds, management fees are deducted from an investor's capital account balance quarterly in advance, and at the fiscal year-end for any applicable performance fee. Investors who choose to withdraw at a point in time that does not coincide with an ordinary billing period such as quarter-end or year-end will be allocated their share of any applicable fees including performance fees associated with the time period.

With respect to Managed Accounts, investors are invoiced in accordance with the billing periods that are defined in the Managed Account's investment advisory agreement.

#### **C. Additional Fees and Expenses.**

Each Fund bears expenses related to its operations, including without limitation, investment-related expenses, such as management and administrative fees charged by the Portfolio Funds, performance-based fees to the Fund Managers, expenses related to the purchase and sale of illiquid securities, brokerage commissions, research expenses, interest on margin accounts and other indebtedness, bank service fees, professional fees (including, without limitation, expenses of consultants and experts), and investment-related travel expenses; legal, accounting (including the cost of accounting software packages), audit, and tax preparation expenses; administration expenses (including fees and expenses of the Fund's administrator); organizational expenses; expenses incurred in connection with the offer and sale of interests in the Fund and other similar expenses related to the Fund; and extraordinary expenses.

Each Managed Account may be subject to some or all of the expenses and fees detailed above, subject to the terms of the Managed Account's investment advisory agreement.

D. Prepayment of Fees.

With respect to the Funds, management fees are deducted from an investor's capital account balance quarterly in advance. Investors who choose to withdraw at a point in time that does not coincide with a quarter-end will be allocated their share of any applicable fees including performance fees associated with the time period. Specifically, in the case of a withdrawal by an investor in a Fund other than as of the last day of a fiscal quarter, a *pro rata* portion of the management fee (based on the actual number of days remaining in such partial fiscal quarter) will be returned by Sterling Stamos to the Fund and distributed to such withdrawing investor.

With respect to Managed Accounts, investors are invoiced in accordance with the billing periods that are defined in the Managed Account's investment advisory agreement.



**ITEM 6**  
**PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

In addition to asset based management fees, the Funds and certain Managed Accounts typically charge performance-based fees based on a share of such Client's capital appreciation. The fees charged to each Client vary in accordance with their offering documents or investment advisory agreements.

Performance-based fee arrangements may create an incentive to engage in riskier investments than would ordinarily be the case if Sterling Stamos did not charge such fees.

In certain circumstances, during the course of identifying investment opportunities, Sterling Stamos may encounter what it considers an attractive investment with limited capacity available. If such an investment satisfies the investment objective of several Funds and/or Managed Accounts, whether and how Sterling Stamos allocates the investment may pose a conflict of interest where those investors involved pay different fees.

Sterling Stamos maintains an Allocation Policy to appropriately determine how to allocate limited capacity investment opportunities. The policy requires Sterling Stamos to first determine which Clients are eligible to participate in such an opportunity based on each Client's investment program and objectives. Next, the limited investment opportunity will generally be allocated among all eligible Clients in proportion to their relative capital balances. Clients without sufficient available capital or whose current portfolio's do not warrant participating in such an opportunity due to risk or concentration constraints will not participate. In certain circumstances, Sterling Stamos may give added weight to those Clients whose investment programs are responsible for obtaining access to the limited investment opportunity when allocating such opportunities.

## **ITEM 7**

### **TYPES OF CLIENTS**

The predominant investment advisory service provided by Sterling Stamos is to act as the investment adviser or sub-adviser to the Funds and Managed Accounts where investment advisory services are provided directly to the Funds and Managed Accounts and not individually to the Funds' investors. In the case of the Managed Accounts, advice is provided to the individual Managed Accounts. The Funds are composed of "accredited investors" ("Accredited Investors") as that term is defined in Rule 501 of Regulation D of the Securities Act of 1933, as amended, most of whom will be "qualified purchasers" as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended.

The Funds' investors and Managed Accounts consist primarily of high net worth individuals, banks or thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, state or municipal government agencies, government retirement plans, and corporations or other business entities other than those listed above.

The minimum initial Fund subscription ordinarily is \$5 million; however, such minimums vary by Fund and Sterling Stamos may accept smaller accounts. There is no designated minimum account size for Managed Accounts, although Sterling Stamos would not ordinarily accept a Managed Account unless its size exceeded the Fund minimums.

**ITEM 8**  
**METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

A. Methods of Analysis and Investment Strategies.

Sterling Stamos identifies, researches, interviews, evaluates, selects and monitors underlying Fund Managers with whom the Funds and Managed Accounts invest. Such Fund Managers use non-traditional methods of investing to seek returns in excess of more traditional investments.

In evaluating the merits of a particular Fund Manager and Portfolio Fund, Sterling Stamos typically considers the following among other things:

- (a) the investment performance and risk management techniques of the Fund Manager and/or Portfolio Fund;
- (b) the length of time the Fund Manager has been associated with the applicable Portfolio Fund;
- (c) the volatility of the results of the Fund Manager and/or Portfolio Fund;
- (d) the amount of the Fund Manager's own capital that is managed similarly to the applicable Portfolio Fund;
- (e) potential conflicts of interest;
- (f) the liquidity of an investment in the Portfolio Fund;
- (g) the liquidity of the investments of the Portfolio Fund;
- (h) the degree of correlation or non-correlation between the performance of the Portfolio Fund and that of the market;
- (i) the degree to which the Portfolio Fund employs leverage;
- (j) the fees associated with an investment in the Portfolio Fund; and
- (k) an assessment of intangible characteristics of the Fund Manager, including but not limited to, the degree of risk associated with the Fund Manager's objectives and strategies and the experience and backgrounds of the Fund Manager's principals.

All investments in securities and other financial instruments risk the loss of invested capital. There is no guarantee that any Client's investment program will be successful, and investment results may vary substantially over time. Past results of the Funds, Managed Accounts, and Portfolio Funds are not necessarily indicative of future performance. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

Therefore, investors in the Funds or the Managed Accounts should be prepared to bear the loss of some or all of their investment.

**B. Material, Significant, or Unusual Risks Relating to Investment Strategies.**

Investors should carefully consider the risks involved in an investment in the Funds or Managed Accounts, including but not limited to those discussed below and in such Fund's or Managed Account's offering documents. Investors should consult their own legal, tax, and financial advisers as to all of these risks and an investment in the Funds or Managed Accounts generally.

The Funds and Managed Accounts utilize a so-called "fund-of-funds" or "multi-manager" investment strategy pursuant to which the Funds' and Managed Accounts' allocate capital among various Portfolio Funds. Any risks borne by the Fund Managers and the Portfolio Funds will therefore also indirectly be borne by the Funds and Managed Accounts. Sterling Stamos performs due diligence on Portfolio Funds and Fund Managers to identify investment opportunities it considers attractive for its Clients. Part of this process involves evaluating a Fund Managers' investment processes and operations to develop a certain level of understanding of the risks involved. To the extent Sterling Stamos fails to identify the level of risk a particular investment poses, or Sterling Stamos underestimates a Fund Manager's ability to mitigate the effect of adverse market movements, Client portfolios may suffer as a result.

Investors should consider the following potential risks, among others, in determining whether an investment in the Funds or Managed Accounts is a suitable investment:

- (a) Sterling Stamos or the Fund Managers may not fully anticipate adverse market events, and therefore Sterling Stamos' allocation among Fund Managers, or a particular Fund Manager's investment strategy may prove to be ineffective or inappropriate to handle such market conditions;
- (b) The Fund Managers or Sterling Stamos may fail to anticipate the amount of redemptions requested by investors for a given redemption period, particularly during abnormal market conditions, and withdrawal restrictions may be imposed by Sterling Stamos and/or the Fund Managers as a result;
- (c) Key individuals responsible for investment decisions at Sterling Stamos or the Fund Managers may become incapacitated or unable to perform their duties;
- (d) The failure of a counterparty may cause a loss, or delay the amount of time needed to recoup some or all of an investment;

- (e) The Fund Managers provide valuations for their Portfolio Funds and Sterling Stamos may have a limited ability to verify the accuracy of such valuations;
- (f) Fund Managers may use proprietary investment strategies, and may not disclose all aspects to Sterling Stamos, thereby causing Sterling Stamos to underestimate the associated risk of the investment;
- (g) Performance fees may encourage higher risk taking; and
- (h) Investors in the Funds or Managed Accounts are subject to multi-level fees assessed by both Sterling Stamos in addition to the Fund Managers.

Investors should carefully review the offering documents, including the risk factors section, of the Fund or Managed Account they are interested in prior to investing capital.

#### C. Risks Associated With Particular Types of Securities.

Investors should consider the following potential risks, among others, in determining whether an investment in the Funds or Managed Accounts is a suitable investment:

##### Investment Strategy

- a) The portfolio hedges that either Sterling Stamos or the Fund Managers may apply may not function as intended, exposing the Client's portfolios to higher risks than intended;
- b) There is no public market for the interests in the Funds or many of the Portfolio Funds, and are therefore less liquid than publicly traded securities;
- c) Sterling Stamos or the Fund Managers may elect to employ leverage, and this could potentially exacerbate losses;
- d) Sterling Stamos or Fund Managers may elect to invest in futures, options, and other derivatives, and the volatility of these financial instruments may be higher than other securities;
- e) The Portfolio Funds may invest in fixed income investments, and such investments can be sensitive to interest-rate changes that may be difficult to predict or anticipate;
- f) The Portfolio Funds may invest in distressed securities that are out-of-favor, financially leveraged, or potentially troubled, and these investments may be less liquid and require longer holding periods than ordinary securities;

- g) Sterling Stamos may select investments in overseas markets or Portfolio Funds that are subject to different levels of regulation than would be applicable in the United States;
- h) The Portfolio Funds may use over-the-counter markets that may be subject to fewer restrictions than if executed on a securities exchange; and
- i) The Portfolio Funds may invest in long-dated or illiquid securities that offer less frequent valuations and may require longer holding periods than other securities.

Investors should carefully review the offering documents, including the risk factors section, of the Fund or Managed Account they are interested in prior to investing capital.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

Registered investment advisers are required under this Item 9 to disclose all material information related to legal or disciplinary events pertaining to the investment adviser or its employees. Neither Sterling Stamos nor any of its employees has been involved in a disciplinary event.

It is worth noting that the SEC's Form ADV Part I ("ADV Part I") requests disciplinary information about Sterling Stamos and its affiliates. In response to those questions in Sterling Stamos' ADV Part I, Sterling Stamos references disciplinary events associated with our affiliate, Merrill Lynch and its related entities, the details of which can be found using Merrill Lynch's CRD number (#7691) on the SEC's website at:

[http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Search.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx)

**ITEM 10**  
**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

A. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser Registration Status.

Sterling Stamos is not registered as a commodity trading adviser or commodity pool operator, and claims registration exemptions from both.

Merrill Lynch or its affiliates are registered as a futures commission merchant, commodity pool operator, and a commodity trading advisor.

B. Material Relationships or Arrangements with Industry Participants.

As noted in Item 4, a wholly owned subsidiary of Merrill Lynch acquired a non-controlling interest in Sterling Stamos. Merrill Lynch and its affiliated entities operate as a broker-dealer, commodity pool operator or commodity trading adviser, investment adviser, futures commission merchant, bank, insurance company, and trust company. Prior to the acquisition, Merrill Lynch and BAC were both selected as Approved Brokers for Clients. Utilizing Merrill Lynch or BAC rather than any of the other approved, unaffiliated broker-dealers to handle transactions on behalf of Clients would pose a conflict of interest. Therefore, Sterling Stamos generally does not use Merrill Lynch or BAC as a broker-dealer for its Clients, and in the event Sterling Stamos considers it appropriate to use Merrill Lynch or BAC as a broker-dealer, it would do so in compliance with Section 206(3) of the Investment Advisers Act.

As discussed further in Item 14, Sterling Stamos may compensate Merrill Lynch for the referral of investors, and Merrill Lynch's selection of Sterling Stamos versus any other investment adviser may pose a conflict of interest.

C. Material Conflicts of Interest Relating to Other Investment Advisers.

In the process of selecting underlying fund investments, Sterling Stamos may elect to invest the assets of one Sterling Stamos fund into another Sterling Stamos fund. When doing so, the investing fund will not be subject to duplicate Sterling Stamos fees, although dependent upon the circumstances, conflicts of interest may exist. As noted previously in response to Item 6, a conflict may arise in the allocation process due to the different incentive fees associated with each fund, and this may be relevant to any potential cross investment. Additionally, when considering Sterling Stamos funds for a cross investment, Sterling Stamos may exercise its discretion in a way that favors one fund over another.

During the course of its annual compliance review, Sterling Stamos typically reviews portfolio transactions including cross investments to understand the nature of the transactions. Sterling Stamos may take any appropriate measures as applicable to address the effect any material conflict had on an investor.



**ITEM 11**  
**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**  
**AND PERSONAL TRADING**

A. Code of Ethics.

Sterling Stamos has a Code of Ethics that bars employees from trading in their personal accounts any security that appears on its Restricted List. Sterling Stamos' personal trading policy generally requires that (i) all such personal securities transactions receive pre-approval from the Chief Compliance Officer or suitable designee prior to consummation, (ii) all personal securities holdings be held in accounts with a brokerage firm which has been pre-approved by Sterling Stamos, and (iii) all holdings statements from personal accounts be provided to Sterling Stamos directly from the pre-approved brokerage firm on a periodic basis. Generally, Sterling Stamos' personal trading policy requires Sterling Stamos' Chief Compliance Officer or designee to withhold approval of any personal securities transactions that includes any individual stocks or bonds. Employees and related persons of Sterling Stamos (or their immediate family members) may acquire shares of mutual funds and exchange-traded funds (ETF's); however, in all circumstances the acquisition of shares of such funds are subject to the requirement of pre-approval from Sterling Stamos' Chief Compliance Officer or designee. The Code of Ethics is available to investors in the Funds and Managed Accounts upon request to Sterling Stamos.

B. Securities That You or a Related Person Has a Material Financial Interest.

As previously noted in response to Items 6 and 10, a Fund may invest in another Fund, and in such cases a related Sterling Stamos entity will ordinarily serve as the general partner to both Funds. Similarly, Sterling Stamos may recommend Funds to Managed Account investors. In order to minimize the potential conflict inherent in this practice, Sterling Stamos waives management and performance fees as necessary to avoid having a Client pay two sets of management or performance fees to Sterling Stamos in connection with one investment.

C. Investing in Securities That You or a Related Person Recommends to Clients.

Sterling Stamos may elect to engage in exchange-traded transactions on behalf of Clients for hedging purposes. In the event Sterling Stamos is preparing for or is in the process of completing mutual fund or ETF transactions of a significant size, an employee could benefit by trading ahead of the Client in the employee's personal securities account. To prevent this from occurring, the Chief Compliance Officer or designee withholds approval of the employee's pre-clearance trade request until after the Client transactions are completed.

As noted previously in response to Items 6 and 10, two or more Funds may invest in the same Portfolio Funds, and the allocation of such investments may pose a conflict of interest.

In addition, Sterling Stamos employees may invest their personal capital in the Funds, however, such investments do not provide the employees with preferred liquidity terms over similarly situated non-employee investors in the Funds.

D. Conflicts of Interest Created by Contemporaneous Trading.

As previously described in Item 11C above, an employee could benefit by trading contemporaneously with the Client in the employee's personal securities account. To prevent this from occurring, the Chief Compliance Officer or designee withholds approval of the employee's pre-clearance trade request until after the Client transactions are completed. In addition, Sterling Stamos employees may invest their personal capital in the Funds, however, such investments do not provide the employees with preferred liquidity terms over similarly situated non-employee investors in the Funds.

## **ITEM 12**

### **BROKERAGE PRACTICES**

#### **A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.**

Sterling Stamos ordinarily utilizes the services of a broker-dealer to engage in exchange-traded or over-the-counter products for hedging purposes. In accordance with Sterling Stamos' Best Execution Policy and Procedures, Sterling Stamos considers several factors when selecting a broker-dealer to be added to the Approved Broker List. Such factors include but are not limited to: (i) quality of execution - accurate and timely execution, clearance and error/dispute resolution; (ii) reputation, financial strength and stability; (iii) block trading and block positioning capabilities; (iv) willingness to execute difficult transactions; (v) willingness and ability to commit capital; (vi) access to underwritten offerings and secondary markets; (vii) ongoing reliability; (viii) overall costs of a trade (i.e., net price paid or received) including commissions, mark-ups, mark-downs or spreads in the context of the Sterling Stamos' knowledge of negotiated commission rates currently available and other current transaction costs; (ix) nature of the security and the available market makers; (x) desired timing of the transaction and size of trade; (xi) confidentiality of trading activity; and (xii) and market intelligence regarding trading activity.

##### **1. Research and Other Soft Dollar Benefits.**

Sterling Stamos does not receive research or other products and services from broker-dealers in connection with executing its trades with a particular broker-dealer. In the event Sterling Stamos elects to accept soft dollar benefits in the future, Sterling Stamos has a Soft Dollar Policy that would govern its conduct regarding the use of soft dollars.

##### **2. Directed Brokerage.**

Sterling Stamos selects broker-dealers to execute transactions for the Funds, and it does not permit investors in the Funds to select a broker-dealer for a directed brokerage arrangement.

Under the terms of each Managed Account's investment advisory agreement, Managed Account investors retain discretion to accept or reject Sterling Stamos' recommendations, and therefore the Managed Account investors are responsible for selecting broker-dealers and other custodians outside of their direct investment in the Funds.

Managed Account investors may receive less favorable execution prices or pay higher commission rates than would ordinarily be available when aggregated with orders of other Clients that Sterling Stamos advises.

B. Order Aggregation.

In general and in accordance with Sterling Stamos' Order Aggregation Policy, when two or more Clients desire to engage in a transaction for the same security based on their investment objectives, Sterling Stamos aggregates the order where doing so provides for best execution and more favorable commission rates or other brokerage costs than if the transaction were entered separately for each Client.

## **ITEM 13**

### **REVIEW OF ACCOUNTS**

#### **A. Frequency and Nature of Review of Client Accounts or Financial Plans.**

Peter Stamos and Sterling Stamos' investment team monitor the performance of the Funds and their underlying investments on a daily and ongoing basis.

Currently, the investment team consists of: the Chief Executive Officer, Chief Investment Officer, President, Senior Adviser and one Managing Director and one Director for Absolute Return; two Partners, four Managing Directors, one Director, one Manager, three Senior Associates, two Senior Analysts, and one Analyst for Private Capital; one Senior Partner, one Director, and one Associate for Equity; one Senior Partner, one Partner, two Managers, and a Senior Associate of Managed Accounts; one Partner, one Managing Director, and one Senior Associate for Risk Management, and one General Counsel and Chief Compliance Officer, one Partner, one Director, one Senior Associate, and one Associate of Operational Due Diligence.

Sterling Stamos' investment team convenes at regular intervals to communicate ideas across asset classes. The ongoing dialogue among all of the asset class groups enables a wider pool of ideas, and also creates synergies across the Sterling Stamos' investment platform. As a result, all of the Clients benefit from a broad economic perspective and are not limited by a myopic view of an individual asset class.

Research is conducted by all members of the investment team on a daily basis and is distributed and updated as part of ongoing activity.

The investment team typically meets weekly to discuss market research, economic news, fund performance, and investment themes.

The Sterling Stamos' Investment Committee ordinarily meets on a monthly basis to review investment decisions. Other members of the investment team may attend to present new investment ideas and discuss portfolio management strategies.

All of Sterling Stamos' employees are invited to attend quarterly meetings where the investment team discusses each of the Funds and asset classes, and develops the Applicant's macroeconomic perspective. In an effort to bring in outside opinions and avoid becoming too insular in our viewpoints, it is common for Sterling Stamos to bring in outside experts for economic perspectives to give a fresh analysis of events in the current environment.

On a periodic basis, the investment team will discuss key drivers to the Clients' performance, especially when a Fund Manager has excessive returns/losses relative to its peers. The conversations periodically are supplemented by portfolio monitoring/exposure reports provided by the Fund

Managers. The portfolio monitoring reports provide the Clients' long and short gross exposure by strategy, asset type, industry, geography and other statistics relevant to the strategy, such as performing versus non-performing, etc. Sterling Stamos utilizes these reports and quarterly meetings to evaluate a manager's core risks in the portfolio and corresponding hedges as well as identify any significant concerns or style drift. At least one member of the investment team strives to meet with each Fund Manager at least once a quarter to actively review and discuss various aspects of the Fund Manager's underlying portfolio composition that may include key positions and themes in the portfolio among other things.

The Operational Due Diligence and Risk Management teams conduct ongoing monitoring of the Clients' investments. Each Portfolio Fund is evaluated and an assessment is made to determine the frequency of on-site visits a member of the team will be required to perform in order to ensure that Sterling Stamos has a sufficient understanding of a Portfolio Fund's current operations. In addition to such visits, a questionnaire is periodically sent to all Fund Managers in order to identify any changes to its operation or organization that would require further review.

Sterling Stamos will meet periodically to review the portfolios of the Managed Accounts. The frequency of such meetings will ordinarily be determined by the investor in the Managed Account. Similar to the Funds, the research process to develop investment ideas is an ongoing activity; however, certain aspects of reviewing the investor's portfolio relies on information provided to Sterling Stamos by the investor that may influence the timing of when a review of the portfolio can occur.

**B. Factors Prompting Review of Client Accounts Other than a Periodic Review.**

Sterling Stamos will undertake a review of client accounts whenever there is a material change in an underlying fund's management, investment strategy, operations, a change in auditor or administrator, an unusual deviation in performance, or revelation of any regulatory action or the initiation of an investigation.

**C. Content and Frequency of Account Reports to Clients.**

Investors in the Funds generally receive (i) monthly statements which include the current value of their capital accounts in the Funds; (ii) monthly performance estimates regarding their investments in the Funds, which include details regarding estimated month-to-date, quarter-to-date and year-to-date performance of the Funds (net of fees and expenses) and a monthly market review, which includes a summary of the performance of certain indices, such as the S&P 500 Total Return Index, HFRX hedge fund indices, the Dow Jones Industrial Average and other world indices; (iii) quarterly letters; and (iv) audited financial statements of the relevant Funds annually.

Managed Account investors receive the same reports for their holdings in the Funds. For those investments that are not in the Funds, the Managed Account

investors receive reports from the custodian or broker-dealer that has custody of such assets. Also, Sterling Stamos provides a periodic review of the Managed Account's performance along with any related market commentary.

**ITEM 14**  
**CLIENT REFERRALS AND OTHER COMPENSATION**

A. Economic Benefits for Providing Services to Clients.

During the ordinary course of business, Sterling Stamos may receive a gift from a service provider. To address the potential conflicts of interest where receipt of a gift could influence our decision-making, Sterling Stamos' Code of Ethics limits the value of gifts from service providers to a de minimis amount unless the Chief Compliance Officer grants approval to accept a gift in a higher amount.

B. Compensation to Non-Supervised Persons for Client Referrals.

Sterling Stamos may enter into agreements to compensate third parties for investor referrals. The amount of compensation typically will consist of a portion of the fees Sterling Stamos earns from the referred investor. Any such arrangement that Sterling Stamos enters into will be in accordance with rules under the Investment Advisers Act of 1940.



## **ITEM 15 CUSTODY**

The Funds are direct clients of Sterling Stamos, and the qualified custodians and Portfolio Funds send statements in the name of the Funds to the office of Sterling Stamos. Investors in the Funds receive a statement of their capital balance prepared by Sterling Stamos on a monthly basis that will reflect the value of their interest in the Fund. Investors will also receive audited financial statements of the Fund in accordance with the Custody Rule (“Rule 206(4)-2”) of the Investment Advisers Act of 1940.

Managed Account investors receive statements from the custodians for those assets that are not invested in the Funds. Managed Account investors should compare any statement provided by Sterling Stamos regarding portfolio holding with the statements of the custodians to ensure there are no discrepancies.

**ITEM 16**  
**INVESTMENT DISCRETION**

By completing the subscription documents for the Funds, investors in the Funds grant Sterling Stamos and the general partner of such Fund, if any, power of attorney and discretionary authority to act on behalf of their interest in the Fund. Fund investors do not have the ability to limit this authority, although through the use of side letter agreements, an investor may negotiate a restriction that further defines the investment program for the Fund.

By mutual agreement with the Managed Accounts, Sterling Stamos may be granted power of attorney and discretionary authority to act on behalf of the Managed Accounts. The Managed Account investors have the ability to grant and limit such authority subject to the terms and provisions of the managed account agreement.

**ITEM 17**  
**VOTING CLIENT SECURITIES**

A. Policies and Procedures Relating to Voting Client Securities.

Sterling Stamos has the authority to vote proxies on behalf of the Funds, and it has adopted Proxy Voting Procedures to govern the voting process. For ballot measures that would be considered routine matters under the proxy voting procedures, Sterling Stamos generally votes with management's recommendation unless it is determined not to be in the best interest of the Fund. Non-routine matters will be evaluated on the merits of each proposal, and the proxy procedures identify certain types of proposals where Sterling Stamos would ordinarily vote against management's recommendation.

Any potential conflicts of interest will be addressed on a case-by-case basis dependent upon the nature of the conflict. Possible actions Sterling Stamos may take include the delegation of the voting decision to an independent third party, the organization of a committee responsible for the voting decision, or obtaining the consent of the Fund investors to vote a particular way. In all cases, Sterling Stamos will seek to vote in the best interests of the Fund.

The Proxy Voting Procedures are available to investors in the Funds and Managed Accounts upon request to Sterling Stamos. Information about a proxy vote on behalf of a Fund may be obtained by the Fund's investor upon request to Sterling Stamos.

B. No Authority to Vote Client Securities and Client Receipt of Proxies.

Managed Account investors retain proxy voting authority for those assets not invested in the Funds. Sterling Stamos may advise on how to vote a particular proposal, but will not have responsibility for casting the vote.

**ITEM 18**  
**FINANCIAL INFORMATION**

**ITEM 19**  
**REQUIREMENTS FOR STATE-REGISTERED ADVISERS**