



Capital One Asset Management, LLC

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(Select Banking/Private Client Group/Asset
Management)

March 31, 2011

This Brochure provides information about the qualifications and business practices of Capital One Asset Management, LLC. If you have any questions about the contents of this Brochure, please contact us at (225) 381-2334 or (504) 533-2349. 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.

Capital One Asset Management, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser may be used by you to determine if you wish to hire or retain an Adviser.

Additional information about Capital One Asset Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.



Item 2 – Material Changes

On July 28, 2010, the United States Securities and Exchange Commission ("SEC") published "Amendments to Form ADV" which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 31, 2011, is prepared according to the SEC's new requirements and rules. As such, this Brochure is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, our annual ADV Part 2 correspondence to clients will discuss only specific material changes made to the Brochure and provide clients a summary of such changes. We will also reference the date of the last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Johnell Smith, Chief Compliance Officer, at (504) 533-2349 or johnell.smith@capitalonebank.com. Our Brochure is also available on our web site capitalone.com (Select banking/private client group/asset management) also free of charge.

Additional information about Capital One Asset Management, LLC ("COAM") is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with COAM who are registered, or are required to be registered, as investment adviser representatives of COAM.



Item 3 -Table of Contents

Item 1 - Cover Page	i
Item 2 – Material Changes.....	2
Item 3 -Table of Contents	3
Item 4 – Advisory Business.....	4
Item 5 – Fees and Compensation.....	6
Item 6 – Performance-Based Fees and Side-By-Side Management.....	8
Item 7 – Types of Clients.....	9
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	10
Item 9 – Disciplinary Information	17
Item 10 – Other Financial Industry Activities and Affiliations	18
Item 11 – Code of Ethics.....	19
Item 12 – Brokerage Practices	21
Item 13 – Review of Accounts	26
Item 14 – Client Referrals and Other Compensation.....	27
Item 15 – Custody	27
Item 16 – Investment Discretion	29
Item 17 – Voting Client Securities.....	30
Item 18 – Financial Information.....	31

Brochure Supplement(s)



Item 4 – Advisory Business

Capital One Asset Management, LLC ("COAM") is a registered investment adviser registered with the Securities and Exchange Commission ("SEC"), and a wholly owned subsidiary of Capital One, National Association ("CONA" or the "Bank"), which is a wholly owned subsidiary of Capital One Financial Corporation, a financial services holding company. COAM was formerly the Trust Investment Department of Hibernia National Bank, which was acquired by Capital One Financial Corporation in 2005. COAM has provided investment services for over 70 years although it has only been registered with the SEC as an investment advisor since 2001 as part of the enactment of the Gramm-Leach Bliley Act. In 2005, COAM reorganized as a limited liability company subsidiary of CONA under the laws of the State of Louisiana.

Capital One Financial Corporation is a publicly held corporation, traded on the New York Stock Exchange under the symbol COF

COAM's services include investment advisory services for the Bank's commercial clients, including individuals, corporations, retirement plans, endowments and foundations, municipalities and charitable and non-profit organizations. COAM's services include investment policy advice, asset allocation advice, and managing financial asset portfolios, including fixed income, equity and money market securities. COAM also provides investment reporting services [in connection with administrator, trustee, and/or custodian services provided directly by the Bank's Trust Department.

COAM maintains an inter-company agreement with the Bank's Trust Department in order to provide investment advisory services to Bank clients, while the Bank provides COAM with administrative services, technology support and disaster recovery services under the same agreement.

COAM's primary service arrangement in connection with the Bank's clients involves discretionary management of financial assets. Typically, at the formation of a relationship, COAM and Bank representatives assess the client's investment objectives, risk tolerance, constraints and any unique circumstances.



All relevant factors are documented in an investment policy statement. Clients may impose certain restrictions upon COAM's activities, and COAM will generally follow these restrictions if it reasonably believes it is in a legally sound position to do so. Certain restrictions may be outside the scope of COAM's practice, in which case COAM and the Bank client must come to an agreement concerning the best resolution of the issue. Once goals and risk tolerance are established, COAM constructs a portfolio designed to meet those objectives, and periodically reports on trading activities and investment results.

COAM and the Bank, in connection to the investment advisory business, generally do not seek Bank clients who wish to retain investment discretion or share discretion with the Bank. Some minor restrictions involving investment decisions may be acceptable, if COAM believes it can still perform its services in a manner that will benefit the Bank client in spite of the restriction.

Investment advisory fees in connection with COAM's services are charged by the Bank as part of a bundled fee for administrative/trustee, investment management and custodial services. These fees are based upon the market value of the assets under management, are charged periodically in arrears, and are shown on the Bank clients' statements.

As of December 31, 2010, COAM had approximately \$3.337 billion in assets under management on a discretionary basis. COAM does not maintain relationships with or conduct investment activities for the Bank's non-discretionary clients.



Item 5 – Fees and Compensation

Capital One Asset Management is compensated for their services through an inter-company agreement with the Bank on assets under management. Fees are calculated on the account's market value as of the end of the month and deducted from the account on the 15th of the following month. Fees are charged in arrears and pro-rated for a partial period. The fees charged are a bundled fee for investment management, trust administration and custody services. Trust administration and custody services are provided by Capital One, N.A.'s Trust Department.

Additional fees may be incurred for mutual funds, exchange traded funds and/or sub-advised accounts used in a managed relationship. The fund prospectus and/or sub-advisory agreement should be reviewed for additional information.

Commissions for trade execution of Equity and Debt securities are discussed in Item 12 on page 21 of this document.

Fee schedules are as follows:

Institutional Equity

First \$5 Million:	0.85%
Next \$5 Million:	0.70%
Next \$15 Million:	0.45%
Capital above \$25 Million:	Negotiable

Minimum Annual Fee:	\$37,500
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Institutional Fixed Income

First \$5 Million:	0.40%
Next \$5 Million:	0.30%
Next \$15 Million:	0.25%
Next \$25 Million:	0.20%



Next \$50 Million:	0.15%
Capital above \$100 Million:	0.10%
Minimum Annual Fee:	\$20,000

Institutional Ultra Short Duration Fixed Income

First \$10 Million:	0.30%
Next \$15 Million:	0.25%
Next \$25 Million:	0.20%
Next \$50 Million:	0.15%
Capital above \$100 Million:	0.10%
Minimum Annual Fee:	\$15,000

Personal Investment Management

Equity or Blended Allocation

First \$1 Million:	1.25%
Next \$1 Million:	0.90%
Next \$3 Million:	0.80%
Next \$5 Million:	0.70%
Over \$10 Million:	0.50%

Fixed Income

First \$1 Million:	0.55%
Next \$1 Million:	0.45%
Next \$3 Million:	0.35%
Next \$5 Million:	0.30%
Over \$10 Million:	0.25%

Minimum Annual Fee:	\$5,000
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Item 6 – Performance-Based Fees and Side-By-Side Management

Capital One Asset Management, LLC does not charge performance-based fees and does not facilitate proprietary side-by-side trading with discretionary customer accounts.



Item 7 – Types of Clients

Capital One Asset Management, LLC operates as a subsidiary of Capital One, National Association ("CONA" or the "Bank"). As such, Capital One Asset Management's sole client is Capital One, National Association. The firm ultimately offers its services to Capital One N.A. clients. These clients include:

- Individuals
- Banks or thrift institutions.
- Corporations
- Retirement Plans
- Endowments
- Foundations
- Municipalities
- Charitable and Non-Profit Organizations
- Trust and Estates

According to its inter-company service agreement with the Bank, Capital One Asset Management will manage all discretionary accounts that the Bank accepts, although Capital One Asset Management's services, including increased interaction with your portfolio manager, are generally designed for accounts with financial assets greater than \$500,000



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

Asset Allocation Risk: Accuracy in Investment Policy Statements

Capital One Asset Management's ("COAM") advice to clients includes recommending and/or selecting an asset allocation between various asset classes and sub-classes that we believe are appropriate for the client in achieving the stated investment objective of the client. The recommendations are generally recorded within the client's investment policy statement, which records each client's investment objectives, including risk tolerance and return requirements. Also included are any constraints that must be considered in the achievement of the objectives, such as tax constraints, sacred holdings and liquidity requirements, among others.

COAM often assists the client in preparing or updating his/her investment policy statement, and through this process, acts in a consultative capacity to assist in bringing out the client's true objectives and risk tolerance. Significant time and effort is devoted to completing the Investment Policy Statement; the conclusions are crucial to the creation of an asset allocation that is suited to the client's objectives and risk tolerance. To the extent COAM and the client are unsuccessful in determining the true investment objectives and risk tolerance of the portfolio, or in identifying important constraints on the investment strategy, the chosen asset allocation may prove to be unsuitable to the client's needs, exposing the client to the likelihood that the investment objectives will not be met, or that the type and degree of risk in the portfolio is intolerable to the client. The latter situation may lead to the client, with or without the recommendation of COAM staff, abandoning the chosen asset allocation strategy at a time that would create a loss of principal, with a reduced opportunity for recovery.

In order to minimize the chance for such an occurrence, COAM, with the assistance of Trust Administrators and Resource Managers, will exercise diligence in discerning the clients true investment objectives and risk tolerance prior to constructing a portfolio.



Occasionally, a client's investment policy must change due to his/her changing personal circumstances which will alter the client's investment objectives and/or risk tolerance. At that time, it is appropriate to restructure the portfolio to align the asset allocation and securities to the new investment policy. If this occurs at a time of weakness in one or more asset classes, securities may be sold at a loss with recovery dependent on future market returns and account circumstances.

Asset Allocation Risk: Forecasting Market Returns and Risks

In establishing recommended asset allocation strategies, COAM must assess the expected returns of asset classes (i.e. common stocks, fixed income securities, cash equivalent securities) and sub-asset classes (i.e. corporate bonds, small capitalization stocks) over the client's investment horizon. In doing so COAM considers the historical returns, correlations and risks of the assets, and the likelihood of the returns, correlations and risk levels being different over the relevant investment horizon of the client. Factors that may influence future returns among these asset classes include: the expected growth rate of the economy, whether domestic or global; the stage of the economic cycle; the expectations for acceleration or deceleration in economic activity; the level and direction of interest rates; expectations of monetary, fiscal and tax policies; the influences of currency trends and the global trading environment; an assessment of valuation levels among common stock sub-classes; and the level and trends in corporate earnings, sales and dividends, among other factors.

COAM devotes significant effort to discern return and risk in the financial markets in which it operates, knowing that doing so is challenging and subject to error. Recognizing this, COAM imposes limitations on its staff in deviating from asset allocation targets that have delivered return and risk levels over long time periods, which, if continued, would allow clients invested according to the targets to achieve their stated investment objectives. These limits are often stated within investment policy statements, and at a firm-wide level, generally fall within plus or minus fifteen percent from the long-term target asset allocation. For example, a client with a balanced asset allocation would have long term allocation targets of 5 percent in cash equivalents, 45 percent in



fixed income securities and 50 percent in equities. The limits to the deviation from the target equity position would be 35 percent at the minimum and 65 percent at the maximum.

To the extent COAM's assessment of market returns and risks are inaccurate over the client's investment horizon, the client may be unable to achieve his investment objectives and could suffer an investment loss.

EQUITY PORTFOLIO MANAGEMENT

COAM employs various methods and strategies in the management of client's equity portfolios. Portfolios can be invested in one specific strategy (for example, Large US company stocks only), or a blend of strategies providing exposure to both domestic (US) and foreign markets, and including stocks of companies of any size from small to very large. In the absence of specific direction from a client, equity portfolios are generally broadly diversified across all of the strategies currently employed. These strategies currently include Large Cap Domestic, Mid Cap Domestic, Small Cap Value Domestic, and Broad International Value. COAM utilizes proprietary strategies as well as externally managed ones.

Equity Style Allocation

COAM's investment strategy committees set guidelines for allocating client accounts among equity strategies. As noted above in the **Asset Allocation Section**, COAM, in deciding how much of a client's portfolio to dedicate to each equity strategy (or Style), considers a large number of economic factors including evaluations of the prospective profitability of broad segments of the market and the respective valuation levels of those segments. Additionally COAM reviews economic growth prospects both domestically and globally, and the effect on corporate earnings of those growth prospects. Style allocation decisions are made on overweighting or underweighting various segments versus a market neutral approach.



Proprietary Equity Philosophy

COAM's Equity Philosophy is based on a core belief that fundamentals ultimately drive stock prices. Within the domestic (US) market, COAM manages Equity SMA portfolios (common stock portfolios) using a proprietary process that combines two major, complementary components: a fundamental equity evaluation or ranking component, and a risk-controlled portfolio construction component. In evaluating common stocks to determine their candidacy for inclusion in portfolios, COAM focuses on identifying stocks with a superior potential for earnings growth (relative to their peers) and the valuation level of stocks relative to earnings growth potential. COAM relies on a combination of factors for this evaluation. These factors are designed to provide our portfolio managers with an idea of the near-term and long-term earnings growth prospects of a company, the purity or reliability of prospective earnings and the cost of earnings in terms of the valuation level of a company's stock. Further consideration is given to a company's competitive positioning in their markets and its position along the growth cycle. These factors are all considered in combination to avoid an over-reliance on any single factor or idea.

The risk-controlled portfolio construction process is designed to minimize or eliminate sources of portfolio risk COAM believes are unprofitable in the long run. Risks are generally categorized as variations of market timing; they include rotating portfolio exposures in or out of Industry Groups or Economic Sectors, varying the portfolios focus on Growth or Value stocks, and varying portfolio exposure to market (or "beta") risk. In constructing portfolios, COAM reviews these sources of risk and attempts to reduce their destructive effect on long-term portfolio returns. Our goal is to minimize exposure to these risks when compared to the benchmark index of the strategy. (For example, if 8% of the S&P500 Index is in Bank stocks, then 8% of our Large Cap US SMA Equity portfolios will be in Bank stocks.) COAM firmly believes that deviations from the benchmark in these respects represents market timing and adds risk with little prospect of long-term success.

To further COAM's goal of adequate diversification of our clients' equity portfolios, COAM occasionally relies on third-party advisors (or sub-advisors).



The use of third-party advisors is intended to provide client portfolios exposure to market segments where COAM does not have a proprietary strategy.

FIXED INCOME PORTFOLIO MANAGEMENT

Capital One Asset Management manages fixed income portfolios on both a passive (buy and hold or laddered bond) basis and active basis according to client direction. Active management is conducted through a process that begins with the selection of a specific benchmark index. The appropriate benchmark for a client will reflect the client's investment horizon, return objective, risk tolerance, and the existence of any specific constraints. COAM's process is designed to create positive excess return to the selected benchmark over the longer term through modest duration adjustments, yield curve positioning, modest to significant variations in sector emphasis and security selection, particularly in sectors such as corporate bonds and mortgage-backed securities, and municipal bonds. In addition, allocations to securities/sectors not included in the benchmark may also be utilized, where permissible to enhance the portfolio's return.

Active strategies managed by COAM may encompass all dollar denominated investment grade securities, including but not limited to, US Treasury securities, US Agency securities, Agency Mortgage Backed Securities (MBS), Corporate Securities, Commercial Mortgage Backed Securities (CMBS), and Municipal Bonds. COAM's strategies target defined maturity and duration ranges and include cash and equivalents, ultrashort, intermediate, and long strategies as well as tax-exempt variants of each of these strategies. The appropriateness of a particular strategy for a client is determined at the inception of management.

Passive management mandates are more infrequent because of our fee system.

We describe our fixed income investment style as sector rotation with limited duration management. Our process begins with a thorough assessment of economic conditions including domestic and foreign GDP trends, fiscal policy, monetary policy, credit conditions, inflation expectations, currency trends and employment conditions. The conclusions of this assessment are then used to create a set of expectations regarding the future. Based upon those expectations, a set of strategic guidelines are agreed upon that influence how portfolios will be managed. The guidelines relate to areas such as duration/convexity policy, sector weights, credit quality and a determination of



attractive or unattractive positions along the yield curve. The guidelines are then incorporated into the management of fixed income portfolios, such that portfolios will reflect a common set of themes.

Portfolios are constructed to reflect the client-designated benchmark as well as the strategic guidelines described above. Sophisticated software is used to identify the risk characteristics of the benchmark and portfolio managers are responsible for maintaining the proper amount of exposure risk characteristics.

The primary risks involved in fixed income investments are:

- Duration - which measures a security's linear price sensitivity to an instantaneous parallel shift in the yield curve (interest rate risk)
- Convexity – which measures the non-linear price sensitivity to an instantaneous parallel shift in the yield curve
- Credit risk – which measures the risk that a creditor will be unable to fulfill its obligations with regards to interest payments and return of principal at maturity
- Liquidity risk – the risk that a security will be difficult or impossible to sell; or the cost of liquidating a security in terms of a haircut paid relative to the quoted price of a security
- Currency risk – risk of depreciation of the currency in which interest and principal payments are denominated

At the portfolio level, duration and convexity are evaluated in relation to the selected benchmark and are controlled through the application of target ranges around the benchmark's duration and convexity. Liquidity risk is controlled by restrictions on the percentage of a portfolio that can be invested in securities which are deemed illiquid. Direct currency risk is typically not applicable to our process on account of our internal restriction from owning foreign currency denominated securities. The evaluation of indirect currency risk is incorporated into our credit risk controls. Credit risk is monitored through firm-wide controls that are ratings driven. Credit research is conducted internally through the use of models, projections, and third party research/evaluations. Credit research prepared by COAM is the primary factor in COAM's corporate bond security selection.

The first step in our credit research process is a thorough quantitative screening of corporate bond issuers through the use of Bloomberg. This step allows our staff to distinguish lower quality issuers and those whose fundamentals are deteriorating from issuers whose fundamentals are improving. The second step is to take the improving



issuers and conduct fundamental credit analysis primarily through the calculation and projection of financial ratios and an evaluation of these ratios in comparison to industry peers and rating peers. Finally, we utilize a qualitative approach by incorporating third party research from sources including the corporate bond rating agencies (Moody's and S&P) as well as broker-dealer research and independent providers such as CreditSights. The result is an approach that manages risk by screening out poor credits and focusing on improving credits that are attractive on a fundamental and relative basis.

Security analysis is performed on securities other than corporate bonds using appropriate metrics including option adjusted spread, z-spread, libor spread, prepayment shock analysis, cohort analysis, interest rate path analysis, and cumulative default rate projections.

Municipal securities exhibit unique risks that relate to the various types of issuers. Historically many municipalities have secured insurance that covers any shortfall in the issuer's ability to make timely payments of principal or interest. Additionally, given the unlimited taxing authority of many municipalities, municipal bonds have experienced fewer incidents of default than the corporate bond universe. In addition to ratings guidelines established for new purchases, municipal bond holdings are reviewed regularly, and a recommendation is made regarding the advisability of holding securities with ratings that do not match our guidelines.



Item 9 – Disciplinary Information

Currently, COAM has no disciplinary actions to report.



Item 10 – Other Financial Industry Activities and Affiliations

COAM has arrangements with Capital One, National Association, such as the inter-company agreement discussed on page 4 of this document.

It is COAM's policy in approving broker/dealers for trading client securities that the affiliated broker/dealers are not to be used.

COAM employees may purchase or sell securities in their personal portfolios subject to certain restrictions that provide for safeguarding confidential information, reporting and monitoring personal securities transactions, and prohibiting certain kinds of trading activities. COAM has written procedures for comparing the personal securities transactions of its advisory representatives with securities transactions of the Bank's advisory accounts for its clients. COAM's procedures, including its trade comparison procedures, are reasonably designed to prevent and detect violations of federal insider trading prohibitions. COAM has a code of ethics consisting of a written ethics standard and related procedures ("Code"). To administer the Code, the Chief Compliance Officer or Chief Investment Officer is responsible for interpreting the provisions of the Code, for adopting and implementing rules and procedures, for enforcing the provisions of the Code and for determining whether violations of the Code, or of any such rule or procedures, have occurred. Reports regarding violations of the Code will be presented to COAM's Board of Managers.



Item 11 – Code of Ethics

Capital One Asset Management, LLC (“COAM”) has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and its fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at COAM must acknowledge the terms of the Code of Ethics annually, or as amended.

COAM anticipates that, in appropriate circumstances, consistent with clients’ investment objectives, it will cause accounts over which COAM has management authority to effect the purchase or sale of securities in which COAM’s affiliates and/or clients, directly or indirectly, have a position of interest. COAM’s employees and persons associated with COAM are required to follow the Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of COAM and its affiliates may trade for their own accounts in securities purchased for COAM’s clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of COAM employees 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. Under the Code certain classes of securities have been designated as exempt transactions based upon a determination that they do not materially interfere with the best interest of COAM’s clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading on the same day as client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between COAM and its clients.



COAM clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Johnell Smith, Chief Compliance Officer at (504) 533-2349 or johnell.smith@capitalonebank.com or from Capital One Asset Management's web at the following link: http://www.capitalone.com/bank/services/private/COAM_code_of_ethics_policy_4.15.2009.pdf?linkid=WWW_Z_Z_Z_BSAS_C1_03_T_BSPCOE



Item 12 – Brokerage Practices

In the conduct of investment advisory practice, COAM executes purchases and sales of securities through *non-affiliated, COAM approved* broker/dealers. COAM's approval process involves an assessment of the financial condition of the broker/dealer and the types and quality of its services. Each quarter, COAM associates evaluate the services provided by each broker/dealer across a variety of areas. Annually, a financial evaluation is conducted based upon the firm's published financial statements.

Equity Trading

The primary factor in evaluating a broker/dealer's service to COAM is the execution of security transactions on behalf of Bank Clients. In selecting a broker/dealer for a particular trade, the ability of the firm to provide best execution is the primary determinant. COAM conducts post-trade evaluation of equity trade execution through its Trading Oversight Committee (TOC). Trades are selected for evaluation on a sampling basis and execution prices are compared with other execution prices around the same times. Such analysis is one factor in informing the Committee concerning the capabilities and service level of each broker's trading desk.

Soft dollar services, also known as commission management services, are also an important factor used by COAM to select a broker/dealer. COAM benefits from Soft Dollar Services when it uses a portion of the brokerage commission from equity trading for the purchase of third-party vendor research which COAM uses in its investment decision process. The types of services purchased through such arrangements include economic analysis, quantitative and fundamental equity analysis, fixed income credit and security analysis, market quotation and news services, mutual fund research services, portfolio analysis and decision support tools.

Soft Dollar or Commission Management arrangements result in commission levels for Bank clients greater than would be the case if COAM paid brokers



only for trade execution and purchased all research services directly. COAM benefits in as much as COAM does not have to purchase the research from its own resources. COAM currently maintains a commission schedule of five cents per share with its approved equity brokers. Approximately 1.5 cents to 1.7 cents per share is attributable to execution cost, with the remainder allocated to COAM's Soft Dollar research pool.

To the extent that COAM could perform more research in-house rather than purchase it, or purchase more research directly with the firm's resources, commissions could be reduced to less than 5 cents per shares, reducing overall client costs. COAM mitigates this conflict by actively monitoring research services purchased and the vendors who provide the service through the Trading Oversight Committee. Evaluations are performed annually to identify the portfolio manager use and satisfaction for each service and the cost of the service.

The dollars accumulated from such arrangements are almost exclusively from equity trading. However, soft-dollar benefits are not proportionally allocated to any accounts or any particular account type. Some client accounts receive soft-dollar benefits though they have not generated soft-dollar benefits through trading activity.

COAM uses a sub-advisor for client portfolios in certain asset classes (currently large cap international equity). The sub-advisor is responsible for all management and trading decisions within these equity accounts. Trading commissions on these accounts are negotiated with the sub-advisors approved brokers at a rate of four cents per share. COAM receives no benefits from these commissions.

Fixed Income Trading

The primary factor in evaluating a broker/dealer's service to COAM is in the execution of security transactions on behalf of Bank clients. COAM's trading desk generally conducts its fixed income trading on a competitive basis to help ensure "best execution". COAM also conducts post-trade evaluation of fixed income trade execution through its Trading Oversight Committee (TOC). Trades



are selected for evaluation on a sampling basis and execution prices are compared with other execution prices around the same time. Such analysis is one factor in informing the Committee concerning the capabilities and service level of each broker's trading desk.

Other services that influence the selection of broker/dealers for fixed income trading include the proprietary research available from the firm. COAM has determined that certain proprietary dealer research is valuable to its investment decision process, and that it is beneficial to the management of Bank client accounts. In certain cases, COAM may execute trades through broker/dealers which are not at the best price available, but which help ensure access to valued research content. This practice may create a conflict between the short-term interest of the Bank client and the interest of COAM in accessing research for the benefit of a larger group of clients.

COAM may accumulate funds for the purchase of research services from a portion of the dealer concession related to newly-issued U.S. government agency securities. The accumulation of such funds has no impact on the price or yield received by discretionary accounts for the securities purchased under such arrangements.

COAM conducts no trades with firms affiliated with Capital One Financial Corporation or its subsidiaries. In selecting approved broker/dealers or in allocating trades, COAM does not consider, nor does it inquire into, whether a broker/dealer conducts any other business with Capital One affiliates.

Bank clients may direct COAM to use a particular broker/dealer to execute transactions for their accounts. In such event, the client negotiates terms, and COAM will not seek better execution from other broker-dealers. As a result, a client may pay higher commissions or other fees for the account than would otherwise be the case. In the event a client is referred to COAM by a broker-dealer, COAM's interest to generate soft dollars and the client's interests in obtaining best execution may be in conflict.

COAM's policy is to disclose products and services purchased with brokerage commissions. Eligible products are:



- Economic analysis
- Quantitative equity services
- Fixed income credit or portfolio analysis services
- Quotation services and fundamental data
- Portfolio analysis and decision support tools

Soft Dollar products/services are used only for discretionary accounts. COAM continually evaluates these services in comparison to other available research services to ensure commissions are used appropriately. COAM utilizes a standard commission rate for all trades. Currently, the commission rate is \$0.05 per share on equity trades in discretionary accounts.

COAM conducts fixed income trades on a principal basis. When no principal trading opportunities are available, COAM will employ an agent with a commission to execute trade. Occasions warranting such agency trades include:

- Odd-lot municipal bond sales
- Municipal bond sales for securities issued outside of the bank's trade area
- Trades in which initial attempts to seek bids result in a lack of interest or apparent poor prices

Commissions charged on agency fixed income trades will vary based on numerous factors including the size of the order and the specific characteristics of the security, including its quality, marketability, and liquidity.

Trades entered electronically through the trading system are executed in the order they are received by the trading system. Should orders for the same security be entered electronically by different managers on the same day, a block trade may not be created because the trading desk may not be aware that the opportunity exists to create a block trade. Portfolio Managers are



encouraged to seek opportunities to create block trades among accounts assigned to different managers. However, this is not required.

COAM shall make every effort to create block trades in order to treat all the accounts equally. Multiple executions of the block trade will be averaged so that each account receives the same average price. If the entire block is not fully executed on the day it is submitted, COAM pro-rates the executed shares or units among the participating accounts according to the size of the order for each account.

Exception to block order pricing:

- Small orders/Odd lots deemed impractical to precisely pro-rate the executed shares or units
- Non-negotiable allocations of bond trades

COAM will invest in shares of a new-issue bond having considered the following:

- the security's "fit" within the current portfolio,
- liquidity in the account, and
- The ability of the account to hold the security given negotiability constraints, trading constraints, and diversification requirements.

COAM will not invest in new issue equity securities in managed accounts due to the nature of the security evaluation process.

COAM enters orders for security transactions for accounts with sole investment authority.

COAM enters orders for security transactions for accounts with co-fiduciary approval.



Item 13 – Review of Accounts

An initial investment review is conducted within 60 days of an account being fully funded. Annual Investment Reviews are performed on accounts each calendar year thereafter based on the date the account was opened and funded. The annual review is automatically triggered by the trust accounting system.

The review of accounts is influenced by the portfolio managers' expertise and knowledge of the investment policy governing each account, as well as by the decisions regarding investment strategy at the firm level. The strategy decisions in the areas of asset allocation and equity strategy are determined by the Investment Policy Committee, consisting of the COAM Equity Strategist, Fixed Income Strategist, Senior Regional Managers, Chief Compliance Officer, Product Manager and chaired by the Chief Investment Officer. Firm wide decisions regarding the allocation of assets to cash equivalents, equities, and fixed income are set by the Committee. The Committee's decisions directly affect the investment objective asset allocation. The Annual Investment review serves to confirm the account is allocated in accordance with the selected objective.

Initial and Annual Investment reviews include: a review of the individual securities held in the account to confirm they are on the firm's approved securities list, and a review of the percent of each security in relation to the overall market value of the account to confirm the account does not hold more than 10% of a single security. If a concentration is identified, portfolio managers should put a diversification plan in place to reduce the holding or confirm the file contains direction from the client to continue to hold the concentration.

All investment reviews include a second review and approval by a senior portfolio manager. Accounts over \$2,000,000 and all new accounts are presented to the COAM Administrative Committee for discussion monthly.



Item 14 – *Client Referrals and Other Compensation*

Capital One Asset Management, LLC ("COAM") does not compensate its employees or employees of Capital One, N.A. for referrals to COAM. However, Capital One's Private Client Group may receive client referrals from employees of CAPITAL ONE, N.A. and its other affiliates. Accounts opened as a result of such referral may receive investment advice from COAM.

CAPITAL ONE N.A.'s incentive compensation programs for business referred to the Private Client Group by different employees of the bank are as follows:

PCS/ICS Resource Managers – Incentive compensation payout will be 56% of estimated first year fees.

For business referred by a commercial banker or business banker, the incentive compensation payout will be 43% of the estimated first year fees while the remaining 13% is available for the referring banker.

Private Client Group Employees – Market Managers and Trust Specialists: 5% incentive on estimated first year fees for material participation in Trust sales, business expansion or referrals to other Trust

From time to time, CAPITAL ONE, N.A. may offer sales contests for referrals to the Private Client Group.

Item 15 – *Custody*

Capital One Asset Management, LLC ("COAM") does not maintain custody of any client assets. However, Capital One, National Association ("CONA"), as administrator, trustee and/or custodian, does in most cases maintain custody of client assets. As custodian, the bank will send quarterly and annual statements to all discretionary accounts showing a list of assets and their current market value as well as all transactions in the account for the current period.



As a wholly owned subsidiary of CONA, COAM is subject to a surprise audit under Section 206 (4)-2 of the Adviser's Act. COAM engages an independent accounting firm to conduct the examination and reconciliation of assets held by the custodian. COAM's surprise audit was completed in the 4th quarter of 2010 and filed with the Securities and Exchange Commission on December 15, 2010.



Item 16 – Investment Discretion

COAM's primary service arrangement in connection with the Bank's clients involves discretionary asset management. Under this arrangement, COAM will make day to day investment management decisions with consideration given to the investment objectives and any special instructions detailed in writing in the Client's Investment Policy Statement.

When having full discretion, COAM will act in a fiduciary capacity exercising proper due diligence in accordance with the prudent expert rule. In order to facilitate the effective management of an account with full discretion, the Client is expected to notify COAM promptly of any significant changes with regard to investment objective, risk tolerance, liquidity needs, legal or tax status. By assigning sole discretion to COAM, the client indicates that, in the interest of effectiveness and time sensitivity, investment decisions will be made without first consulting the Client.

Unless otherwise agreed to by COAM, decisions covered under a full discretion arrangement include: selling or purchasing securities, rebalancing an account, proxy voting, and the investment and reinvestment of the assets in Client's account. COAM will also bear sole responsibility for managing, reinvesting and rebalancing Client portfolio, monitoring maturities, calls, dividends, bonus or rights issues, tender offers and other corporate actions to ensure all benefits accrue to the Client.

In rare instances, clients may impose certain restrictions upon COAM's activities, and COAM will generally agree to follow the restrictions if it believes it is in a sound position to do so and that it serves the client's best interests. Certain restrictions may be outside of COAM's practice, in which case COAM and the Bank Client must come to a mutually agreeable decision concerning the best resolution of the issue.



Item 17 – Voting Client Securities

CAPITAL ONE ASSET MANAGEMENT, LLC PROXY VOTING POLICY

COAM (“Adviser”) acknowledges that among its duties as a fiduciary to its clients is the obligation to protect the interests of its clients by voting the shares held by its clients’ accounts. To ensure shares are voted in all appropriate circumstances, Adviser will exercise voting discretion under all shares unless voting discretion is specifically reserved for the client or assigned to a third party in the advisory contract. Adviser has determined that in order to efficiently and uniformly vote proxies, it will retain the services of Glass Lewis & Co. to make recommendations as to each proxy vote. Additionally, absent a contrary instruction from Adviser with respect to a given proxy vote, Adviser has instructed Glass Lewis & Co. to vote each proxy in accordance with recommendations it may make in accordance with its proxy voting policy which Adviser has previously adopted. In instances where the Adviser reasonably believes that a contrary vote would be in the best interests of the client in a given circumstance, the Adviser will override the recommendations of Glass Lewis & Co.

http://www.capitalone.com/bank/services/investments/mutualfunds/2010_Proxy_Policy.pdf?linkid=WWW_Z_Z_Z_BSAS_C1_02_T_BSIM10PP

GENERAL STANDARDS AND APPROACH

In general, Adviser has determined that it is in the best interests of its clients to vote its clients’ shares to promote alignment of the interests of an issuer’s corporate management with the interests of its shareholders, to improve the accountability of corporate management to its shareholders, to reward good performance by management, and to approve proposals that Adviser believes will result in financial rewards for its clients. To the extent that the interests of Adviser conflict with the interests of its clients, Adviser will cause proxies to be



voted solely in furtherance of the interest of its clients; in those instances, Adviser will cause all proxies to be voted strictly in accordance with the recommendations of Glass Lewis & Co. determined pursuant to the Policy, without regard to Adviser's actual or perceived interests.

Item 18 – Financial Information

Capital One Asset Management, LLC ("COAM") is a wholly owned subsidiary of Capital One, N.A., which is a wholly owned subsidiary of Capital One Financial Corporation.

There is currently no financial condition that is reasonably likely to impair COAM's ability to meet contractual commitments to clients.