

Tailored Asset Supervisory  
For Clients of Investment Advisors  
Schedule H

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April 23, 2006

**This brochure provides clients of Investment Advisors with information about Belray Asset Management, LLC, Tailored Asset Supervisory program that should be considered before you become a client of the program. This information has not been approved or verified by any governmental authority.**

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## Introduction

This brochure describes the following managed account programs provided by Belray Asset Management, LLC ("BAM") for you as a client. The program called Tailored Asset Supervisory ("TAS") allows you IA at BAM to manage your investment portfolio on a discretionary basis.

**Fees.** Clients pay a single asset-based fee to participate in a program. The fee covers services provided by BAM, may include asset custody at Charles Schwab (these custodial fees and related fees are covered by other programs), investment analysis, portfolio monitoring, portfolio reporting, and asset allocation. Clients of the programs may include individuals, trusts, charitable organizations, pension and profit sharing plans, investment clubs, and corporations and other business organizations.

**BAM.** The program is sponsored by BAM. BAM's custodian Charles Schwab provides custody, execution, reporting, program administration and related services for accounts under the program; in rendering execution services, Schwab generally will route orders for equity securities to UBS Capital Markets, L.P. or UBS Securities LLC. Schwab is a full-service financial services company, offering securities and brokerage services, investment guidance, and a full range of investment and financial products.

### **IA Services and Responsibilities**

**Your IA's Role.** Your IA shall have limited discretion and will assist you in determining your investment objectives, asset allocation, selection specific investments and review of each investments performance. Your IA is also responsible for reviewing the investments, investment strategy, performance, disciplinary record and other due diligence information.

Your IA shall have limited discretion and the authority to manage the Account and act as your agent and attorney-in-fact. Your IA assists you in determining your investment objectives and asset allocation. The in TAS program your IA's discretionary authority be exercised in limited discretionary activity such as tax loss selling, account re-balancing, and take action in the event of an emergency. Your IA will not be actively managing the account on a day to day basis, but your IA will monitor your investment on a day to day basis. Investment most commonly supervised in the TAS program are hedge funds, private equity, money managers, hard assets, limited partnerships and real estate. Your IA is also responsible for ongoing monitoring and review of your investments under the TAS program, your asset allocation, and investment objectives.

### **Change in Client Circumstances**

If material changes occur to your financial circumstances or investment objectives or you wish to impose or modify restrictions on the management of your account, it is your responsibility to promptly inform your IA. Your IA will respond to your questions and periodically discuss with you whether the management of your account continues to reflect your investment objectives and financial requirements.

When entering TAS you will complete a suitability questionnaire with the assistance of your IA. It is your responsibility to update your IA of any material changes to your financial situation or objectives. This information may be shared with other managers that are responsible for managing a portion of your assets. If you update your questionnaire this information will be shared with the managers that are responsible for managing your assets.

### **TAS Services**

Advisory Fees may be charged by the IA. The Advisory Fee includes: investment management services provided by the IA; investment planning, asset allocation (if applicable), review, evaluation and presentation. However, the Advisory Fee does not cover any margin interest.

Advisory fees may be calculated as a percentage of assets under management. Advisory fees are assessed based on the value of the portfolio as set forth in the Client Services Agreement that the Client executes with the IAR. Fees may vary from Client to Client and are negotiable. BAM and their IAs shall be entitled to and will share in the Advisory Fee. The amount of compensation may be more than an IA would receive if a Client participated in other programs offered by BAM or paid separately for investment advice, brokerage, and other services. Therefore, IAs may have a financial incentive to recommend these services. Clients may directly contact the investment managers that BAM recommends.

Payment of fees may be made directly by the Client or debited from the account. Fees are not collected for services to be performed more than six months in advance. Any unearned fees will be refunded to the client. In addition to fees paid for advisory services with respect to Clients' investments in mutual funds, Clients pay additional fees on the mutual fund investment because the mutual funds also pay advisory and/or management fees to an IA. Mutual fund expenses, 12(b)-1 service fees, and deferred sales charges are fully disclosed in the mutual fund prospectus. IAs may provide advisory services where the client funds and securities subject to the service are held by Charles Schwab at 101 Montgomery Street San Francisco, California 94104. Before an investment is selected BAM performs a

comprehensive review of the MM and its services. BAM's review may include, among other things, assessing information about the investment collected through BAM's own due diligence and information received directly from the MM. BAM will seek to act in your best interest in conducting its due diligence, and providing investment advice. However, it is not responsible for the performance of any investment under the program or any investment's compliance with applicable laws or regulations or other matters outside the IA's control.

BAM determines which investments to recommend to clients by engaging in searches and periodic reviews using quantitative and qualitative analysis. BAM's Investment Committee ("Committee") makes the final decision whether to advise a client on a specific investment or to recommend a client to make a specific investment. The Committee consists of those BAM personnel with supervisory responsibility for the TAS program (see "About BAM, BAM Personnel," below).

Your IA will provide investment supervisory services and discretionary management of your investments. Within the TAS program an IA's discretionary authority will allow them to engage in limited discretionary activity such as tax loss selling, account re-balancing, and take action in the event of an emergency. Your IA will not actively managing the account on a day to day basis, but your IA will monitor your investment on a day to day basis. This discretion will remain in full force and effect, even if you become incompetent or disabled, unless revoked or terminated by you in a written notice to BAM. In your client account application, you agree not to effect trades in your account while an IA is advising you on the account. IAs are not authorized to withdraw or transfer any money, securities, or property either in your name or otherwise, except as necessary to pay for or execute transactions in your account.

You may select one or more Money Manager (MM), or investment based on the compatibility of an MM's investment philosophy with your investment needs, objectives and level of risk tolerance for your account. An MM provides discretionary investment advisory services, which means that the MM is responsible for all investment decisions in your account as well as ongoing review of that account. Minimum account sizes apply to each MM participating in the programs and generally start at \$100,000; the minimum account size for fixed income investment styles generally is \$250,000. Additional contributions to accounts managed by certain MMs may be subject to minimum amount requirements so that additional contributions of less than the minimum requirement will be held as cash balances and earn Schwab One® taxable interest or be invested in a money market fund as specified by you in your account application.

If the market value of an account falls significantly below the specified minimum due to withdrawals of assets from the account, BAM may require you to deposit additional money or securities to bring the account up to the required minimum or close the account. Accounts are subject to a monthly minimum fee of \$100 for equity portfolios and \$130 for fixed income portfolios. As a result, if you have an equity portfolio and the value of the account is less than \$120,000, they will pay a higher effective annual percentage rate than the rate indicated in the fee schedule.

You may make additions to or withdrawals from the Account at any time, subject to BAM's right to terminate the Account if it falls below the minimum account value. Additions may be in cash or securities, provided however, that BAM reserves the right to decline to accept particular securities into the Account or to impose a waiting period before certain securities may be deposited. If cash or securities are accepted for management in the Account during any quarter, a prorated Advisory Fee based on the value of the assets may be charged upon deposit. You may request periodic withdrawals; and may withdraw Account assets subject to the usual and customary securities settlement procedures. Refunds on partial withdrawals, if applicable, will be prorated to the next quarterly billing cycle if such withdrawals are made at any time other than on the first day of a calendar quarter.

In filling out your client account application, you will provide information about yourself and your investment objectives. You will have the opportunity to impose reasonable restrictions on the management of your account. You may request that specified securities or categories of securities not be purchased for your account. The IA managing your account is responsible for implementing and monitoring any restrictions you place on the management of your account.

You have the opportunity to instruct your IA to realize gains or losses in your account for tax reasons. This may include the sale of positions with unrealized losses/gains above a certain amount, the sale of positions with unrealized losses/gains totaling a certain amount, or the sale of specified securities. The IA will use reasonable efforts to implement your request to harvest tax losses or gains.

In any and all transactions effected by or through Schwab in your account, Schwab is acting exclusively as a broker-dealer, and not as an investment advisor. Any IA you select is responsible for managing your account in a manner consistent with your stated investment policy, subject to any reasonable restrictions imposed by you.

You may end participation in TAS at any time by written notice to your IA and BAM. An IA also may terminate a relationship with you at any time upon thirty days' notice to you. Please be aware some investments covered within the TAS program may have limited liquidity that may prevent you from exiting an investment. The specific liquidity of an investment will be disclosed to you before that investment is made.

### **Schwab's Execution Services**

The program fee covers execution of equity orders by Schwab, as well as execution of fixed income orders by Schwab on an agency basis, but the program fee does not include execution of orders by Schwab as principal in fixed income securities (Schwab does not execute orders as principal for affiliated Money Managers in the TAS program). "Principal trades" are trades in which Schwab sells securities from its own account to a client account or purchases securities for its own account from a client account.

Execution of Transactions in Equity Securities. Because the program fee covers execution of orders in equity securities when executed through Schwab, IAs place most of their orders for the purchase or sale of equity securities with Schwab; you will agree in your account application that BAM may frequently use Schwab to execute all brokerage transactions (which means you may not receive as high a quality of execution if BAM used broker-dealers other than Schwab). Schwab generally will route orders for equity securities to UBS Capital Markets, L.P. or UBS Securities LLC (together, referred to as "UBS"), which are not affiliated with Schwab. In October 2004, Schwab's parent company, The Charles Schwab Corporation ("CSCorp"), completed the sale of its capital markets affiliate, Schwab Capital Markets, L.P., to UBS Americas, Inc. As part of the sale, CSCorp entered into eight-year equity and options order routing and execution services agreements ("Services Agreements") with UBS providing Schwab with continued access to the order handling technology and services deployed in CSCorp's former capital markets operations. Under the Services Agreements, UBS manages the execution of most types of orders for which customers have not provided specific instructions (non-directed orders), including through the use of intelligent order routing technology for identifying the best available market. UBS also provides routing services for most types of directed orders.

Part of the consideration CSCorp received for the sale of its capital markets business related to the Services Agreements with UBS and Schwab's commitments to route most types of equity orders and listed options orders through UBS

for eight years. However, Schwab does not earn rebates or other additional consideration from UBS or third-parties for equity and options orders routed through UBS. Certain options exchanges, specialists and market makers provide rebates known as "payment for order flow" to order routing firms in connection with orders directed to their market. Rebates for Schwab's orders are passed through to UBS in connection with its assumption of execution services for Schwab's orders under the Services Agreements.

UBS may act as agent or principal in executing customer orders. Schwab does not act as principal for equity trades in the Select or Access program. A principal buys or sells securities for its own account, accepts the risk of market price and liquidity fluctuations when executing customer orders, and attempts to profit from the bid-ask spread. If a trade is executed with a dealer (including UBS) acting as principal, the net price paid or received by you may reflect the bid-ask spread at which the order is executed.

UBS routing and execution services are subject to Schwab's execution quality standards for achieving best execution. In certain circumstances, Schwab itself, acting as broker-dealer, may route orders directly to a market for execution. Schwab considers a number of factors in evaluating execution quality, including execution price and opportunities for price improvement, market depth and order size, the trading characteristics of the security, speed and accuracy of the execution, the availability of efficient and reliable order handling systems, and service levels and the cost of executing orders at a particular market or firm. Price improvement occurs when an order is executed at a price more favorable than the displayed national best bid or offer, and may be available for listed stocks traded on the exchanges, for listed and over-the-counter ("OTC") stocks traded in dealer markets, and for listed options. Schwab regularly monitors the execution quality provided by UBS and the various markets to which UBS and Schwab may route orders, to ensure orders are routed to markets that provide high-quality executions over time.

**Schwab's Interest in Markets.** Schwab and UBS may execute orders through the NASDAQ Stock Market, in which CSCorp. owns an interest.

**Execution of Transactions in Fixed Income Securities.** Fixed income securities generally trade in dealer markets, but some corporate bonds also trade on national securities exchanges. If a fixed income security is traded in the dealer markets, Schwab generally will execute an order as principal unless the IA directs Schwab to execute the order as agent. (Schwab will not execute principal transactions in fixed income securities for affiliated Money Managers in the TAS program.) The principal transactions include a



dealer markup or markdown by Schwab. In seeking best execution based on net price and other factors that an IA may consider, IAs are able to place orders for fixed income securities with dealers other than Schwab. Some IAs managing fixed income investment styles have advised Schwab that they anticipate placing most of their fixed income orders with dealers other than Schwab, which may include a mark-up or mark-down by those dealers (not included in the program fee).

**Additional Charges for Trades Through Other Broker-Dealers.** The program fee covers commissions for trades that an MM places with a broker-dealer other than Schwab, but not markups or markdowns charged by those other broker-dealers. IAs will have an incentive to execute most transactions in equity securities through Schwab. This incentive could, in some circumstances, conflict with an IA's duty to obtain best execution of transactions in your account. However, an IA may execute trades through other broker-dealers when required by applicable law or when an IA reasonably believes that another broker-dealer will provide better execution, net of any additional resulting transaction charges, than would be the case if the transaction were executed through Schwab. Such other broker-dealers may provide an IA with brokerage and research services, as disclosed in this brochure. To be eligible to receive a trade from an IA for your account, the other broker-dealer must have an agreement with Schwab under which Schwab will clear and settle transactions executed by that broker-dealer, or the IA have agreed to use an electronic system to issue settlement instructions to Schwab for trades executed by other broker-dealers. This is described in more detail under the heading "Prime Brokerage, Step-In and Trade-Away Services" in your BAM account application agreement.

**Aggregation of Transactions.** Your IA may aggregate or bunch transactions for your account with transactions for other clients for execution purposes under appropriate circumstances. For these purposes, other clients may include other clients of the same IA under another BAM bundled fee program (see "Other Schwab Bundled Fee Programs" below). In addition, if an IA executes trades with another broker-dealer (as described above), other clients may include additional clients of the IA not participating in any BAM program or service. This practice will not ordinarily affect or otherwise reduce the costs charged to your account for those transactions. The transactions (as well as any expenses incurred in transactions effected through other broker-dealers) will be allocated according to the IA's policies governing aggregation and allocation of transactions. These policies may require your IA to assign to your account the average price resulting from the aggregated trades. Partial fills of a block security transaction may be allocated by your IA

among clients' accounts randomly, pro rata based on the size of the account, or under some other policy adopted by your IA. Your IA's trade allocation policies may result in certain clients paying higher or lower prices for securities than may otherwise have been obtained if the transactions had been executed separately.

## **Custody**

For the TAS program Schwab is most often selected as the custodian for all assets in client accounts and performs all custodial functions customarily performed for securities brokerage accounts, including but not limited to crediting of interest and dividends on account assets. However, in some cases assets will be held in custody at other locations selected by our clients. You will retain ownership of all cash, securities, and other instruments in your account. The program fee compensates BAM for these services. If you have accounts and assets at Schwab or other locations, that are not in the programs, any fees you are charged for the maintenance of such accounts, for custody of assets and for other account related services will be separate from and in addition to your program fee.

## **Reporting**

As a client of BAM and your enrollment in the TAS program, Schwab will send you a monthly account statement detailing positions and activity in your account during the preceding month. The statement will include a summary of all transactions made on your behalf, all contributions and withdrawals made to or from your account, all fees and expenses charged to your account, and the value of your account at the beginning and end of the period. The statement may be based upon information obtained from third parties. Schwab believes that the data obtained from these third parties is accurate, but has no independent means of verifying and cannot guarantee such accuracy. You also will receive a separate confirmation of each transaction, unless you elect to receive a quarterly report containing confirmation information for trades occurring during that calendar quarter. Schwab is not responsible for reviewing transactions in or the value of your account. You will also receive comprehensive performance reporting from BAM quarterly. You should be aware that performance information is not calculated on a uniform and consistent basis. You will also receive comprehensive performance reporting from BAM quarterly. If more than a 5% change or drift occurs from the guidelines set in the Investment Policy Statement occurs this will trigger a review with the client. Performance is reviewed by BAM but it cannot validate or determine the accuracy. BAM will however conduct due diligence on managers

and investments by using fundamental research on the individual holdings, managers and other investment vehicles.

### **Proxy Voting**

Your IA at BAM has voting authority with regard to all client securities and therefore has authority to vote client proxies. Your IA may vote differently for you than another client dependant on what is in your best interest. This authority includes, but is not limited to (i) corporate governance matters such as mergers and other corporate restructurings, and anti-takeover provisions such as staggered boards, poison pills and supermajority provisions; (ii) changes to capital structure, including increases and decreases of capital and preferred stock issuance; (iii) stock option plans and other management compensation issues; (iv) social and corporate responsibility issues. Your IA also reserves the right to refrain from voting a proxy as when the cost of voting the proxy outweighs the benefit (this may occur, for example, with foreign securities and the need to hire a translator).

Performance information will be provided by Schwab and a third party. BAM believes that the data obtained from the third party is accurate, but cannot guarantee it's accuracy.

### **Fees**

#### Program Fee

BAM charges an asset-based fee for the services provided under the TAs program. The maximum fee charged for the programs is set forth in the table below. The fees are negotiable based on a number of factors that may result in a particular client paying a fee greater or less than the standard fees. 100% of the fee will be paid to BAM. Your IA will be compensated as BAM sees fit and may be directly compensated up to 50% of the total fees paid by you. The exact fee you will pay is specified in your BAM account application. BAM may change the actual fee charged to you by notice to you in accordance with your account application and your BAM account agreement.

Dollar Value of Assets	Annual Fee Schedule
First \$500,000	2.00 %
Next \$500,000	1.75 %
Next \$1,000,000	1.50 %
Next \$3,000,000	1.25 %
Over \$5,000,000	1.00 %

The program fee is expressed as an annual rate. To calculate your program fee, BAM multiplies the actual daily balance of your account by the daily pro rata portion of the annual rate and then adds together the fees for each day of the month. The program fee is billed to your account quarterly in advance, which may result in your paying a higher fee on an annual basis than the annual rate due to the effects of compounding. The program fee is blended--- i.e., as the market value of your program account reaches a higher breakpoint, as set forth above, the assets within each breakpoint are charged a lower rate.

If you have more than one account in either or both programs, your accounts may be "household" for purposes of calculating the fee. A "household" is generally a group of accounts having the same address of record or same Social Security number. Individual retirement accounts ("IRAs"), Simplified Employee Pension IRAs ("SEP-IRAs"), SIMPLE IRAs and other personal retirement accounts generally may be combined for householding purposes; however, other retirement plan accounts subject to ERISA and charitable remainder trusts may not be included. The accounts which may be householded are subject to negotiation (except for ERISA accounts) and Schwab's approval. BAM calculates your household fee by totaling the market value of your accounts under each fee schedule and charging your accounts according to the applicable fee schedule. The fee is then allocated on a pro-rata basis to each account. Each account's pro-rata amount is calculated by computing the market value of each account as a percentage of the total market value of all accounts under that fee schedule. Accounts opened later may be added as indicated in the BAM client account application.

#### Services Covered by the Program Fee

The program fee covers the IA's asset advisory services, as well as the following services provided by BAM: (1) custody of account assets; (2) program administration; (3) monthly account statements and (4) periodic distribution fees, electronic fund and wire transfer fees, certificate delivery fees, and reorganization fees.

The program fee covers trade execution for transactions in equity securities executed through Schwab and commissions for execution of transactions in securities by other broker-dealers. It does not include execution of transactions in fixed income securities by Schwab as principal.

#### Other Charges and Compensation

Trades in fixed income securities executed by BAM's custodian and frequent broker-dealer, Schwab, as principal and trades executed with other dealers will involve transaction charges in addition to the program fee. When

Schwab (in the case of fixed income securities) or another broker-dealer executes a trade as principal, Schwab or the other dealer will realize the customary dealer profits or losses on the trade. Schwab also will charge a markup or markdown on transactions executed as principal in fixed income securities in the TAS program. When a trade is executed by your IA with another broker-dealer, you will pay additional compensation to that broker-dealer, which may include markups, markdowns, and dealer profits. Any dealer profit, markup or markdown on principal trades will be separate from and in addition to, and will not reduce or otherwise offset, the program fee for your account.

The program fee does not cover certain costs or charges imposed by third parties, such as odd-lot differentials, American Depositary Receipt fees, exchange fees, and transfer taxes mandated by law. It does cover additional fees Schwab may impose for special services elected by you or an IA, including without limitation periodic distribution fees, electronic fund and wire transfer fees, certificate delivery fees, and reorganization fees. BAM's custodian, Schwab, and also may receive indirect economic benefits, in addition to the program fee, if assets in your accounts are held as cash balances earning Schwab One® taxable interest or if trades are executed by a market center in CSCorp owns an interest.

#### Payment of Program Fees and Other Charges

New inflows into the program are prorated for billing purposes, fees are deducted from your account immediately for the current billing quarter. On a quarterly basis current assets will be billed. These fees will be deducted on the 1st of the month at the beginning of each quarterly billing cycle. Other charges are deducted from your account when they are incurred and will be rebated from your next billing cycle. The program fee and other charges are payable from free credit balances, if any, in your account. If there are no free credit balances in your account, Schwab may redeem money market fund shares in your account to cover the charges or notify you to deposit additional funds into your account. BAM and Schwab reserve the right to liquidate at any time a portion of the other assets in your account to cover the program fee or other charges. Liquidation may affect the relative balance of your account and also may have tax consequences. Schwab may withhold any tax to the extent required by law, and may remit the tax to the appropriate governmental authority.

#### Valuation

For purposes of calculating the program fee, BAM's custodian Schwab will value a security listed on a national securities exchange, as of the valuation date, at the closing or last sale price on the principal market where the security is

traded. Schwab will value any other securities or investments in your account in a manner determined in good faith to reflect fair value. The actual prices at which you could buy or sell the securities may be different from the prices used to calculate the fee. Any such valuation is not a guarantee of the value of the assets in your account. In computing the value of securities in your account, Schwab may use a pricing service or other independent evaluator, as well as other independent sources. While Schwab believes these sources to be reliable, Schwab does not verify them or guarantee their accuracy.

## **Conflicts of Interest and Other Information**

### Amount of Fees

The program fee may be more or less than you would pay if you purchased separately the types of services included in the programs. You may be able to obtain some or all of the types of services available through the programs on a stand-alone basis through Schwab or other firms. For example, you could separately purchase execution services from Schwab, and you could choose to either pay a commission for each transaction or pay an asset-based fee that would cover all transactions.

Depending upon the circumstances, the total of any separately paid charges may be higher or lower than the program fee. Factors that bear upon the cost of the programs in relation to the cost of the same services purchased separately include, among other things, the type and size of your account (and other accounts that you may be able to combine to determine fee breakpoints), the historical and expected size or number of trades for your account, and the number and range of supplementary advisory and other services provided to your account. The program fee also may be higher or lower than the fees charged by other firms for comparable services.

The IA recommending the program may be compensated directly for recommending the TAS program and has a financial incentive to do so.

An IA may select a number of types of investments to meet your investment goals. They may include equity securities, warrants, corporate debt securities (other than commercial paper), Commercial Paper, Certificates of deposit, municipal securities, mutual fund shares (closed and open share classes), US government securities, option contracts on securities.

The client, as well as all other shareholders, will bear a proportionate share of the fees and expenses of any investment company in which Account assets are invested.

Such investment companies may include, but not be limited to, money market funds, shares of exchange-traded funds (ETFs) intended to track the performance of a published index, and closed-end investment companies, such as closed-end funds, in which Account assets are invested. These fees and expenses may include investment advisory, administrative, distribution, transfer agent, custodial, legal, audit and other customary fees and expenses related to investment companies and are in addition to the Advisory Fee. Clients are encouraged to read the prospectuses of any investment company in which Account assets are invested for a more complete explanation of these fees and expenses.

In addition to the Advisory Fee and the internal fees within an ETF as described above, you will share a proportionate share of any fees and expenses associated with Mutual Funds, limited partnerships, hedge funds, fund of funds, separately managed accounts, real estate partnerships, American Depository Receipts ("ADRs"), Global Depository Receipts ("GDRs") and Real Estate Investment Trusts ("REITs") in which an Account is invested and may also bear any fees and expenses associated with converting non-U.S. securities into ADRs or GDRs.

#### Non-Exclusive Relationship

BAM may perform, among other things, asset management, and similar services for other clients and receive asset-based fees for such services. The advice given and the actions taken for a particular client may differ from the advice given or the timing and nature of action taken for other clients' accounts. Transactions in a specific security may not be accomplished for all clients' accounts at the same time or at the same price. In managing your account, an IA may purchase or sell securities in which the IA, Schwab, or their officers, directors, employees or representatives, directly or indirectly, have or may acquire a position or interest.

The IAs, Schwab or their affiliates may, in the course of business, obtain material non-public or other confidential information that, if disclosed, might affect an investor's decision to buy, sell or hold a security. The IAs, Schwab, and their affiliates are restricted from disclosing or using this information under applicable law, and are under no obligation to disclose the information to any client or use it for any client's benefit.

#### Principal and Agency Cross Transactions

Consistent with applicable law and regulation, BAM's custodian and frequent broker-dealer, Schwab, may execute principal trades for fixed income securities in the program; Schwab will not execute equity trades as principal and will

not execute fixed income trades as principal for accounts managed by affiliated IAs in the Access program. Schwab will execute principal transactions for your fixed income account only when an IA believes you will receive at least as favorable execution as would be the case were the transaction executed through another dealer.

may receive compensation from the client on the other side of the transaction (the amount of which may vary). Thus, BAM custodian, Schwab, also may effect agency cross trades with accounts in the programs to the extent permitted by applicable law and regulations and Schwab's internal policies. "Agency cross trades" are transactions in which Schwab acts as broker for the parties on both sides of the transaction. Schwab may have a potentially conflicting division of loyalties and responsibilities. If Schwab effects an agency cross transaction for your account, the confirmation for the transaction will disclose that Schwab acted as agent for both buyer and seller in the transaction. The compensation received by Schwab from the other client is in addition to the program fee described above. While such compensation, in theory, could create a potentially conflicting division of loyalties and responsibilities, all transactions under the programs are directed by either you or the IA, and Schwab will be acting solely as a broker-dealer in connection with such trades.

#### Investment in Affiliated and Other Funds

Your IA may decide to invest cash in your account that is awaiting investment in a fund traded on a stock exchange ("ETF"). This might occur with a subsequent contribution by you to your account after account opening or during the 30-day wash sale period with respect to sale proceeds resulting from a tax harvesting request. To the extent assets in your account are invested in an ETF or money market fund, you will in effect be paying for asset management or investment services at two levels—through the fees charged to the ETF or money market fund by the fund manager or sponsor and through the program fee charged to your account. In this case, your IA will be receiving compensation for managing your assets where some part of the assets is invested in an investment fund. In addition, it is possible that the ETF may hold a position in a security which you have restricted from your account.

#### Other Compensation

BAM and its affiliates and their employees benefit from the compensation you pay to BAM under the program. To the extent that you use other products or services BAM offers, BAM benefits from this additional compensation.

BAM may have other business relationships with Schwab, separate from the programs, in connection with which the IA compensates Schwab for services. For example, BAM may



receive (on behalf of clients or otherwise) research, execution, custodial, referral, pricing and other services offered by Schwab or an affiliate in the normal course of its financial services business. Schwab does not charge IAs a fee to participate in the programs. Schwab reserves the right to charge IAs fees in the future.

#### Risk and Taxes

All investments involve the risk (the amount of which may vary significantly) that investment performance can never be predicted or guaranteed and that the value of your portfolio will fluctuate due to market conditions and other factors – see “Certain Risks” below. You should also understand that all or a portion of your securities may be sold either at the initiation of or during the course of the management of your account under the programs. You are responsible for all tax liabilities arising from such transactions, and you are encouraged to seek the advice of a qualified tax professional.

#### Termination of Participation in the Programs

You may terminate your participation in the programs at any time upon written notice to BAM without penalty, subject to the payment of any fees incurred and allowing at least two business days for Schwab to process your termination instruction. Once your authorizations granted to BAM and you IA been terminated, your account will be charged Schwab's then-current fees and other applicable charges for accounts managed by your IA at Schwab, and you and your account will become enrolled in the Schwab Independent Investor Signature™ service and subject to the fees and commissions applicable to that service unless Schwab notifies you otherwise; you will then be solely responsible for managing your account. If you terminate the MM for a managed account with a fixed income strategy that holds shares in a mutual fund developed for use with that strategy (such as Fixed Income SHares in the PIMCO Total Return Strategy), your shares in that mutual fund will be liquidated.

#### Adding Securities to Your Account

You may add cash, certain mutual fund shares, stocks or bonds to your account, but BAM and Schwab reserves the right to decline to accept particular securities or require you to wait a specific period before depositing certain securities. When depositing securities to your account, you should bear in mind that your IA designate may decide to sell all or a substantial portion of such securities and that you will be responsible for any tax liabilities resulting from such transactions.

## **About BAM**

### BAM's Business Activities

BAM is primarily engaged in business as an Registered Investment Advisor and spends most of its time on that business. As an Investment Advisor BAM typically receives annual fees based on a percentage of assets under management for each of its clients. It is typically compensated for Investment Supervisory or Investment Management of Clients Assets. BAM typically utilizes the custodial services Charles Schwab. BAM services its clients from it's location in Greenwich, CT. BAM was founded in 2007.

### Information on Selected BAM Personnel

BAM has no general standards of education or business experience that it requires of individuals involved in the programs.

The following BAM personnel have supervisory responsibility for the TAM program and serve on the Investment Committee.

Gregory H Skidmore has Managing Director of BAM since February of 2007. Between 2005 and 2007 he was a Financial Advisor for a Citigroup Family Office and Smith Barney. Mr. Skidmore was a member of the 2003 US Sailing Team. Between 2003 and 2005 he was an Associate in Institutional Equity Sales at Advest, Inc. He received a B.A. from Connecticut College in New London, CT in 1999 for Economics and History. He has complete the NASD Series 63 and 65 exams. He was born in 1979.

### BAM's Interest in Other Client Transactions

BAM has imposed policy restrictions on all personnel with respect to transactions for their own accounts and accounts over which they have control or a beneficial interest. Employee trading restrictions also prohibit unacceptable trading practices such as front running, crossing trades with customers, and insider trading.

BAM has various ethical standards, including a code of ethics adopted pursuant to SEC Rule 204A-1 under the Investment Advisers Act of 1940 (the "Code"). The Code is intended to reflect fiduciary principles that govern the conduct of BAM and its supervised persons in those situations where Schwab acts as an investment adviser as defined under the Investment Advisers Act of 1940 in providing investment advice to clients. As a general matter, the Code requires that BAM's supervised persons comply with applicable Federal securities laws, report violations of the Code, and (for supervised persons who are

deemed "access persons" by virtue of their involvement in providing investment advice or access to certain related information) report their personal transactions and holdings in certain securities periodically and get pre-clearance before buying a security in an initial public offering or private offering. A copy of BAM's Code is available on request.

## **Certain Risks**

Investments in securities, both generally and in the context of the investment strategies available through TAS, involve various risks, including those summarized below. In addition, you IA's investment style may involve risks different from or in addition to those summarized below.

### Alternative Investment Risks

General. The prices of Alternative Investments such as limited partnerships, hedge funds, private equity, direct investments and co-investments may fluctuate more or less than traditional assets. These price movements may result from factors affecting individual companies, property value, commodities, industries or the securities market as a whole. Individual securities or private businesses may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities, property, commodities may suffer a decline in response. In addition, various asset classes tend to move in cycles which may cause prices to fall for short or extended periods of time.

Liquidity. Alternative Investments tend to have less liquidity than traditional investments. Some require holding periods of 5 to 10 years.

Leverage. Alternative Investments often use leverage which can increase potential gains as well as potential losses. As a result they tend to have more volatility than traditional investments.

Valuation. Alternative Investments can be difficult to accurately price (mark to market) and value as they may sit in markets that are less efficient than traditional equity markets.

Transparency. Alternative Investments are often not registered with the SEC and therefore may offer less transparency into its underlying investments.

### Equity Risks

General. The prices of equity securities rise and fall daily. These price movements may result from factors affecting individual companies, industries or the securities market as a whole. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. In addition, the equity market tends to move in cycles which may cause stock prices to fall for short or extended periods of time.

Large- and Mid-Cap Risk. Investment strategies that focus on large- and/or mid-cap segments of the stock market involve the risk that these types of stocks tend to go in and out of favor based on market and economic conditions. However, stocks of mid-cap companies tend to be more volatile than those of large cap companies because mid-cap companies tend to be more susceptible to adverse business or economic events than larger, more established companies. During a period when large- and mid-cap U.S. stocks fall behind other types of investments—bonds or small-cap stocks, for instance—the performance of investment strategies focused on large and/or mid-cap stocks will lag the performance of investments in bonds or small-cap stocks.

Small-Cap and International Risk. Historically, small-cap and international stocks have been riskier than large- and mid-cap stocks. Stock prices of smaller companies may be based in substantial part on future expectations rather than current achievements and may move sharply, especially during market upturns and downturns. Small-cap companies themselves may be more vulnerable to adverse business or economic events than larger, more established companies, and international companies may be more vulnerable to geopolitical factors than U.S. companies. During a period when small-cap and/or international stocks fall behind other types of investments—bonds or large-cap stocks, for instance—the performance of investment strategies focused on small-cap or international stocks will lag the performance of bonds or large-cap stocks.

Management Risk. Money Managers generally make investment decisions for particular investment strategies using historical information. There is no guarantee that a strategy based on historical information will produce the desired results in the future. In addition, if market dynamics change, the effectiveness of that kind of strategy may be limited. Either of these risks may cause the investment strategy of a particular IA to under-perform its benchmark or similar investment strategies managed by different investment.

#### Fixed Income Risks

General. Bond markets rise and fall daily and fixed income investments are subject to various risks, including changes in interest rates. As with any investment whose performance is tied to these markets, the value of a managed account fixed income portfolio will fluctuate, which means that you could lose money.

Interest Rate Risk. When interest rates rise, bond prices usually fall, and with them the value of your portfolio. A fall in interest rates could hurt your portfolio by lowering its yield.

State and Regional Factors. To the extent that your fixed income portfolio is invested in securities from a given state or geographic region, its value and performance could be affected by local, state and regional factors, including erosion of the tax base and changes in the economic climate. National governmental actions, such as the elimination of tax-exempt status, also could affect performance. In addition, your portfolio may be more sensitive to adverse economic, business or political developments if a substantial portion of it is invested in municipal securities that are financing similar projects. Your portfolio may also have more exposure to the risks of a given issuer than a diversified bond fund.

Credit Risk. A decline in the credit quality of a fixed income investment could cause the value of your fixed income portfolio to fall. Your portfolio could lose money if the issuer or guarantor of a portfolio investment fails to make timely principal or interest payments or otherwise honor its obligations. The emphasis of a fixed income strategy on quality and preservation of capital also could cause your portfolio to under-perform certain other types of bond investments, particularly those that take greater maturity and credit risks. Municipal securities may have greater risks than taxable bonds.

Maturity Risk. The IA's duration and maturity decisions will affect the value of your fixed income portfolio. To the extent that the IA anticipates interest rate trends imprecisely, your portfolio could miss yield opportunities or its value could fall.

Tax Risk. If tax-exempt securities purchased in your portfolio are later deemed to be taxable, a portion of your portfolio's income could be taxable. Any defensive investments in taxable securities could generate taxable income. Also, some types of municipal securities produce income that is subject to the federal alternative minimum tax (AMT).

**Disciplinary Information**

The SEC and other regulatory agencies and organizations have, in the past, not taken any disciplinary actions against BAM for violations of investment-related statutes, regulations and rules.