



AI Advisors, LLC
One State Street, Suite 1050
Boston, MA 02109
(617) 517-3910
www.ai-advisors.com
December 20, 2011

This Brochure provides information about the qualifications and business practices of AI Advisors, LLC (“AI Advisors” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at (617) 517-3910. The information in this Brochure has not been approved or verified by the Massachusetts Securities Division (the “Division”), by the United States Securities and Exchange Commission (the “SEC”) or by any other state securities authority.

AI Advisors is an investment adviser registered with the Division under the Massachusetts Uniform Securities Act, M.G.L. c. 110A, as amended (the “Massachusetts Securities Act”). Registration as an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information to assist you in determining whether to hire or retain an investment adviser.

Additional information about the Firm also is available on the SEC’s Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This Brochure is the Firm's initial Brochure filed with the Massachusetts Securities Division. Therefore, the Firm has not yet filed any annual amendments to this Brochure. From August 18, 2011 to December __, 2011, the Firm was registered with the SEC under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

At least annually, this section will discuss only specific material changes that are made to the Brochure and will provide a summary of those changes. In addition, this section will refer to the date of the last annual update to this Brochure.

Item 3 -Table of Contents

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

Item 4 – Advisory Business

AI Advisors provides separate account advisory services to clients (“Clients”) and manages the assets of Clients pursuant to Separate Account Program Advisory Agreements (“Advisory Agreements”). The investment advisory services provided under the Advisory Agreements generally provide AI Advisors with full discretion to manage Client assets under one of several investment strategies available to Clients. AI Advisors engages third-party investment managers that serve as sub-advisors (“Sub-Advisors”) to AI Advisors, pursuant to Sub-Advisory Agreements between AI Advisors and the relevant Sub-Advisor (“Sub-Advisory Agreements”). Pursuant to each Sub-Advisory Agreement, Sub-Advisors provide AI Advisors with model portfolio recommendations (“Model Portfolios”) with respect to one or more of the Sub-Advisor’s investment strategies (“Investment Strategies” or “Sub-Advised Strategies”). AI Advisors uses the Model Portfolios to manage participating Client accounts in accordance with the relevant Sub-Advised Strategy.

AI Advisors has conducted due diligence regarding each Sub-Advisor, including without limitation, with respect to each Sub-Advisor’s Sub-Advised Strategies, operations, and principals.

The Model Portfolios may or may not be based on an investment strategy other than the relevant Sub-Advised Strategy implemented by the Sub-Advisor for its own client or proprietary accounts. Clients should not assume that the performance of their accounts based on a Sub-Advised Strategy, or any implementation of a Sub-Advised Strategy (including without limitation via the use of a Model Portfolio) by AI Advisors will replicate or track the performance of another investment strategy used by the Sub-Advisor with respect to the Sub-Advisor’s own client or proprietary accounts. Performance of Client accounts may differ materially from, and possibly may perform materially worse than, the client or proprietary accounts managed directly by a Sub-Advisor using the same or a substantially similar Investment Strategy as used by the Client account. The reasons for this include, but are not limited to: limitations in the securities and other instruments that can be traded by brokers used by AI Advisors; trading cost differences; limitations in trading frequency; limitations, restrictions and other guidelines imposed by Clients on the management of their accounts; lags in timing between when AI Advisors trades a security versus when the Sub-Advisor might trade (or be able to trade) that security for its Client or proprietary accounts; short borrow availability; directed trading; and various other factors.

Prior to entering into an Advisory Agreement, Clients inform the Firm of their investment objectives, risk tolerance, and investment time horizon for their account and of any reasonable restrictions that they wish to impose on the management of the account, including without limitation, designating particular securities or categories of securities that should not be purchased in the account or that should be sold or held in the account and any investment policies or other guidelines applicable to the account (all of the foregoing information collectively, the “Investment Profile”). AI Advisors will recommend to the Client one or more Investment Strategies that are suitable for and consistent with the Client’s Investment Profile.

Please see important disclosures in the Advisory Agreements that every Client must sign. Also, please see important disclosures in the performance materials for each Investment Strategy before investing. Consult with your tax and financial advisors before investing. Before investing, please read closely all available Sub-Advisor information and materials, including the Sub-Advisor’s Form ADV Part 1 and Part 2A, as these documents provide important details of risks related to the Investment Strategies. In addition, before investing, please read closely all available AI Advisors’ information and materials, including AI Advisors’ Form ADV Part 1 as well as this Form ADV Part 2A, as these documents provide important details of risks related to investing with AI Advisors.

AI Advisors licenses trade allocation and managed-account technology from AI Exchange Technologies, LLC (“AI Technologies”) in order to implement all Investment Strategies. AI Advisors and AI Technologies are both wholly owned subsidiaries of AI Exchange, Inc.

The Firm may also offer non-discretionary investment advice to Clients (*i.e.*, other registered investment advisors) who advise their own underlying clients’ managed accounts, to include unified managed accounts. For these Clients, AI Advisors is a sub-research provider and provides investment recommendations to the Clients, based on one or more Investment Strategies. These Clients (*i.e.*, the registered investment advisors), rather than AI Advisors, will exercise discretion over the underlying client accounts involved. For these types of Client accounts, AI Advisors charges a negotiated, asset-based fee and possibly a performance-based fee.

The Firm has been in business since July 2011 operating in a non-investment advisory capacity until October 31, 2011. As of December 15, 2011, AI Advisors managed approximately \$474,000 on a discretionary basis and \$0 on a non-discretionary basis.

Historical performance is not indicative of future performance. Future performance may vary materially from, and could be significantly worse than, historical performance. The Investment Strategies have significant and various risks; see Item 8 below. Clients could lose a portion of or all of their investment amount. Hedging is meant to decrease risk but at times can increase risk materially. Hedging can also at times cause material underperformance versus an index. Leverage can materially increase risk as it increases the amount of losses and gains, and also causes the investor to bear additional interest expenses, and at times tax expenses.

Item 5 – Fees and Compensation

Fees charged to Clients for investment in the Investment Strategies may vary depending on the specific strategy selected. Fees charged may include asset-based fees or a combination of asset-based fees and performance-based fees. Specific fee information is available from AI Advisors upon request. Annualized asset-based fees can range between 1%-3% approximately and performance-based fees can range between 10%-25%. Fees are typically charged either monthly or quarterly either in advance or in arrears at the beginning or end of each month/quarter based on the Client account's market value and appreciation. Performance-based fees are paid based on a share of capital gains on, or capital appreciation of, the assets of the Client's account, subject in certain cases to a loss-recovery mechanism (or high-water mark) as set forth in the relevant Advisory Agreement. Asset-based fees shall be calculated based on all of the applicable net assets managed in a Client account. Fee calculations will be determined by using the market values on either the first or the last day of the month or quarter, priced according to the Client's brokerage/holding statement, or according to the average market value of the Client's assets over a certain period, as specified in the Advisory Agreement between AI Advisors and the Client. Advisory Agreements between AI Advisors and Clients may be customized and may vary materially from Client to Client. Fees may be deducted directly from a Client's account. Clients may terminate their accounts at any time, in accordance with the notice requirement and other provisions of their Advisory Agreement, in which case fees will be pro rated as of the termination date. AI Advisors shall refund to the Client the proportionate amount of any prepaid fees in the event that the Advisory Agreement is terminated as of a date other than the last calendar day of a calendar quarter or calendar month (as applicable), based on the number of calendar days remaining in such calendar quarter or calendar month (as applicable) on and after the termination date. All fees generally are negotiable based on various factors.

AI Advisors' fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, which expenses shall be incurred by the Client. In addition, Clients may incur certain charges imposed by custodians, brokers and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Exchange traded funds ("ETFs") also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to AI Advisors' fees, and AI Advisors will not receive any portion of these commissions, fees, and costs. Item 12 below further describes the factors that AI Advisors considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation (*e.g.*, brokerage commissions). Clients may direct trades to certain brokers and in such cases AI Advisors does not have a duty to seek best execution.

AI Advisors' fees for its sub-research provider agreements are negotiated and may vary from Client to Client.

It is possible that lower investment advisory fees may be available from other sources.

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

In some cases, AI Advisors has entered into performance-based fee arrangements with qualified clients as defined under Rule 205-3 of the Advisers Act. Such fees may be subject to negotiation with each such Client. The Firm will structure any performance-based fee arrangement in compliance with Rule 205-3 under the Advisers Act as required by 950 CMR 12.205(9)(c)(17) under the Massachusetts Securities Act. In measuring Clients' assets for the calculation of performance-based fees, AI Advisors shall include realized and unrealized capital gains and losses. Clients and prospective Clients should be aware that performance-based fee arrangements may create an incentive for AI Advisors to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. AI Advisors has designed and implemented procedures to seek to ensure that all Clients are treated fairly and equitably, and to prevent any potential conflict of interest from influencing the allocation of investment opportunities among Clients.

Item 7 – Types of Clients

AI Advisors provides discretionary and non-discretionary investment management services to Clients including individuals, institutional clients, other investment advisers and pension plans. The Firm manages Client assets in a manner consistent with the investment objectives, guidelines and restrictions, if any, of the Client and will recommend to the Client one or more Investment Strategies that are suitable for and consistent with the Client's Investment Profile. Each Client is solely responsible for the accuracy and adequacy of the information, records, and data provided to the Firm.

An account minimum for the Firm's discretionary investment management services is \$100,000, but the Firm, in its sole discretion, may accept lower account minimums. The Firm does not have a minimum for its non-discretionary investment management services.

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

Clients utilizing one or more of the Sub-Advised Strategies may be provided with the Form ADV Part 2A of the particular Sub-Advisor (or information regarding how to obtain such Form ADV Part 2A) in addition to certain performance information and other reports which provide a written description of the Sub-Advisor's background, qualifications and services (collectively, "Promotional Material"). The Sub-Advisor's Form ADV Part 2A and/or Promotional Material will contain the relevant information regarding the relevant Sub-Advised Strategy and any associated risks of using it. Please read carefully these documents, including disclosures and the Sub-Advisor's historical performance. In some cases, AI Advisors may also provide Clients with additional disclosure materials regarding specific Sub-Advised Strategies.

The Sub-Advised Strategies that are considered to be offered through AI Advisors include but are not limited to Long/Short Strategies that use either individually or any combination of Equity, ETFs, Exchange Traded Notes ("ETNs"), Bonds, Mutual Funds, Money Market Funds, Options and other instruments traded on any exchange including over-the-counter trades across global markets. AI Advisors may use the above-mentioned instruments and leverage through margin to implement a Sub-Advisor's stated Investment Strategy.

Risks Associated with Sub-Advised Strategies

AI Advisors performs due diligence on each Sub-Advisor prior to executing a Sub-Advisory Agreement and recommending to a Client the Investment Strategy or Strategies related to the Sub-Advisor. Information and materials that AI Advisors may obtain and evaluate regarding a potential or actual Sub-Advisor may include, without limitation, audit reports, disclosure documents, monthly performance history, Due Diligence Questionnaires and the Sub-Advisor's Form ADV. AI Advisors will seek to obtain and evaluate information on each Sub-Advisor's background, asset base, investment strategies, and legal and regulatory operational infrastructure. AI Advisors will continue to monitor the performance of each Sub-Advisor after execution of each Sub-Advisory Agreement and continue to conduct research as AI Advisors deems appropriate.

Due-Diligence Risk: AI Advisors' due diligence process with respect to engaging Sub-Advisors includes both quantitative and qualitative features. AI Advisors endeavors to evaluate a prospective Sub-Advisor's investment strategies, philosophy and decision making process, any proprietary models if applicable, its research process and portfolio monitoring systems, the background and quality of its investment team, and its organizational structure. However, there can be no assurance that the investment advice (including without limitation the Model Portfolios) provided to the Firm by a Sub-Advisor will result in positive performance for the Client accounts managed by AI Advisors in accordance with the relevant Sub-Advised Strategy.

Sub-Advisor Risk and Sub-Advised Strategies: For Sub-Advised Strategies, AI Advisors will receive Model Portfolios from the relevant Sub-Advisor on a periodic basis as well as any changes to such Model Portfolios. AI Advisors will invest and reinvest the assets of a Client's account based on the relevant Sub-Advised Strategy in accordance with the Model Portfolios (subject to any restrictions, limitations or other guidelines set forth in the applicable Client's Investment Profile, as it may be updated from time to time), including without limitation by buying, selling, exchanging, converting, tendering and otherwise trading in any stocks, bonds, other securities, and other instruments, at such time and in such manner as the Firm determines in its discretion.

Various factors can cause a Client account managed based on a Sub-Advised Strategy to underperform or lose value. The Sub-Advisor providing the investment advice (including without limitation the Model Portfolios) to AI Advisors generally has a portfolio manager (or managers) who is selecting securities based on a fundamental basis or using other methods including technical analysis, quantitative models, or other approaches. If these

approaches result in the selection of securities that lose value, then the Client's account will also either lose value or underperform its benchmark, possibly materially.

Clients should understand that the Sub-Advisors engage in investment advisory businesses apart from the services they provide to AI Advisors. Accordingly, Sub-Advisors may give advice and take action with respect to their own clients that may be similar to or may differ from advice (including without limitation the Model Portfolios) given to AI Advisors or the timing or nature of action taken by AI Advisors with respect to a Client account. To the extent the Model Portfolios provided by Sub-Advisors to AI Advisors are similar to recommendations made by the Sub-Advisors to their own clients, the Sub-Advisors will agree to use their best efforts to ensure that their own clients are not intentionally trading ahead of, or otherwise trading to the disadvantage of, AI Advisors' implementation of Model Portfolios on behalf of Client accounts.

General Investment and Trading Risks: Investing in securities and other instruments involves the risk the loss of all or a portion of a Client's investment. No guarantee or representation is made that the Firm's Investment Strategies will be successful. Investing involves a risk of loss that Clients should be prepared to bear. Clients should be aware of the following risks, among others, as some of them may be relevant to AI Advisors' management of Client accounts.

Strategy Risk: Strategy risk relates to the deterioration of the economic viability of an entire Investment Strategy. The Sub-Advised Strategies generally are based on the Model Portfolios. Strategy-specific losses can result from excessive concentration in the same investment approach or general economic events that adversely affect particular strategies (e.g., illiquidity within a given market).

Client-Imposed Restrictions: Any restrictions, limitations and/or guidelines imposed by a Client on the management of its account may cause AI Advisors to deviate from the investment decisions it otherwise would make in managing such account. In managing a Client's account, AI Advisors will rely on the information that each Client has provided to the Firm, including without limitation, the information set forth in the Client's Investment Profile. AI Advisors will not be liable for any Client's failure to provide the Firm with accurate or complete information or to inform the Firm promptly of any change in the information previously provided to the Firm, including without limitation any changes to the Client's Investment Profile.

General Economic Conditions: The success of any investment activity will be affected by general economic conditions that affect the level and volatility of prices as well as the liquidity of the markets. The prices of many securities and derivative instruments are highly volatile. The price movements of the instruments that the Firm on behalf of its Clients will acquire or sell short will be influenced by, among other things, interest rates, changing supply and demand relationships, the trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events. Governments from time to time intervene, directly and by regulation, in certain markets (particularly those in currencies and interest rates), thereby disrupting strategies focusing on these sectors. Unexpected changes (in either direction) in the volatility or liquidity of the markets in which Clients hold positions could cause significant losses.

The profitability of a significant portion of the Firm's investment program will depend upon its ability to correctly assess future price movements in stocks, bonds, commodities and other instruments. AI Advisors may not be able to accurately predict these price movements, even during market periods that are favorable to most other managers.

Each Investment Strategy recommended by AI Advisors for Clients will be unlikely to achieve its objectives under certain market conditions, which may prevail for substantial periods of time after the Client allocates assets to a particular Investment Strategy.

Securities Trading: Securities trading is speculative and volatile. Securities traded by the Firm on behalf of its Clients may involve substantial risks and may be subject to wide and sudden fluctuations in market value with resulting fluctuations in the amount of profits and losses. Securities prices also may be volatile.

Short Sales: AI Advisors may in certain cases engage in short sales for selected Clients. A short sale involves the sale of a security that the Client does not own in anticipation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, AI Advisors, on behalf of the Client, must borrow the security and is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the Client. When a Client makes a short sale in the United States, it typically must leave the proceeds thereof with the broker and must also deposit with the broker an amount of cash or US government or other securities sufficient under current margin regulations to collateralize its obligation to replace the

borrowed securities that have been sold. A short sale involves the risk of a theoretically unlimited increase in the market price of the security that would result in a theoretically unlimited loss. Furthermore, if AI Advisors has, on behalf of a Client, sold short the securities offered in an exchange offer or merger and has purchased the securities of the target company, the Client is exposed to the risk that, if the transaction is not consummated, it may suffer losses with respect to both its long and short positions. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Margin: Certain Sub-Advised Strategies may be employed through the use of margin accounts. This may result in certain additional risks for the relevant Clients. For example, should the cash or securities pledged to secure the margin accounts decline in value or should the broker or dealer increase its margin requirements on a Client's positions, the Client could be subject to a "margin call," in which case, AI Advisors may be forced to liquidate securities in the Client's account to generate cash to meet such margin call to compensate for the decline in value or increased margin requirements. In the event of a sudden precipitous drop in the value of the assets in a Client's account or increase in margin requirements, AI Advisors may be unable to liquidate securities in a Client's account quickly enough to cover margin calls. If AI Advisors is unable to satisfy any margin calls on a Client's account, the broker or dealer could liquidate the Client's position in some or all the financial instruments that are in the Client's account at the broker and cause the Client potentially to incur significant losses.

Micro, Small and Mid Cap Company Risk: Investments in micro, small and mid cap companies may involve greater risk than investing in larger, more established companies. This is often due to company management having less experience, the company having limited financial resources, limited products and/or competitive strengths. The securities of these companies may trade less frequently and in smaller volumes than securities of larger companies and they may be more volatile. In addition, micro, small and mid cap companies may be more vulnerable to economic, market and industry change. The risk of bankruptcy also usually is higher with smaller capitalized companies.

Options: The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price

at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

Diversification: It is possible that Client accounts may take substantial positions in the same security or group of securities at the same time. This possible lack of diversification may subject the investments of such accounts to more rapid change in value than would be the case if the assets of such accounts were more widely diversified.

Market Risk: The market values of the securities in which a Client invests may decline, at times sharply and unpredictably. Market values of equity securities are affected by a number of different factors, including the historical and prospective earnings of the issuer, the value of its assets, management decisions, decreased demand for an issuer's products or services, increased production costs, general economic conditions, interest rates, currency exchange rates, investor perceptions and market liquidity.

Management Risk: There is the risk that AI Advisors will not successfully execute an Investment Strategy even after applying its investment process. There can be no guarantee that AI Advisors will produce positive returns for any Client account, and there can be no assurance that the Investment Strategies utilized in managing Client accounts will succeed.

Exculpation; Indemnification: Generally, the provisions of each Client's Advisory Agreement state that each Client will hold harmless and indemnify AI Advisors, its affiliates, and their respective officers, directors, managers, members, partners, agents, controlling persons and employees (collectively, "Covered Persons") with respect to losses, claims, liabilities and expenses of any kind and amounts paid in satisfaction of judgments, in compromise or as fines or penalties (a "Loss") resulting from any inaccuracy of any representation or warranty made by the Client in its Advisory Agreement or with respect to actions that AI Advisors or any other Covered Person has taken or failed to take pursuant to the Advisory Agreement, other than with respect to any Loss resulting from the fraud, willful misconduct, gross negligence, or bad faith of AI Advisors. In addition, generally the provisions of each Advisory Agreement provide that neither AI Advisors, nor any other

Covered Person, shall have any liability to any person (including without limitation the applicable Client) with respect to: (a) the acts or omissions of any third party, including without limitation, the acts or omission of the Client's custodian; and (b) the information and materials regarding a Sub-Advisor provided by the Firm to the Client, but only to the extent such information was provided to the Firm, or derived from data or information provided to the Firm, by the relevant Sub-Advisor. Any indemnification paid out of the assets of a Client's account would reduce the value of such account. However, these provisions are not intended to permit exculpation or indemnification to the extent it would be inconsistent with the requirements of applicable US federal or state securities laws.

Investments in ETFs: There are risks associated with investments in the securities of ETFs. Investments in the securities of ETFs may involve duplication of advisory fees and certain other expenses for Client accounts. Clients invested in ETFs indirectly bear their proportionate share of the fees and expenses paid as shareholders of the ETF, in addition to AI Advisors' fees. Shares of ETFs are not individually redeemable and may be redeemed by the shareholder at the net asset value only in large blocks known as "Creation Units." Trading in shares of an ETF on an exchange may be halted due to market conditions that, in the view of the exchange, make trading in shares of the ETF inadvisable. The market prices of ETF shares will fluctuate in response to changes in Net Asset Value ("NAV") and supply and demand for shares.

Investments in ETNs: There are risks associated with investments in the securities of ETNs. ETNs combine the features of ETFs and bonds. They resemble bonds in that they are debt securities. They resemble ETFs in their trading - like stocks and ETFs, they are traded on centralized exchanges, where one can buy and sell them through a broker. Like ETFs, ETNs track indices and their prices differ with regard to the performances of tracking index. Some key differences from ETFs exist, however, including: (i) ETN investors are not buying shares for a portfolio of stock; they are buying only a promise; (ii) the ETN sponsor or issuing company makes a promise (in the form of a note) that upon maturity it will payout the cash back to the holder of the notes; and (iii) the cash that the investor receives on maturity is proportional to the performance of tracking index minus any applicable fees. Additionally, there may some ETNs that make no dividend or interest payments before maturity.

Risks of investing in ETNs include: (i) counter party risk - risk of poor credit rating or bankruptcy of the ETN sponsor or issuing company; (ii) ETNs are only promises to repay

capital (*i.e.*, notes) and are not backed by any collateral; (iii) ETNs are relatively new investment vehicles and do not have available much performance history; (iv) ETNs involves brokerage fees and commissions; (v) there is usually no principal protection with ETN investments; and (vi) ETNs may not be as liquid as ETFs or other exchange-traded securities.

Use of Quantitative Models: Certain Investment Strategies may use quantitative models to determine when and which securities to buy or sell. Clients should understand there are limitations to these models. Given the dynamic nature of the financial markets, the models may not work as designed during unusual or extraordinary market periods. The models make predictions based on probabilities and there is the possibility that the investments made in Client accounts based on models may lose value. Markets may change, in which case models that are based on historical data concerning such markets may not perform well in the future.

Trading, Operations and Technology Risk: AI Advisors relies on certain technologies, trading processes and its operations team to execute, allocate and reconcile trades, perform front-end trade computations, margin calculations, and other various trade-related processes. AI Advisors purchases and licenses its technologies from various firms, including an affiliated firm, AI Technologies. AI Advisors will also develop certain software and processes internally. There is the risk that certain technologies or related software programs might malfunction. Even if the software functions correctly, there is a risk that the programs are not operated correctly by the AI Advisors operations team, thereby causing operational risk, platform risk, technology risk and trade execution risk, which could lead to trading errors or an inability to execute a particular strategy.

Limitation of Risk Disclosures: The foregoing list of risks does not purport to be a complete enumeration or explanation of the risks involved in AI Advisor's management of Client accounts or its Investment Strategies. Prospective Clients should read carefully the entire Advisory Agreement and should consult with their own financial, tax, accounting, legal and/or other advisors before deciding whether to enter into the Advisory Agreement with the Firm. In addition, as the Adviser's Investment Strategies develop and change over time, Clients' accounts may be subject to additional and different risk factors. No assurance can be made that profits will be achieved or that substantial losses will not be incurred with respect to any Client account.

Item 9 – Disciplinary Information

On October 27, 2011, Marco Bitran, the Chief Executive Officer of AI Exchange, Inc., the parent company of AI Advisors, received a “Wells” notice from the staff of the SEC’s Division of Enforcement relating to Mr. Bitran’s role at GMB Capital Management, LLC (“GMB Capital Management”) and GMB Capital Partners, LLC (“GMB Capital Partners”) (together, the “GMB Entities”). In addition, on October 27, 2011, each of the GMB Entities received a “Wells” notice. The “Wells” notices state that the SEC enforcement staff is considering recommending that the SEC institute a public administrative proceeding or bring a civil injunctive action against Mr. Bitran and/or the GMB Entities, alleging violations of (and/or, in the case of Mr. Bitran, aiding and abetting violations of) Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Sections 204, 206(1), 206(2), and 206(4) of the Advisers Act and Rules 204-2(a)(16) and 206(4)-8 thereunder. Mr. Bitran also was informed that these matters have been referred by the SEC to the United States Attorney’s Office, which may conduct a separate investigation of these matters.

AI Advisors and the GMB Entities are under common control. GMB Capital Management, which operated under the name ClearStream Investments, LLC from January 2011 to November 2011, was formerly registered with the SEC as an investment adviser. GMB Capital Partners is exempt from registration as an investment adviser.

Mr. Bitran has responded to the “Wells” notice by making a “Wells Submission” to the SEC staff to be provided to the SEC in the event the staff makes a formal recommendation on whether any administrative proceeding or civil injunctive action should be brought by the SEC.

Item 10 – Other Financial Industry Activities and Affiliations

As previously mentioned, AI Advisors licenses a trade allocation and managed-account technology from AI Technologies in order to implement the Investment Strategies. AI Advisors and AI Technologies are both wholly owned subsidiaries of AI Exchange, Inc.

Item 11 – Code of Ethics

AI Advisors recognizes that the personal securities transactions of its access persons demand the application of a strict code of ethics, and the Firm requires that all such transactions be carried out in a way that does not create a real or perceived conflict of interest with any of the Firm's Clients. Therefore, in order to address conflicts of interest, the Firm has adopted a set of procedures, included in its Code of Ethics (the "Code"), with respect to transactions effected by its officers, directors and employees (hereafter, "Employees") for their personal accounts. In order to monitor compliance with its personal trading policy, the Firm has adopted a system for all of its Employees to report their securities transactions. For purposes of the policy, an Employee's "personal account" generally includes any account (a) in the name of the Employee, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which the Employee is a trustee or executor, or (c) which the Employee controls. In general, AI Advisors trades individual securities, including ETFs, equities and fixed income securities for its Client accounts. Therefore, AI Advisors prohibits personal trading by any Employee in any such securities. AI Advisors does not prohibit new Employees from selling securities holdings that they purchased prior to becoming an Employee, but does prohibit additional purchases of such securities (this also includes holdings of existing Employees after the implementation date of this "no-trade" policy). These existing holdings can only be sold after an Employee receives pre-clearance of the transaction from the Firm's Chief Compliance Officer. The Chief Compliance Officer of AI Advisors will only grant pre-clearance if there are no actual or potential conflicts with any Client transactions or holdings. Notwithstanding the above general trading prohibition, personal accounts managed on a fully discretionary basis by independent third parties (such as an account managed by an unrelated investment adviser or a brokerage account managed on a discretionary basis by the broker) shall not be subject to these prohibitions. Additionally, a Client account in which an Employee has a beneficial interest that follows any of the Sub-Advised Strategies is not subject to the prohibitions on trading so long as the account is receiving the same (or worse) execution prices on its transactions than other Clients following the same Sub-Advised Strategies and is paying the same commission rate.

In addition, the Code sets forth AI Advisors' policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary duties that the Firm and each of its Employees has to each of its Clients. The Code is circulated at least annually to all Employees, and each Employee, at least annually must

certify in writing that he or she has received and followed the Code and any amendments thereto. The Firm will provide a copy of the Code to any Client or prospective Client upon request.

Item 12 – Brokerage Practices

Generally, AI Advisors is responsible for the placement of the portfolio transactions of its advisory Clients and the negotiation of any commissions paid on such transactions. Certain Clients have specifically directed the Firm to place all portfolio transactions for their account(s) with a broker specified in their Advisory Agreement. Transactions executed through Client-directed broker-dealers are not subject to the Firm's general duty to seek best execution. AI Advisors does not and will not commit to provide any level of brokerage business to any broker.

Certain Client accounts will be held at a select number of custodians, each of whom may custody multiple Client accounts. The Firm will follow procedures to ensure that the orders for accounts at these custodians are placed in a generally equitable manner. Separate block orders will be created for trades in Client accounts held at each custodian. Priority in trading will be rotated among each of these custodians on a monthly basis. The Firm will maintain a record of this rotation, which will be reported to the Firm's Chief Compliance Officer on a regular basis. However, in some instances, a custodian may not allow such aggregation to occur. In those cases, the blocked trade orders will be placed before the orders for the Client accounts at the nonparticipating custodian or custodians.

AI Advisors may at times determine that certain investments will be suitable for acquisition by multiple Client accounts. If that occurs, and AI Advisors is not able to acquire the desired aggregate amount of such investments on terms and conditions which AI Advisors deems advisable, then AI Advisors will endeavor to allocate in good faith the limited amount of such investments acquired among the various Client accounts for which AI Advisors determined such investments were suitable. In general, such allocations will be executed at a pro-rated average price. AI Advisors may make such allocations among the Client accounts in any manner which it considers to be fair under the circumstances, including but not limited to, allocations based on relative account sizes, the degree of risk involved in the investments acquired, and the extent to which a position in such investment is consistent with the investment policies and strategies of the various Client accounts involved.

It is AI Advisors' policy that the Firm will not effect any principal transactions with Client accounts. AI Advisors will also not conduct cross trades between Client accounts. AI Advisors does not currently utilize "soft dollar" commissions for research products and services.

Item 13 – Review of Accounts

All Client accounts managed by AI Advisors, including those using Sub-Advised Strategies, are reviewed by the Firm's President or his designee, at least monthly, to assure conformity with each Client's investment objectives, and any restrictions, limitations and guidelines as set forth in such Client's Investment Profile.

In addition, with respect to all Clients, AI Advisors will: (a) make a representative of the Firm who is knowledgeable regarding the Client's account and its management reasonably available to consult with the Client or the Client's representative; (b) on at least an annual basis, contact each Client to determine whether there have been any changes to such Client's Investment Profile including without limitation, any changes to the Client's financial situation or investment objectives and whether the Client wishes to impose any reasonable restrictions on the management of its account or reasonably modify existing restrictions; and (c) on at least a quarterly basis, notify the Client in writing that the Client should contact the Firm if there have been any changes to the Client's Investment Profile including without limitation, any changes to the Client's financial situation or investment objectives and whether the Client wishes to impose any reasonable restrictions on the management of the Client's account or reasonably modify existing restrictions, and provide the Client with information as to how the Client should notify the Firm of any such changes.

On a quarterly basis, AI Advisors will provide (or cause another person to provide) each Client with a statement containing a description of all activity in the Client's account during the preceding period, including all transactions made on behalf of the account, all contributions and withdrawals made by the Client, all fees and expenses charged to the account, and the value of the account at the beginning and end of the period.

(the remainder of this page left blank intentionally)

Item 14 – Client Referrals and Other Compensation

AI Advisors may, from time to time, enter into written solicitation agreements with unaffiliated third parties. The material terms of such agreements shall be disclosed to Clients at the time of investment or at the time of execution of their Advisory Agreements.

Item 15 – Custody

AI Advisors does not have custody of Client assets, either cash or securities. However, due to its ability to authorize the payment of fees directly from Client accounts, AI Advisors is considered to have custody of Client funds and securities. Clients will receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains the Client's assets. AI Advisors urges Clients to carefully review such statements.

Item 16 – Investment Discretion

AI Advisors usually receives discretionary authority to manage the Client's account from each Client at the outset of an advisory relationship as set forth in the relevant Advisory Agreement. In all cases, however, such discretion is to be exercised in a manner consistent with the relevant Investment Strategies as well as with the Client's stated investment objectives, limitations, restrictions, and guidelines as set forth in the Client's Investment Profile. When managing a Client's account, AI Advisors observes the Client's investment policies, limitations and restrictions and guidelines as set forth in the Client's Investment Profile. Investment guidelines and restrictions must be provided to AI Advisors in writing and generally must be set forth in the Client's Investment Profile, as updated from time to time.

Clients that grant AI Advisors discretionary authority over their accounts have the right to impose reasonable restrictions on the management of their accounts. Please see Item 4 above for a more detailed discussion of the restrictions that may be imposed.

For those Clients utilizing one or more Sub-Advised Strategies, they should be aware that AI Advisors does have investment discretion with respect to each Sub-Advised Strategy, but as a general business practice will not use such discretion and will follow the investment advice (*e.g.*, Model Portfolios) provided by each Sub-Advisor to the Firm, except

to the extent that a Client imposes restrictions, limitations and/or guidelines with respect to the management of its account. In implementing a Sub-Advisor's investment advice, AI Advisors will exercise discretion as to when the decisions/orders are communicated to the executing broker(s) for Client accounts. AI Advisors believes it has policies and procedures in place reasonably designed to ensure that all Client accounts are managed in accordance with the Investment Strategies selected. These policies and procedures involve AI Advisors compliance personnel periodically verifying that Client account transactions are in accordance with the Model Portfolio recommended by the applicable Sub-Advisor and any restrictions, limitations and/or guidelines imposed by the relevant Client.

Item 17 – Voting Client Securities

Unless otherwise stated in a Client's Advisory Agreement, AI Advisors generally votes proxies on behalf of Clients, provided the Client has completed the necessary paperwork with the Client's designated custodian granting this authority to AI Advisors. Pursuant to their respective Advisory Agreements, Clients will have the right to revoke AI Advisors' authority to vote proxies on their behalf at any time. When AI Advisors does not vote proxies for a Client account, the custodian and/or broker will provide their proxies to the Client. AI Advisors has implemented a proxy voting policy to prevent any conflicts or potential conflicts with Clients. Generally, matters that may create conflicts of interest between AI Advisors and its Clients are referred to the Firm's Chief Compliance Officer for consideration. In those cases in which the Firm does vote proxies on behalf of Clients, information related to the Firm's proxy voting policy (or to obtain information on how AI Advisors actually voted their proxies) can be obtained upon request. With regard to Client accounts utilizing Sub-Advised Strategies, the Firm will vote proxies in its discretion based upon, among other things, the proxy voting recommendations provided to the Firm by the relevant Sub-Advisor for such Sub-Advised Strategies based upon the manner in which the relevant Sub-Advisor has voted or intends to vote such proxies with respect to the same securities held in client accounts directly managed by the Sub-Advisor and the recommendations, metrics and/or other data provided by one or more third-party proxy voting firms, in each case, in accordance with AI Advisors' proxy voting policy.

Item 18 – Financial Information

With respect to financial information or disclosures about AI Advisors' financial condition, AI Advisors is a wholly owned subsidiary of AI Exchange, Inc. AI Exchange, Inc. is a venture

capital-backed company but is not a profitable entity at this time. AI Advisors relies on AI Exchange, Inc. to either become profitable as a company, or to raise additional capital as needed from its investors or new investors. As of the date of this Brochure, AI Advisors has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.