

ST. JAMES INVESTMENT COMPANY, LLC  
PART 2A OF FORM ADV  
THE BROCHURE

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This brochure provides information about the qualifications and business practices of St. James Investment Company, LLC ("St. James"). If you have any questions about the contents of this brochure, please contact us at 214-484-7250. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority. Registration as an investment adviser does not imply a certain level of skill or training.

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

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**Item 2 - Material Changes**

St. James Investment Company’s last update to Part 2A of Form ADV was on March 13, 2015. Our business activities have not changed materially since the time of that update.

**Item 3 - Table of Contents**

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**Item 4 - Advisory Business**

St. James Investment Company was founded in March of 1999. Our principal owner is Robert J. Mark. As of January 1, 2016, St. James managed \$1,261.9 million, on a discretionary basis, and \$6.7 million, on a nondiscretionary basis.

St. James is an independent, fee-only, registered investment advisory firm providing portfolio management to private individuals, trusts and estates, registered investment companies (“mutual funds”), pension and profit sharing plans, charitable organizations, foundations, and retirement plans. We manage equity and balanced portfolios. Each client portfolio is managed based on the St. James composite investment strategy they select. We are an asset manager utilizing a value investment strategy which is implemented through the use of equity and fixed income securities, as well as open-end mutual funds and Exchange Traded Funds (“ETFs” and CEFs”). St. James accepts reasonable investment restrictions from clients, which are documented in the client files.

One of St. James’ composites, managed out of our New York office, participates, as a sub-adviser, in a wrap fee program. The program sponsor, in consultation with each client, determines the suitability of the program for the client. Accounts within the wrap composite are managed using the same process as other accounts managed by St. James, and St. James receives a portion of the wrap fee for portfolio management services.

If a client’s account is a pension or other employee benefit plan governed by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), St. James acknowledges that it is a “fiduciary” to the plan as that term is defined under Section 3(21)(A) under ERISA. However, St. James does not provide legal, accounting or tax advice, or custodial, insurance, recordkeeping, or brokerage services to the plan. The client is responsible for maintaining the plan in compliance with requirements applicable to tax-qualified plans under the Internal Revenue Code, including, where applicable, receipt of a favorable determination letter. St. James does not accept responsibility for the administration of the plan, including, without limitation, timely transmission of required contributions, filing required governmental reports, preparing or providing notices and communications to the plan’s participants as required by applicable law and regulation, or notifying you that any such notices or communications are required.

**Item 5 - Fees and Compensation**

Clients pay St. James an annual fee for services rendered under their respective investment advisory agreements. St. James calculates the annual fee according to the terms set forth below.

Fees are paid quarterly, in advance or in arrears, based on the market value of the account on the last trading day of the previous quarter. For the initial billing cycle, of accounts billed in advance, the fee is calculated based on the number of days the account was managed during the quarter in which it funded, in addition to the fee for the following quarter. Fees for partial quarters are prorated based on the number of days the client’s account was open during the quarter, unless an account is terminated within 10 business days of the end of the quarter. In that instance, the account will be billed for the full quarter. Clients understand that account assets invested in shares of mutual funds, ETFs, or other investment companies (“funds”) are subject to additional fees and expenses, as set forth in the prospectuses of those funds, paid by the funds but ultimately borne by the client.

Fees are deducted from the client’s managed account in accordance with this Brochure and the custodian’s account application. With regard to ERISA accounts, fees are deducted directly from the Plan account. St. James does not receive “Indirect Compensation”, which is compensation received from outside sources.

Refunds of fees may be available upon cancellation of the Investment Advisory Agreement as herein provided.

St. James wishes to state that, at times, the fees charged may be higher or lower than normally charged in the industry, and it is possible the same, similar, or significantly different services may be available from other investment advisers at higher or lower rates.

Some of the factors that determine which fee schedule is used, and the total fee charged, are the type of services provided, type of account being managed, the custodial arrangements, whether an account was solicited, and the total assets under management from related accounts. St. James’ investment management services allow for negotiable fees, but are typically structured as follows:

**Individually-Managed Accounts:**

Standard Linear Fee Schedule

<u>Portfolio Value</u>	<u>Maximum Annual Fee*</u>
Less than \$250,000	1.50%

Greater than \$250,000	1.25%
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**Standard Tiered Fee Schedule\*\***

<u>Portfolio Value</u>	<u>Maximum Annual Fee*</u>
\$1 - \$349,999.99 (First \$349,999.99)	1.50%
\$350,000 - \$749,999.99 (Next \$449,999.99)	1.25%
\$750,000 +	0.90%

\*Maximum annual fee paid to St. James. Solicited accounts may pay up to a total 2.00% annual fee. St. James deducts the total fee from the solicited accounts and retains a maximum of 0.75%, annually, on these solicited accounts, with the remainder of the fee paid to the solicitor.

\*\*The Standard Tiered Fee Schedule, shown above, applies only to accounts managed out of the St. James New York office. Each client's fee schedule, whether linear or tiered, is outlined in their Investment Management Agreement.

**Sub-Advised Accounts:**

St. James provides sub-advised portfolio management services for a number of independent registered investment advisers, broker-dealers, mutual funds, banks and trust companies. For servicing these individually managed accounts, St. James charges an annual asset management fee. Clients pay this fee, quarterly, in arrears or advance. St. James calculates this fee and debits the sub-advised client's account directly for those fees. (In some cases, the adviser debits the client's account and pays St. James its portion of the fee.) When St. James renders investment management services on behalf of a client for a period less than a calendar quarter, St. James will prorate the fee on the basis of days in which the client's assets were managed over the number of days in the calendar quarter, unless an account is terminated within 10 business days of the end of the quarter. In that instance, the account will be billed for the full quarter. St. James receives an annual fee of 0.75% based on the assets managed. The fee is negotiable based upon the type of services provided, type of account(s) being managed, the custodial arrangements, the total assets under management from related accounts, and size of the assets managed on behalf of the organization utilizing St. James as a sub-adviser. Accounts participating in the wrap fee program, sub-advised by St. James, are charged one fee by the program sponsor. St. James then receives a portion of that fee.

**Consulting Services Fees:**

The fees for consulting services are negotiated between St. James and the Client. Fees are assessed on a flat fee for the consulting project and are a set dollar amount subject to our Consulting Services Agreement. This type of agreement is typically for an individual who wants a one-time analysis and discussion of their investments, or as desired by the individual(s).

**Model Distribution:**

In select circumstances, St. James distributes a model of an investment portfolio for an annual management fee of up to 0.75%. This fee is negotiable based on the size of the account and other factors that may be taken into consideration.

**General Information on Fees:**

In all matters, St. James' portfolio management services are analytical and advisory only and do not include legal or other professional services. St. James will work with legal, accounting, insurance or other

professional advisors, if requested by the client, to ensure the coordination of all pieces involved in the investment management process, however, St. James is strictly a portfolio manager only and is not responsible for any of the client's outside service providers.

In addition, clients may pay fees for custodial services, account maintenance, transaction fees and other brokerage fees associated with maintaining an account. St. James does not share in any portion of such fees. Please see "Item 12 – Brokerage Practices", on page 11, of this brochure.

All fees paid to St. James for investment advisory services are separate and distinct from the fees and expenses charged by funds to their shareholders. These fees and expenses are described in each fund's prospectus and will generally include a management fee, other fund expenses, and possibly a distribution fee. A client may invest in some funds directly without the services of St. James. In that case, the client would not receive the services provided by St. James, which are designed, among other things, to assist the client in determining which investment management programs are most appropriate to the client's financial situation and objectives. The client should review both the fees charged by the funds, and the fees charged by St. James, to fully understand the total amount of fees to be paid by the client. For purposes of calculating its advisory fee, St. James excludes client assets that are invested in mutual funds sub-advised by St. James.

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

St. James does not charge any performance-based fees and, therefore, does not engage in side-by-side management.

## **Item 7 - Types of Clients**

St. James provides advisory services to private individuals, trusts and estates, mutual funds, pension and profit sharing plans, charitable organizations, foundations, and retirement plans. St. James generally requires that separately managed accounts have a minimum of \$100,000 in total asset value to be managed. Exceptions may be made in certain situations.

## **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

### Core Equity Portfolio

At St. James, our primary objective is to identify a diversified group of financially strong companies, each of which we believe trades at a substantial discount to intrinsic value; i.e., the price a private investor would pay to acquire the entire business outright. We consider ourselves agnostic value investors, as we are willing to scan the entire economic and market capitalization spectrum for potential investment candidates. We therefore do not rule out any sector; conversely, we do not feel the need to maintain a presence in any particular sector.

The core effort in our research process is determining a realistic approximation of fair value for a company's stock, and if fundamentally attractive, to purchase the stock at a substantial discount to fair value. Our expectation is to hold positions for approximately five years.

### *Stage One: Qualification*

We typically begin with data from the Value Line Index – an equal-weighted stock index containing 1,700 companies from the NYSE, American Stock Exchange, and NASDAQ. Our first pass eliminates

companies with poor balance sheets and stresses high-quality companies with proven business models. Because we gravitate towards companies with near-term operating challenges offering long-term value, a company's financial strength is critical. Further, we believe a proven, high-quality business lessens the risk of allocating money in a "value-trap". This qualification process typically eliminates the majority of the initial universe of potential investment positions.

*Stage Two: Quantitative Valuation*

Once pre-qualified, we evaluate remaining investment candidates with an analytical valuation model in an attempt to approximate fair value. This process, based upon the value-oriented security analysis pioneered by Graham and Dodd, employs absolute valuation criteria for determining fair value. For example, we examine free cash flow relative to enterprise value to ascertain absolute value. Further, we typically look to discount cash flows to the potential equity investor with a 10% discount rate, which we deem appropriate given our absolute return bias.

We often require the market value of a security to be at least 20% below intrinsic value, further narrowing the universe of prospective investments.

*Stage Three: Fundamental Qualitative Research*

We examine our undervalued opportunities to understand why a particular company is inexpensive, and if it is likely to move toward intrinsic value. Importantly, we carefully differentiate between cyclical operating issues and secular fundamental weaknesses.

As part of our diligence, we review a company's financial statements and corresponding filings, and conduct discussions directly with the company when relevant. We further enhance our understanding through industry publications and direct competitors. Finally, our qualitative analysis always includes an assessment of senior management's ability to allocate capital, shareholder orientation and insider ownership.

The result of this qualitative process is a final decision on the company under review. After a careful assessment of the risks to the company's business and corresponding cash flow, we determine if (1) we have an interest in purchasing a company's stock as well as (2) the preferred purchase price.

*Stage Four: Portfolio Construction*

Portfolios are constructed employing the 20 to 25 most attractive stocks across 12-20 industries of the 96 classified by Value Line. We employ a self-imposed restraint of investing no more than 8% at cost in any given position and no more than 20% in an industry. Given our portfolios represent our best ideas; we are often sector overweight or underweight as compared to broad market benchmarks.

*Stage Five: Sell Discipline*

Central to our philosophy is a strict sell discipline. Positions are also quickly sold if there is a significant change in long-term fundamental prospects or if the balance sheet is no longer sufficiently conservative. Finally, our process determines a sell target at the time of portfolio inclusion, which is typically fair value +/- 10%.

High Dividend Yield Portfolio

We employ an absolute return mindset to long-only value investing. Dividends are an important

component used in evaluating the attractiveness of a company. Dividends provide a reflection of the activity of a company, its management, and the value of its shares. We seek to identify good business models with an attractive current yield, a growing income stream over time and the opportunity for capital appreciation.

*Stage One: Qualification*

We start by screening, in order to identify an opportunity, which typically starts with stocks that have dividends above 3% and a market capitalization greater than \$1B. We screen for companies with near-term challenges that are offering long-term value for a followed opportunity.

*Stage Two: Fundamental Analysis and Determining Fair Value*

Once we have qualified a followed opportunity, we then analyze the fundamentals in order to determine fair value. We will analyze the business financials, and look at how attractive we believe the business is by comparing the company to any potential substitutes, existing competitors, pricing power, and the power of suppliers. We then look at management to determine if they are capable operators, shareholder oriented, and receive the proper incentives. We also look at the dividend to determine the payout ratio and if cash flow will support the dividend, if the dividend will continue to grow, and what the total return potential is.

Once we have completed the above analysis we perform a "Sum of the Parts Analysis" to include a discounted cash flow analysis and apply Graham's "Margin of Safety" definition to our process.

*Stage Three: Patience*

We seek to initiate positions at a significant discount to our determination of fair value, focusing on absolute valuation vs. relative valuation.

We define risk as the probability of the permanent loss of capital - not price volatility. We believe in concentrating our portfolio in the most attractive investment ideas, which can cause short-term price volatility. Although concentrated by industry standards, a portfolio of approximately 30 holdings permits for ample diversification while allowing our best ideas to have the greatest positive impact on performance. It is important to note that no one issue accounts for more than 5% of the portfolio assets on the cost side; and no one industry group accounts for more than 20% of the portfolio's value.

Importantly, our patient approach to portfolio construction often necessitates we hold cash. In our mind, this is not ideal, as our goal is a fully-invested portfolio. However, we adhere to the time tested philosophy, as taught by Benjamin Graham, of buying fractional shares of businesses at discounts to their intrinsic values. As a result, if there are no cheap stocks, we wait.

*Stage Four: Sell Discipline*

A position may be sold if the price reaches our appraisal and no margin of safety remains, or if we can improve our risk/return profile substantially. For example, we can replace a business selling at 90% of its worth with an equally attractive company trading at 50% of its value. We may also sell a position if there is a loss of confidence in management, or the future earnings power of the company becomes severely impaired by competitive threats, balance sheet deterioration, or poor capital allocation.

High Dividend Yield WRAP Portfolio

The High Dividend Yield WRAP Portfolio is managed using the same strategy and methods of

analysis as the High Dividend Yield Portfolio. This portfolio is utilized for accounts that meet the guidelines of the High Dividend Yield Portfolio, but are managed on a WRAP platform.

### Cornerstone Total Return Portfolio

The Cornerstone Total Return Portfolio seeks to provide a positive absolute return through a combination of capital appreciation and income. This is a “flexible” portfolio, meaning that investments are allocated among equities, bonds, absolute return investments, alternative investments and cash, depending on our view of each asset class. The Cornerstone Total Return employs a conservative mind set which emphasizes protection of capital under all market conditions.

#### *Stage One: Qualification*

We are absolute return investors. Each investment must meet our strict fundamental research, such as price to earnings ratios, price to sales ratios, yield to maturity, and currency exchange rates, along with macroeconomic criteria, including interest rates, production, earnings, employment, GDP, and housing and manufacturing, not just offer opportunity relative to other alternatives.

#### *Stage Two: Valuation*

The principles of value investing applied to this portfolio are to be contrarian: be patient and not afraid to hold cash, be unconstrained, and insist upon a margin of safety. The focus is on absolute performance, not relative performance. Absolute return investors buy assets that are out of favor because they are cheap. Relative return investors buy assets that are popular, which means that they are already fully priced. Trying to keep pace with the market in all environments promotes poor decisions and increases the chances of making mistakes. A value investor with an absolute return mindset outperforms by protecting capital in down markets and producing positive returns in up markets.

#### *Stage Three: Patience*

It is important to differentiate between short-term market fluctuations and permanent loss of capital. The quality of investment decisions is far more important than the quantity of investment decisions. It can take a long time for markets to present truly compelling opportunities that coincide with one’s circle of competence. It can take even longer for a catalyst to emerge that allows one to realize the value in the investment.

#### *Stage Four: Sell discipline*

We sell a position when we feel it is fully priced.

Mutual Fund Research and Selection - There are several criteria used when selecting a mutual fund to be considered for the Cornerstone Total Return portfolio. These include reviewing the fund’s overall investment strategy, the expense of the fund, along with the expense ratio, and the portfolio manager’s investment philosophy. We prefer to utilize mutual funds that provide regular and informative updates. We look for managers that have investment tenure of at least five years, and a proven track record. We evaluate the fund’s holdings in order to ensure the manager is being consistent with the stated objectives of the fund. We also look for funds that have had consistent operations.

The description contained herein is an overview of the risks entailed in St. James’ investment strategies and is not intended to be complete. All investing involves a risk of loss and the investment strategy offered by St. James could lose money over short or long periods. Performance could be hurt by a

number of different market risks including but not limited to:

**Investing in securities is inherently risky.** An investment in individual securities or in a portfolio of securities could lose money. The investments selected by St. James should be deemed speculative investments and are not intended as a complete investment program. These types of investments are designed for sophisticated investors who fully understand and are capable of bearing the risk of loss of their entire investment. St. James cannot give any guarantee that it will achieve its investment objectives or that any client will receive a return of its investment.

**Bankruptcy of a broker or custodian could causes excessive costs or loss of investor funds.** If a broker with whom St. James has an account becomes insolvent or bankrupt, St. James may be unable to recover all or even a portion of the assets maintained by clients with that broker. Similarly, if a custodian housing a client's securities or other assets becomes bankrupt or insolvent, the client may be unable to recover all or even a portion of the assets held by the custodian.

St. James may rely on information that turns out to be wrong. St. James selects investments based, in part, on information provided by Issuers to regulators or made directly available to St. James by the Issuers or other sources. St. James is not always able to confirm the completeness or accuracy of such information and, in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and could result in losses.

**St. James may fail to identify successful companies.** Identifying undervalued securities and other assets is difficult, and there are no assurances that such a strategy will succeed. Furthermore, clients may be forced to hold such investments for a substantial period of time before realizing any anticipated value.

**Investing in securities entails risks associated with the underlying business.** Investments in securities entails all the risks associated with the underlying businesses, including reliance on a company's managers and their ability to execute business strategies. In addition, all businesses face risks such as adverse changes in regulatory requirements, interest rate and currency fluctuations, general economic downturns, changes in political situations, market competitions and other factors. St. James will not have day-to-day control over any company in which it invests for clients.

## **Item 9 - Disciplinary Information**

Neither St. James, nor its employees have been involved in any legal, or disciplinary, events, in the past 10 years, that would be material to a client's evaluation of the company or its personnel.

## **Item 10 - Other Financial Industry Activities and Affiliations**

William Sachs is a member of SRCM, LLC. SRCM, LLC is the general partner of Source Rock Minerals, LP, and manager of Source Rock Minerals II, LLC. Both are legal entities formed to hold private oil, and natural gas, mineral, and royalty interests. Some clients of St. James have purchased limited partnership interests in Source Rock Minerals, LP, and member units in Source Rock Minerals II, LLC, which are closed to new investors.

While employees endeavor at all times to put the interest of the clients first, as part of St. James' fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest and may affect the judgment of these individuals when making recommendations.

## **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

St. James, its owners, employees and/or solicitors may buy or sell the same securities that St. James recommends to clients for their own accounts. Neither St. James, nor its owners or employees earn commissions.

No St. James employee may buy or sell any security prior to a known transaction(s) in a client's account, so that the employee may not benefit from trades placed on behalf of clients. Employee trades may be executed in a block trade with client accounts, if necessary, so that the employee receives the same price execution as the clients. To avoid any situations which could result in a conflict of interest, the following restrictions have been placed on all associated persons:

- An officer, or employee, of St. James may not buy or sell securities for their personal accounts if the decision to buy or sell is determined based on information learned from their position at St. James, and such information is not readily available to the investing public upon reasonable inquiry.
- No officer or employee should place his or her interests in front of any advisory client, nor should the interests of family or friends be placed in front of other advisory clients.
- St. James will maintain a list of all security holdings for it, as well as anyone listed above.
- A principal or compliance officer of the firm shall review employee transactions on, at least, a quarterly basis.
- St. James requires that all employees and officers of the firm act in accordance with all applicable federal and state regulations governing investment advisory practices.
- Any individual that fails to follow these procedures may be subject to termination.

### **Code of Ethics**

St. James has adopted a Code of Ethics to prohibit conflicts of interest from personal trading by advisory personnel, and has established standards of conduct expected of its advisory personnel. We have set forth statements of general principals, required course of conduct, reporting obligations, and review and enforcement procedures. St. James will provide a copy of the Code of Ethics to its clients, or prospective clients, upon written request.

## **Item 12 - Brokerage Practices**

St. James will suggest the services of Schwab Institutional, which is part of Charles Schwab & Company, to clients that it directly advises. In recommending Schwab Institutional, St. James considers a number of factors, including financial condition, acceptable recordkeeping, ability to obtain best price, market knowledge and expertise, commission structure, reputation, and integrity. St. James does not receive soft dollar benefits and does not consider client referrals from broker-dealers when recommending a broker-dealer.

When St. James acts as a sub-adviser, the adviser will direct the custody relationship. Accounts participating in the wrap fee program, sub-advised by St. James, are traded through the broker-dealer specified by the program manager and sponsor. St. James does not “trade away” accounts on the wrap platform. Therefore, clients do not pay any additional brokerage costs.

A client may direct St. James to effect transactions in the client’s account through a specific broker-dealer. Under such a directed brokerage arrangement, the client is responsible for negotiating terms for their account directly with the broker-dealer. For accounts subject to directed brokerage arrangements, St. James will not aggregate trades or seek better execution services or prices from other broker-dealers. Consequently, St. James may be unable to obtain best execution on behalf of clients that direct brokerage; such clients may pay materially disparate commissions, greater spreads or other transaction costs, or receive less favorable net prices on transactions than would otherwise be the case.

Generally, orders for the same security at the same broker/dealer are combined or "blocked" to facilitate best execution. St. James effects blocked transactions in a manner designed to ensure that no participating client, including any proprietary account, is favored over any other client. Specifically, each client that participates in a blocked transaction will participate at the average share price for all of St. James’ transactions in that security on that business day, with respect to that batched order.

Securities purchased or sold in a blocked transaction are allocated pro-rata, when possible, to the participating client accounts in proportion to the size of the order placed for each account. St. James may, however, increase or decrease the amount of securities allocated to each account if necessary to avoid holding odd-lot or small numbers of shares for particular clients. Additionally, if St. James is unable to fully execute a blocked transaction and St. James determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro-rata basis, St. James may allocate such securities in a manner determined in good faith to be a fair allocation. In addition, typically, the trading sequence follows a rotational system by custodian name/group so that clients of each brokerage firm will have their opportunity to participate in a transaction first. This rotational trading mechanism aims to provide for fair treatment for each client account. Employees of St. James may also participate in any trading done on an aggregate basis.

### **Item 13 - Review of Accounts**

Larry J. Redell (Member, Operations), in the Texas office, and Brian C. Mark (Member, Portfolio Manager), in the New York office, review accounts on, at least, a monthly basis. The “reviewer” is determined by where the account is serviced. Security weightings, cash level and client risk tolerance are considered. Account holdings may also be reviewed, at any time, as changing market conditions warrant.

St. James shall provide clients with a quarterly report, in accordance with their advisory agreement, that lists all assets held in the account and the values of each asset. The client shall receive the report, via US mail, within 30 days of the end of the quarter. It will include the following reports:

- a) Portfolio performance over the last quarter and year
- b) Performance results of comparative benchmarks for the same periods
- c) Performance reported in compliance with GIPS standards
- d) End of quarter status regarding asset allocation
- e) Billing notification

Reporting for sub-advised accounts will be conducted by the adviser, not St. James. All clients will receive monthly reports from their respective custodian.

#### **Item 14 - Client Referrals and Other Compensation**

St. James utilizes the services of various custodians/broker-dealers, collectively referred to as "Custodians." While there is no direct benefit received by St. James for its use of these custodians, economic benefits are received by St. James which would not be received if the Firm did not utilize the Custodians' services.

These benefits do not depend on the amount of transactions directed by St. James to the Custodians. These benefits may include: a dedicated trading desk that services clients of the Custodian exclusively, a dedicated service group and an account services manager dedicated to St. James' accounts, access to real time order matching system, ability to "block" client trades, electronic download of trades, balances and positions of the Custodians' web sites, duplicate and batched client statements, confirmations and year-end summaries, the ability to have advisory fees directly debited from client accounts (in accordance with state and federal requirements), availability of third party research, access to the mutual funds of the Custodians' affiliates, marketing support, and ability to participate in client referral programs. It should be noted that all of these benefits are generally available today from a variety of large brokerage firms and clearing agents at no extra cost, or special charge, to St. James.

If a client is introduced to St. James by a solicitor, St. James may pay the solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. The solicitor, at the time of the solicitation, shall disclose the nature of the solicitor relationship and shall provide each prospective client with a copy of St. James' written disclosure statement, including this Brochure, together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms and conditions of the arrangement between St. James and the solicitor, including the compensation to be received by the solicitor from St. James.

#### **Item 15 - Custody**

All client assets are held in custody by unaffiliated, qualified custodians, either broker/dealers or banks, but St. James can access client funds through its ability to debit advisory fees. For this reason, St. James is considered to have custody of client assets. The custodians send monthly account statements directly to clients. Clients should carefully review statements received from the custodian, and should compare these statements to any account information provided by St. James.

St. James may also have access to assets of those clients that are invested in Source Rock Minerals, LP and Source Rock Minerals II, LLC, since a member of St. James is also a member of SRCM, LLC. Limited partners of Source Rock Minerals, LP, and members of Source Rock Minerals II, LLC, will not receive statements from the custodian. Instead, both entities are subject to an annual audit and the audited financial statements are distributed to each limited partner/member. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of each entity's fiscal year end.

## **Item 16 - Investment Discretion**

St. James does have the authority to determine, without obtaining specific client consent, the securities to be bought or sold and the amount of securities to be bought and sold. This is called discretion or discretionary authority. All discretionary authority is limited to the client's account as managed by St. James and to the limited power of attorney in the custodian's (Schwab Institutional, Fidelity Capital Markets, TD Ameritrade, or others) application.

## **Item 17 - Voting Client Securities**

It is St. James' policy to exercise proxy voting authority over accounts for which the advisor, or client, engaging it for services has requested St. James to do so.

**Objective:** St. James recognizes that corporate governance and shareholder prospects can directly affect shareholder values. The purpose of this policy is to ensure that St. James proxies are voted in the best interest of St. James clients so as to maximize values over time.

**Delegation:** Robert J. Mark has the responsibility for voting proxies. He may delegate such responsibility to professional members of the St. James staff who are qualified to analyze proxy issues and exercise prudence when discretion is required to vote proxies. Robert J. Mark, or the designee, is responsible for ensuring that they thoroughly understand the issues that may arise in how proxies are voted. When appropriate, Robert J. Mark, or the designee, may consult with consultants or advisors.

**Control:** Robert J. Mark, or the designee, will vote proxies in a timely manner in accordance with the policy unless it is in the best interest of St. James' clients to vote otherwise. St. James' complete proxy voting policy and procedures are memorialized in writing and are available for review. The Chief Compliance Officer will maintain a record of votes on all proxy issues, with the St. James' complete proxy voting record available to clients. St. James will not vote proxies when the custodian utilized by the client does not allow the advisory firm to provide this function. Please contact Amy Burson to obtain a copy of the proxy voting policy and procedures and/or proxy voting records.

St. James will not exercise class action voting authority over client securities. Any decision to participate in a class action proceeding shall, at all times, rest with the client. The client shall, in no way, be precluded from contacting St. James for advice or information about a particular class action proceeding. However, St. James shall not be deemed to have voting authority solely as a result of providing such advice to client.

## **Item 18 - Financial Information**

St. James does not require or solicit the prepayment of fees six months or more in advance.

St. James has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

ST. JAMES INVESTMENT COMPANY, LLC  
PART 2B OF FORM ADV  
THE BROCHURE SUPPLEMENT

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Dallas, TX 75219  
214.484.7250  
[www.stjc.com](http://www.stjc.com)

Updated: March 2016

This brochure supplement provides information about Robert Mark, Brian Mark, Larry J. Redell, and William Sachs. It supplements St. James' accompanying Form ADV brochure. Please contact St. James' Chief Compliance Officer, Amy Burson, at 214-484-7250 if you have any questions about the Form ADV brochure, or this supplement, or if you would like to request additional or updated copies of either document.

Additional information about Messrs. Robert Mark, Brian Mark, Larry J. Redell, and William Sachs is available on the SEC's website at <http://www.adviserinfo.sec.gov>.

## **Key Employee Biographical Information**

All associates of St. James that perform research functions or monitor client accounts will have a college degree or the equivalent of one year of work experience in the investment, financial services or accounting arena. In addition, all associates will be appropriately securities or insurance licensed (if required).

**Robert J. Mark**, CRD #2785947, born 1967, graduated from the United States Military Academy at West Point in 1989 with a BS in Engineering and received his MBA in Finance from the University of Texas at Austin in 1996. Robert is currently the Manager of St. James, which he started in March of 1999.

### Disciplinary Information

Mr. Mark has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Mark or of St. James.

### Other Business Activities

Mr. Mark is not engaged in any other investment-related business, and does not receive compensation in connection with any business activity outside of St. James.

### Additional Compensation

Mr. Mark does not receive economic benefits from any person or entity other than St. James in connection with the provision of investment advice to clients.

### Supervision

Mr. Mark's activities are overseen by the Chief Operating Officer, Larry Redell, and the Chief Compliance Officer, Amy Burson. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.

**Brian C. Mark**, CRD #3218604, born 1968, attended the United States Military Academy at West Point for two years, but decided to pursue a private career and graduated from Adelphi University in Garden City, New York in 1990 with a BBA in Business Management and Finance. Brian is currently a Member of St. James, which he started in March of 1999.

Disciplinary Information

Mr. Mark has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Mark or of St. James.

Other Business Activities

Mr. Mark is not engaged in any other investment-related business, and does not receive compensation in connection with any business activity outside of St. James.

Additional Compensation

Mr. Mark does not receive economic benefits from any person or entity other than St. James in connection with the provision of investment advice to clients.

Supervision

Mr. Mark's investment recommendations are supervised by St. James' Manager, Robert Mark. Mr. Mark's activities are also overseen by the Chief Operating Officer, Larry Redell, and the Chief Compliance Officer, Amy Burson. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.

**Larry J. Redell**, CRD #2785977, born 1969, graduated from The University of Texas at Austin with a BBA in Finance in 1991 and received his MBA in Finance from the University of North Carolina at Chapel Hill in 1996. Larry worked in the Private Wealth Management Group of Goldman Sachs from 1996 to 11/2005. Larry is formerly a minority shareholder of Cuvee Ventures, from 11/2005 until 3/2007. Larry is currently a Member of St. James, which he joined in March of 2008.

Disciplinary Information

Mr. Redell has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Redell or of St. James.

Other Business Activities

Mr. Redell is not engaged in any other investment-related business, and does not receive compensation in connection with any business activity outside of St. James.

Additional Compensation

Mr. Redell does not receive economic benefits from any person or entity other than St. James in connection with the provision of investment advice to clients.

Supervision

Mr. Redell's investment recommendations are supervised by St. James' Manager, Robert Mark. Mr. Redell's activities are also overseen by the Chief Compliance Officer, Amy Burson. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.

**William R. Sachs**, CRD #1449126, born 1962, graduated in 1984 from the University of Texas in Austin, with a B.S. in Geology. Bill previously served as a Principal for Liberty Funds Group (06/02-12/09). Bill is currently a Member of St. James, and has been working with the company since 2002.

Disciplinary Information

Mr. Sachs has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Sachs or of St. James.

Other Business Activities

As mentioned in Part 2A, Mr. Sachs is a Member of SRCM, LLC. SRCM, LLC is the general partner of Source Rock Minerals, LP, and manager of Source Rock Minerals II, LLC. Both are legal entities formed to hold private oil and natural gas, mineral, and royalty interests. Some clients of St. James have purchased limited partnership interests in Source Rock Minerals, LP, and member units in Source Rock Minerals II, LLC, which are closed to new investors. SRCM, LLC, receives fees for the management of both entities.

Additional Compensation

Mr. Sachs does not receive economic benefits from any person or entity other than St. James in connection with the provision of investment advice to clients.

Supervision

Mr. Sachs's investment recommendations are supervised by St. James' Manager, Robert Mark. Mr. Sachs's activities are also overseen by the Chief Operating Officer, Larry Redell, and the Chief Compliance Officer, Amy Burson. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.