

# Atalanta Sosnoff Capital, LLC

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Atalanta Sosnoff Capital, LLC (“ASC” or “the Company”). If you have any questions about the contents of this brochure, please contact us at 212-867-5000. 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.

ASC is a registered investment advisor. Registration of an Investment Advisor does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an advisor.

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

## Material Changes

ASC's most recent update to Part 2 of Form ADV was made in March 2011. ASC's business activities have not changed materially since the time of that update. Our brochure may be requested by contacting the compliance department at 212-867-5000 or [ksk@atalantasosnoff.com](mailto:ksk@atalantasosnoff.com). Our brochure is also available on our website at [www.atalantasosnoff.com](http://www.atalantasosnoff.com), also free of charge.

## Table of Contents

Material Changes.....	2
Table of Contents .....	2
Advisory Business.....	2
Fees and Compensation.....	3
Performance Based Fees and Side-by-Side Management.....	4
Types of Clients.....	4
Methods of Analysis, Investment Strategies and Risk of Loss .....	4
Disciplinary Information .....	8
Other Financial Industry Activities and Affiliations .....	8
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	9
Brokerage Practices .....	10
Review of Accounts .....	13
Client Referrals and Other Compensation.....	13
Custody.....	14
Investment Discretion.....	14
Voting Client Securities .....	14
Financial Information .....	15
Privacy Policy.....	145

## Advisory Business

ASC, a New York Limited Liability Company, was founded in January of 1981 and is fifty-one percent beneficially owned by the senior executives (Martin Sosnoff, Craig Steinberg, Jack McMullan, Bob Ruland and Kevin Kelly). The other forty-nine percent is beneficially owned by Evercore Partners Services East, LLC, a wholly owned company of Evercore Partners Inc. ASC is a registered investment advisor dedicated to providing quality, separate account investment management services to its clients.

ASC provides investment advisory services on a discretionary and non-discretionary basis to separately managed accounts including individuals, trusts, tax exempt funds (such as pension and profit sharing plans), charitable organizations (such as endowments and foundations), State and Municipal government entities and corporations. The investment advisory services are generally provided based on written agreements between the client and ASC. The investment advisory services include, without limitation, management of equity, balanced and fixed income portfolios. These services are provided by ASC based on the client's financial goals and objectives which are provided by the client.

ASC currently manages or advises numerous advisory accounts and these accounts may have investment objectives that are substantially similar to other accounts. It is not anticipated that accounts having substantially similar investment objectives will have identical investment portfolios. Differing investment portfolios can be expected to result from several factors, including, without limitation, the following:

regulatory constraints that apply to certain accounts but not to others; investment constraints imposed by the client; and the amount of cash available for investment at certain times. As a result of factors such as these, accounts may have a different investment portfolio (and, as a result, different performance results) from other accounts even though the accounts have substantially similar investment objectives. In addition, there may be circumstances when one account will sell a security while another account may purchase the security on the same day.

ASC is the general partner for an investment limited partnership ("the Fund") whereby it provides investment management services to the Fund on a discretionary basis. In providing services to the Fund, ASC formulates the investment objective for the Fund, directs and manages the investment and reinvestment of the Fund's assets, and provides periodic reports to investors in the Fund. Investment advice is provided directly to the Fund and not individually to the limited partners of the Funds. ASC manages the assets of the Fund in accordance with the terms of the governing documents applicable to the Fund. The Fund and separately managed account clients invest in the same securities and typically have similar portfolio holdings.

Atalanta Sosnoff Management, LLC ("ASM") is a registered investment advisor and a wholly owned subsidiary of ASC. ASC is retained by ASM as the sub advisor on all of ASM's client accounts. All investment decisions made on behalf of ASM's client accounts are made or given by members of ASC's Investment Committee. No other personnel of ASM or ASC are authorized to engage in investment management decisions.

A small number of ASC's accounts, including accounts owned by the firm's employees, their families, close associates and certain charitable organizations are managed without a management fee and/or, in certain cases, under special arrangements in which the client continues to exercise some investment authority over their account. In addition, a small number of discretionary account clients also maintain non-discretionary accounts in which the clients make their own investment decisions without any investment advisory services of ASM or ASC personnel. The non-discretionary accounts use ASC to communicate trade orders to the custodial broker dealer on their behalf. ASM and ASC do not receive any compensation from non-discretionary accounts. ASM and ASC employees and their families also are permitted to participate in bunched orders with the firm's client accounts at average or worse prices.

As of January 1, 2012 ASC managed \$3,743 million on a discretionary basis on behalf of approximately 219 clients.

## **Fees and Compensation**

Investment advisory fees for separately managed accounts are generally calculated on a percentage of assets under management computed and payable at specified intervals, generally quarterly in arrears. However, for certain clients ASC may receive a fixed fee computed and payable at specified intervals, generally quarterly in arrears. Unless ASC has permission from the client to debit automatically the client's custodial, banking or brokerage account(s), as the case may be, ASC will invoice each client for services rendered.

The standard fees on a separately managed account are as follows; 1% up to \$20,000,000, .5% on the next \$30,000,000, .3% on the next \$50,000,000 and .25% over \$100,000,000. Fees are prorated for inception/termination dates other than customary fee computation dates and may be prorated for significant contributions and withdrawals. The investment advisory fee for separately managed accounts range from .20% to 1% per annum and in one client account there is a performance based fee whereby ASC receives a fixed percentage (5%) of the profits generated in the account, as defined, on a quarterly basis. Fees may vary depending on the size of the account and/or relationship, type of product and type of account. Assets

under management are valued quarterly based on the last sale price of the security on the exchange on which it is traded. If the security has not been traded, the bid price or other similar method will be used to determine asset value. ASC investment advisory contracts with clients are generally terminable at will by the client or ASC. Minimum account size for separately managed accounts is \$500,000 for an individual client and \$1,000,000 for an institutional client. However ASC may waive the minimum requirement for certain relationships. In addition to ASC's investment management fees, clients bear trading costs, custodial fees and other expenses that may be charged by other third parties. Clients should review all fees charged by ASC and its affiliates, custodians and brokers and others to fully understand the total amount of fees to be paid. For additional information about brokerage, please see "Brokerage Practices" section below.

As general partner of the Fund, ASC earns a management fee, payable quarterly based upon assets under management at the beginning of the quarter. Certain employees and their relatives are limited partners in the Fund and do not pay a management fee. ASC also receives an expense reimbursement for expenses attributable to the Fund as defined in the agreement. The aggregate fee for investment management services and expense reimbursement is limited to 1% per annum. In addition to ASC's fees, investors will bear indirectly the fees and expenses charged to the Fund such as brokerage or other execution costs on fund transactions. The Fund sets forth its specific fee structure (including how it charges fees) along with the additional operational expenses in the Partnership Agreement provided to prospective investors.

As discussed stated in the "Advisory Business" section above, a small number of ASC's accounts are managed without a management fee.

## **Performance Based Fees and Side-by-Side Management**

ASC charges one client account a performance fee whereby ASC receives a fixed percentage (5%) of the profits generated in the account on a quarterly basis. This client's assets under our management and total fees earned by the Company are immaterial to ASC's total assets under management and advisory fees.

## **Types of Clients**

ASC provides investment advisory services on a discretionary basis to separately managed accounts including individuals, trusts, tax exempt funds (such as pension and profit sharing plans), charitable organizations (such as endowments and foundations), State and Municipal government entities and corporations. ASC generally imposes a minimum investment for a separately managed account of \$500,000 for an individual client and \$1,000,000 for an institutional client.

ASC is the general partner of the Fund whereby it provides investment management services to the Fund on a discretionary basis. Interests in the Fund are not registered under either the Securities Act of 1933, as amended (the "Securities Act"), or the Investment Company Act of 1940, as amended (the "Investment Company Act"). Accordingly, interests in the Fund are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements either in private transactions within the United States or in offshore transactions. Typically, these investors are high net worth individuals, institutions and other entities. The minimum investment amount is \$250,000 but may be waived at the discretion of ASC.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

ASC provides a consistent investment strategy across all like accounts in an effort to achieve long term performance for its clients. Investment decisions for all clients are made by ASC's Investment Committee on the basis of an analysis of publicly available information some of which is filed by issuers with regulatory authorities, research materials disseminated by brokers, including brokers which effect

transactions for clients of ASC and other publicly available material disseminated in various financial media. ASC may also receive information from specialized investment and economic publications and electronic information retrieval systems, such as Bloomberg, Reuters and Factset.

Investment services are considered in the context of the client's investment objectives, investment policies, restrictions, resources, and investment positions of the account under management. Decisions with respect to long term or short term investment strategies may include an analysis of the client's tax status, and investment needs and general market conditions. Once suitable strategies are identified, ASC's Investment Committee will implement the appropriate asset allocation of equities, fixed income and/or balanced portfolio. The investments may include common and preferred equities, corporate debt instruments and money market instruments, including U.S. Treasury Bills and other fixed income securities.

The Investment Committee and other research professionals perform security analysis to identify primarily large to mid-capitalization securities where the earnings of the issuer will be greater in the future (generally 12-24 month) than in its recent past. The Investment Committee utilizes internally generated research, complemented by independent third party research, to identify securities as potential investments for clients. The Investment Committee will consider factors such as specific company dynamics (products, management, industry), macroeconomic (interest rates, inflation) and geo-political conditions (government spending), quality and liquidity of the security and industry diversification. In the course of their portfolio analysis, ASC investment personnel contact and meet with officers and/or key personnel of issuers.

ASC also provides investment advisory services with respect to certain fixed income securities that may include mortgage backed securities, money market and cash sweep investments, exchange traded funds ("ETF") and preferred stocks. ETF's are investment companies that usually seek to replicate the performance of an index of securities. ETF shares generally trade on a listed securities exchange or in the over-the-counter market. When investing ETFs in a client account, the client becomes a shareholder of the investment company and as a result bears its proportionate share of the investment company's management fee and other expenses. These fees and other expenses are in addition to the advisory fees paid by the client to ASC, and may reduce the account's performance. ASC may invest in ETFs for several reasons, including to facilitate the handling of cash flows or to obtain a more efficient means to obtain a specific type of market exposure.

When appropriate and suitable to client's objectives, ASC may recommend to existing and prospective clients investments in the Fund of which ASC is the general partner. The Fund and separately managed account clients invest in the same securities and typically have similar portfolio holdings. However, unlike most separately managed account clients, the Fund is permitted to engage in short selling, margin transactions, option writing and other similar investment products.

All investing involves a risk of loss and the investment strategies offered by ASC could lose money over short or even long periods. Past performance is not a guarantee of future results and individual account performance will vary. Performance could be hurt by a number of different risks including but not limited to:

**Stock market risk.** Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. There is a chance that stock prices overall will decline. Market risk may affect a single company, sector of the economy or the market as a whole.

**Sector risk.** There is a chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market.

**Bankruptcy of a broker or custodian could causes excessive costs or loss of investor funds.** If a broker with whom an ASC client has an account becomes insolvent or bankrupt, ASC 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.

**ASC may rely on information that turns out to be wrong.** ASC selects investments based, in part, on information provided by issuers to regulators or made directly available to ASC by the issuers or other sources. ASC 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 a result in losses.

**ASC may fail to identify successful companies.** Identifying successful companies 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. ASC will not have day-to-day control over any company in which it invests for clients.

**ASC may be limited in dealing with investments if ASC's principals acquire inside information.** In connection with other activities, certain principals or employees of ASC may acquire material non-public information or be restricted from initiating transactions in certain securities. ASC is generally restricted from acting on such information, therefore ASC may not be able to buy an investment that it otherwise might have bought or may not be able to sell an investment that it otherwise might have sold.

**There is significant competition for investments.** The market for the investments targeted by ASC is highly competitive. ASC competes for investments with a variety of other investment funds, financial institutions, individuals and other investors. Consequently, ASC may not be able to identify investments which satisfy ASC's investment objectives at reasonable prices or at all.

**At times, ASC may invest client assets in securities issued by other clients, entities related to other clients, or other entities which ASC may have business relationships with.** No such investments are made unless the investments are in the best interests of clients and ASC has ensured that such investments are made in compliance with its Insider Trading Policy.

**Fixed Income Securities.** Risks associated with investing in fixed income securities (i.e. bonds) include:

- The bond issuer's inability to pay interest or repay the bond;
- Changes in market interest rates cause the bond's value to fall;
- Illiquidity in the bond market may make the bond difficult or impossible to sell;
- The bond issuer may repay the bond prior to maturity; or
- Inflation may reduce the effective yield on the bond's interest payments

**Bonds - Call Provisions.** Many bonds, including agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to "call" all or part of the issue before the bond's maturity date. The issuer usually retains this right to refinance the bond in the future if

market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, clients are exposed to reinvestment rate risk – clients will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.

**Bonds – Yield Curves.** Bond portfolios typically include bonds with a range of maturity dates. In assembling a bond portfolio, the Advisor generally assumes that changes in the yield curve will occur at roughly parallel rates, that is, that interest rates on long-term bonds will move up or down in the same direction as interest rates on short-term bonds. In reality, shifts in the yield curve are unpredictable, and changes on long-term bond yields rarely move in parallel with changes to short-term bond yields. To the extent that the yield curve movements deviate from this assumption, the bond portfolio may generate results different from those intended by ASC.

**Bonds – Inflation.** Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if a client purchases a 5-year bond in which it can realize a coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined. For all but inflation linked bonds, adjustable bonds or floating rate bonds, clients are exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.

**Derivatives.** ASC may invest the Fund in options and derivative instruments, including buying and writing puts and calls on some of the securities, currencies and other assets held by the Fund. The prices of many derivatives are highly volatile. Price movements of options contracts and swap payments are influenced by, among other things, interest rates, demand for such products, trade and exchange control programs and other government policies, and national and international political and economic events. The value of options and swap agreements depends upon the price of the underlying securities, currencies or other assets. The Fund is also subject to the risk of the failure of any of the exchanges on which ASC trades or of their clearinghouses or of counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies or other assets. Accordingly, options on highly volatile securities, currencies or other assets may be more expensive than options on other securities, currencies or other assets. Swaps and certain options and other custom instruments are subject to the risk of nonperformance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

**Put Options.** A put option allows the purchasing investor to require the writing investor to purchase the underlying security, currency or other asset at the specified exercise price. Purchasing and writing (i.e. selling) put options are highly specialized activities and entail significant risks. The risk involved in writing a put option include the possible decreases in the value of the underlying asset caused by declining stock prices, rising interest rates or other factors. If this occurred, the option could be exercised and the client would be required to purchase the underlying security, currency or other asset at a price higher than its current market value. If a put option purchased by a Fund were permitted to expire without being sold or exercised, the Fund would lose the entire premium it paid for the option.

**Call Option.** A call option allows the purchasing investor, for a premium, to purchase from the selling investor the right to buy the underlying security, currency or other asset at the exercise price. Purchasing and writing (i.e. selling) call options are highly specialized activities and entail significant risks. The risks involved in writing a call option include possible increases in the market value of the underlying asset

caused by rising stock prices, declining interest rates or other factors. If this occurred, the option could be exercised and the underlying security, currency or other asset would then be sold by the Fund at a lower price than its current market value. If a call option purchased by the Fund were permitted to expire without being sold or exercised, the Fund would lose the entire premium it paid for the option.

**Counterparty Risk Arising from Investments in Derivatives.** ASC may engage in transactions for the Fund in securities and financial instruments that involve counterparties. Under certain conditions, the Fund could suffer losses if a counterparty to a transaction were to default or if the market for certain securities or financial instruments were to fail. In addition, the Fund could suffer losses in the event of a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the Fund does business.

**Margin.** Employing margin strategies in the Fund's account is a more aggressive, higher risk approach to pursuing investment objectives. The risks associated with investing, as well as costs, may be increased when employing margin strategies, and depending upon the return achieved, may make investment objectives more difficult to realize. The Fund may lose more than its original investments. Likewise, a positive or negative performance, net of interest charges and fees, is magnified. Gains or losses are greater than would be the case in accounts that do not employ margin strategies. The Fund may not benefit from employing margin strategies if the performance its account does not exceed interest expenses on the loan plus fees incurred as a result of depositing the proceeds of the loan.

## **Disciplinary Information**

ASC and its employees have not 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.

## **Other Financial Industry Activities and Affiliations**

ASC is a New York Limited Liability Company that is fifty-one percent beneficially owned by the senior executives of the Company (Martin Sosnoff, Craig Steinberg, Jack McMullan, Bob Ruland and Kevin Kelly). The other forty nine percent beneficially is owned by Evercore Partners Services East, LLC, a wholly owned company of Evercore Partners Inc. (collectively "Evercore"). The aforementioned senior executives control all of the investment management responsibilities and general daily operations of the Company. ASC is governed by a management board consisting of Martin Sosnoff, Craig Steinberg and three Evercore designees.

ASM is a New York Limited Liability Company and a wholly-owned subsidiary of ASC and registered investment adviser. All employees of ASM are also employees of ASC. ASC serves as a subadviser to ASM in connection with ASM's services to its clients. In such capacity, ASC's Investment Committee manages ASM's clients' portfolios. The Investment Committee provides the same investment services and portfolio management to ASC and ASM clients. ASC reviews the composition of its clients' portfolios to assure consistency with their investment objectives and policies.

ASC is affiliated with other financial services entities through its owner Evercore. However, ASC does not have arrangements with such entities that are material to the Company's advisory business.

ASC is the general partner of the Fund in which clients of ASC and ASM may be solicited to invest. The invested assets are charged an asset based management fee by ASC in accordance with the partnership agreement. ASC has a general partner interest in the Fund and certain employees and/or related parties have a limited partnership interest. The employees and their relatives who have a limited partnership interest in the Fund do not pay management fees as described in the Partnership Agreement. The Fund and



separately managed account clients invest in the same securities and typically have similar portfolio holdings.

ASC's employees may serve as outside directors for various organizations. These organizations include private corporations, charitable foundations and other not-for-profit institutions. Employees do not receive any compensation for serving as a director and responsibilities are limited to meeting with other board members and management to discuss the organization of the business and other routine corporate or business matters. Organizations for which employees of ASC serve on the board of directors may retain ASC to provide investment advisory services. To the extent that an organization retains ASC for advisory services, ASC may offer terms that are more favorable than those otherwise available to other clients of ASC.

ASC and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

ASC may give advice and take action with respect to any client account that may be the same as or different from any action taken by ASC or its employees for its proprietary or personal accounts. ASC is not obligated to recommend, buy or sell, or refrain from recommending, buying or selling any security that ASC or its employees may buy or sell, directly or indirectly, for its or their own accounts or for the account of any other client. Additionally, ASC personnel may invest in private funds managed by ASC or its affiliates may, in their discretion, waive or reduce all or a portion of the fees payable to it in connection with the interests held by ASC, its officers, directors and principals, their respective family members and certain affiliates and business associates.

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

ASC has adopted a Code of Ethics (the "Code") pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 and is predicated on the principal that ASC owes a fiduciary duty to its clients. To avoid any potential conflicts of interest involving personal trades, the Code requires, among other things, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of ASC above one's own personal interests;
- Adhere to the fundamental standard that they should not take inappropriate advantage of their position;
- Avoid or disclose any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with the policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws.

ASC's Code also requires Employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide ASC with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such Employees have a direct or indirect beneficial interest.

From time to time ASC buys or sells for a discretionary account securities in which an employee and/or a related person or account also buys or sells. ASC has policies and procedures that are intended to identify these and other potential conflicts and to assure that in all instances client interests come first. ASC seeks to ensure that it and/or its employees do not benefit from short-term market effect of its securities transactions for its clients. The Code imposes restrictions on the purchase or sale of securities for their own or related accounts such as preclearance from the compliance department, a five-day "blackout" period for investment personnel, restriction on investing in initial public offerings and engaging in any form of illegal or fraudulent activities. All employees must certify annually their adherence to the Code. Employees are compelled to disclose all of their investments and related accounts to the CCO. If a transaction is inadvertently executed in an employee's account that is in violation of the Code, the trade is broken, if possible, and/or possibly reallocated to an appropriate client account. If the trade is not able to be broken, the transaction is reversed (i.e. sold if bought and bought if sold) with the employee suffering the loss, if any, and ASC retaining the gain, if any, and remitting the gain to a charitable organization.

A copy of ASC's Code shall be provided to any client or prospective client upon request.

There may be instances when ASC has the opportunity to buy for one of its clients securities which another client wishes to sell, or sell for one client securities which another client seeks to buy. In this scenario it is ASC's goal not to favor one client over another and will only place the clients' orders if the price difference in the buy and sell is nil. In such event, ASC does not receive any compensation from these transactions.

## **Brokerage Practices**

ASC generally has discretion and responsibility to select broker dealers to execute client transactions (exceptions for directed brokerage are discussed below). There are no restrictions as to the type or amount of securities to be bought or sold on behalf of the clients. ASC is responsible for the placement of the securities transactions of clients and the negotiation of any commissions paid on such transactions. Securities normally are purchased through brokers on securities' exchanges or directly from the issuer or from an underwriter or market maker for the securities. Purchases of securities through brokers involve a commission to the broker. Purchases of securities from dealers serving as market makers include the spread between the bid and the asked price. ASC may utilize the services of one or more introducing brokers who will execute brokerage transactions through the prime broker and custodian who will clear the transactions of clients.

Securities transactions will be executed through brokers selected by ASC in its sole discretion and without the consent of investors. In placing portfolio transactions, ASC will seek to obtain the best execution for the clients, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the broker's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying ASC's other selection criteria.

The term "soft dollars" refers to a means of paying brokerage firms for products and services through commission revenue, based on the volume of brokerage commission revenues generated from securities

transactions executed through brokers by an investment manager on behalf of advisory clients. Section 28(e) of the Securities Exchange Act of 1934, as amended allows ASC to pay broker-dealers more than the lowest commission available in order to obtain research and brokerage services without breaching its fiduciary duties to clients or imposing a duty upon ASC to obtain the lowest commission if certain conditions are met and ASC makes a good faith determination that the commissions paid are reasonable in relation to the value of the brokerage or research services on behalf of its advisory clients. The determination may be viewed in terms of either the particular transaction involved or the overall responsibilities of ASC with respect to the accounts over which it exercises investment discretion. In determining if something is research, thus falling within the safe harbor provisions, the controlling principle is whether it provides lawful and appropriate assistance to the money manager in the performance of its investment decision-making responsibilities.

Certain brokerage and research products and services utilized by ASC may be categorized as mixed-use items that are partially paid for with soft dollars. Pursuant to the guidance set forth in the July 18th, 2006 SEC Interpretive Release regarding permissible client commission practices, ASC will partially pay for mixed-use items with soft dollars after reasonably allocating between eligible and ineligible uses and making a good faith determination that the commissions being paid are reasonable in light of each of the brokerage and research services that are provided. ASC maintains adequate books and records regarding the mixed-use allocations.

Information so received is in addition to and not in lieu of services required to be performed by ASC and investment advisory fees are not reduced as a consequence of the receipt of such supplemental research information. Because commission rates in the United States are negotiable, ASC's selection of broker-dealers on the basis of considerations which are not limited to applicable commission rates may at times result in a client being charged higher transaction costs than it would otherwise obtain. Nonetheless, ASC's decision on which broker-dealer to utilize will be fully driven by a concerted effort to seek best execution. Research services received from broker-dealers are supplemental to ASC's own research effort and, when utilized, are subject to internal analysis before being incorporated by ASC into its investment process.

As a practical matter, it would not be possible for ASC to generate all of the information presently provided by broker-dealers. ASC pays cash for certain research services received from external sources. ASC also allocates brokerage for research services, which are available for cash. While the receipt of research services from brokerage firms has not reduced ASC's normal research activities, the expenses of ASC could be materially increased if it attempted to generate such additional information through its own staff. To the extent that broker-dealers provide research services of value, ASC is relieved of expenses, which it may otherwise bear. In addition, ASC has an incentive to select a broker-dealer based on its interest in receiving research or other products or services, rather than client's interests in receiving lower transaction costs.

Certain broker-dealers who provide quality brokerage and execution services also furnish research services to ASC. In selecting a broker-dealer, ASC may consider, among other things, the broker-dealer's best execution capabilities, reputation, and access to the markets for the securities being traded. ASC will generally seek competitive commissions for transactions for advisory client's accounts. Consistent with obtaining best execution, transactions for advisory clients may be directed to brokers in return for research services furnished by them to ASC. Such research generally will be used to service all of ASC's advisory clients, but brokerage commissions paid may be used to pay for research that is not used in managing a specific account. Therefore, research may not necessarily benefit all accounts paying commissions to such brokers. Accordingly, ASC cannot readily determine the extent to which commission rates charged by broker-dealers reflect the value of their research services. ASC generally assesses the reasonableness of commissions in light of the total brokerage and research services provided by each particular broker-dealer. ASC receives a wide range of services from broker-dealers. These services include: information on the

economy, industries, groups of securities, individual companies, statistical analysis, performance analysis, and analysis of corporate responsibility issues. Research services are received primarily in the form of written reports, computer generated services, telephone contacts, and personal meetings with security analysts. In addition, such services may be provided in the form of meetings arranged with corporate and industry spokespersons, economists, academics and government representatives. In some cases, research services are generated by third parties but are provided to ASC by or through broker-dealers.

Certain clients direct ASC to trade their account with a specific broker to utilize a commission recapture program. Any such direction or limitation must be in writing. Clients which, in whole or in part, direct ASC to use a particular broker to execute transactions for their account should be aware that, in so doing, they may adversely affect ASC's ability to, among other things, obtain best price and execution, and the cost of the transaction may be greater. Based upon the types of securities ASC typically trades (large cap domestic equity) there is generally a narrow range in the execution prices and therefore directed brokerage generally does not materially impact long term performance.

In seeking best execution for portfolio transactions on behalf of its clients, ASC from time to time may instruct the broker dealer that executes a transaction to allocate, or "step out" a portion of such transaction to another broker dealer. The broker dealer to which ASC has stepped out would then settle and complete the designated portion of the transaction, and the executing broker would settle and complete the remaining portion of the transaction that has not been "stepped out." Each broker dealer would receive a commission or brokerage fee with respect to that portion of the transaction that it settles and completes. Certain directed brokers are unable to accommodate step out trades.

ASC will typically combine orders into block orders when more than one account is participating in a trade. This blocking or bunching technique must be equitable and potentially advantageous for each such account with the intent to reduce brokerage commissions or to obtain a more favorable transaction price. Block trading is performed when it is consistent with the terms of ASC's investment advisory contracts with each client for which trades are being blocked. All accounts that participate in a block transaction receive the same execution price and an average share price on the transaction. Any portion of an order that remains unfilled at the end of a given day will be rewritten on the following day as a new order with a new daily average price to be determined the next day. Securities purchased are aggregated and then allocated pro-rata among participating accounts in proportion to the size of the order placed for each account. If an order is partially filled, the securities purchased will be allocated pro rata based upon the intended full allocation.

ASC directs client orders with several different brokers (some of which are directed brokers) which poses a conflict on order of execution. The traders rotate the order of execution in an effort to be equitable.

Occasionally, ASC considers investing in an initial public offering ("IPO") for its discretionary advisory clients. The advisory accounts that are eligible for investing in an IPO must meet appropriate size, investment objective, risk profile, cash levels and overall suitability. When allocating shares of an IPO to accounts that meet the eligibility criteria, ASC uses the account number sequence to fairly allocate to all accounts. Once an account receives an allocation of an IPO, it goes to the bottom of the list so as to not favor one client over another.

As is consistent with its duty to seek to obtain best execution, occasionally ASC may cross trades for client accounts. A cross trade occurs when ASC purchases and sells a particular security between two or more accounts under ASC's management by instructing brokers to cross the trade. However, in no instance will ASC engage in cross transactions that involve employee or related accounts with a client account. ASC generally utilizes "cross" trades to address account funding issues and when it specifically deems the practice to be advantageous for each participant. In no instance does ASC receive additional compensation

when crossing trades for client accounts. ASC will seek to ensure that the terms of the transaction, including the consideration to be paid or received, are fair and reasonable, and the transactions is done for the sole benefit of the clients.

ASC does not engage in principal transactions. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or an affiliated account, buys from or sells any security to any advisory client.

ASC has internal controls in place to prevent trade errors from occurring. On those occasions when such an error nonetheless occurs, ASC will use reasonable efforts to correct the error as soon as possible. The goal of error correction is to make the client “whole,” regardless of the cost to ASC. If an error is in the client's favor the client will keep the benefit if possible. Soft dollar arrangements cannot be used to correct errors made by ASC when placing a trade for a client’s account.

ASC does not maintain custody of client assets that ASC manages or on which ASC advises although ASC may be deemed to have custody of a client’s assets if given the authority to withdraw assets from the account (see Custody below). In addition, ASC serves as the general partner to the Fund and may serve as a trustee to pension plans. Client assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank.

## **Review of Accounts**

Client accounts are reviewed frequently by investment personnel, traders, client service and compliance departments. Substantially all of the accounts are monitored on a portfolio accounting system which provides comprehensive on-going analysis concerning performance, asset allocation and the relative and absolute performance of specific portfolio holdings. Additional review of an account may be triggered by performance variance, changes in market conditions, specific events in a portfolio holding or changes in client circumstances. Clients are responsible to keep ASC informed as to any personal changes in their financial condition or investment objectives.

Portfolio managers review accounts continuously. The review is facilitated by comparing the equity, balanced and fixed accounts' portfolio positions against a model portfolio. The portfolio accounting system provides weekly audit reports which help to identify differences between the model performance and each client’s performance. Trading, client service and compliance departments also review the audit reports. ASC uses a front end computer system to compare client imposed restrictions and investment policy guidelines to their respective portfolios. The front end systems will help prevent violations of restricted activities and identify other potential problems. The client accounts are reconciled via DTC every day and in some cases via reconciliations with custodial statements on a less frequent basis.

Clients managed via separately managed accounts receive performance reports, portfolio holdings reports and our market outlook letter at least quarterly. Some clients receive these and other reports more frequently upon request. Clients receive monthly custodial statements and have the opportunity to receive transaction confirmations. In certain wrap programs the sponsor provides the client with performance and portfolio holding data.

## **Client Referrals and Other Compensation**

ASC from time to time enters into arrangements with independent contractors whereby the independent contractors receive a portion of the fees paid by the clients they solicit on behalf of ASC. All such arrangements are fully disclosed to the clients so solicited, in accordance with applicable law. The client's fee is not increased where a third party solicitor is receiving a portion of the fee paid to ASC. The

company retains full authority in managing the accounts under these arrangements and the third party solicitor has no authority or input on the management of the clients assets.

## **Custody**

All client assets are held in custody by unaffiliated broker/dealers or banks, but ASC can access many client funds through its ability to debit advisory fees. ASC is deemed to have custody over certain assets by acting as trustee for the Company sponsored profit-sharing and 401K plan. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by ASC. In addition, ASC has access to the Fund's account since it is the general partner of the Fund. Limited partners (or members or owners) will not receive statements from the custodian. Instead the Fund is subject to an annual audit and the audited financial statements are distributed to each limited partner (or member or owner). The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Fund's fiscal year end.

## **Investment Discretion**

ASC generally has discretionary authority to invest client portfolios within client investment objectives and guidelines, subject to client specified investment restrictions or limitations. Limits to ASC's authority, if any, and other specifications are included in client investment advisory contracts or client's Investment Policy Statement. Client restrictions might include concentration limitations on issuers or sectors, diversification criteria, liquidity requirements, specified asset allocations (mostly for balanced accounts), prohibitions on investing in an issuer, industry or sector (socially responsible, Taft-Hartley) and direction to use specified broker dealers.

## **Voting Client Securities**

ASC offers to vote proxies for all accounts and many of ASC's clients have delegated this authority to ASC. Clients also may elect to vote their own proxy ballots. ASC believes that the voting of proxies can be an important tool for investors to promote best practices in corporate governance and ASC will vote all proxies in the best interests of its clients as investors.

ASC utilizes the proxy voting guidelines set forth by our third party service provider, Institutional Shareholder Services, Inc. ("ISS"). Clients have an option of selecting one of three sets of written guidelines: Standard, Taft-Hartley (labor sensitive), or SRI (socially responsible investing). Since ASC believes ISS' voting guidelines have been developed in the shareholders' best interests, ASC typically does not accept client direction on proxy votes. Similarly, we will not notify clients of "material" proxy proposals prior to voting because we believe the voting guidelines have been created to promote best practices in corporate governance. Clients, however, may contact ASC to inquire how a particular proposal will be voted.

ISS votes proxies and maintains voting records on behalf of ASC. Based on their written guidelines, votes are automatically set into the proxy voting system. ASC monitors the vendor's activities and makes any required reports to the Compliance Department on a regular basis. ASC will vote only proxy ballots received, and will utilize its best efforts in obtaining missing ballots on behalf of clients. Since there can be many factors affecting proxy ballot retrieval, it is possible that ASC will not receive a ballot in time to place a vote. Clients who participate in securities lending programs should be aware that ASC will not call back any shares on loan for proxy voting purposes.

Since ASC has significant business relationships with some proxy issuers, it is possible that a conflict between the client's interest and ASC interest will arise. In such cases, ASC votes proxies solely on the

investment merits of the proposal. As a general rule, ASC will default to the vendor's policy for the vote. On occasion, ASC will consult with our compliance team and/or our Investment Committee prior to casting a vote.

ASC's proxy voting policy and procedures are available on its website ([www.atalantasosnoff.com](http://www.atalantasosnoff.com)). Clients may obtain a copy of the proxy voting policy and procedures by contacting ASC's Compliance Department either by email ([wed@atalantasosnoff.com](mailto:wed@atalantasosnoff.com)) or by phone (212-867-5000). Clients may also obtain information from ASC about how we voted any proxies on behalf of their account(s) by contacting us at the phone number or email provided directly above. Since written voting guidelines are available upon request, our client proxy reports will provide a reason for any proxy vote that is against such written guidelines.

In addition, if "Class Action" documents are received by ASC on behalf of clients (except for Wrap Program Clients, UMA Program Clients and IRIA clients), ASC will ensure that clients either participate in, or opt out of, any class action settlements received. ASC will determine if it is in the best interest of clients to recover monies from a class action. ASC's Investment Committee will determine the action to be taken when receiving class action notices. In the event ASC opts out of a class action settlement, ASC will maintain documentation of any cost/benefit analysis to support its decision.

## **Financial Information**

Registered investment advisers are required in this item to provide you with certain financial information or disclosures about ASM's financial condition. ASM 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.

## **Privacy Policy**

### **ATLANTA SOSNOFF CAPITAL, LLC ATLANTA SOSNOFF MANAGEMENT, LLC**

#### **PRIVACY POLICY DISCLOSURE December 31, 2011**

Thank you for your decision to invest with us. Your privacy is very important to us. The following constitutes a description of our policies regarding disclosure of nonpublic personal information that you provide to us or that we collect from other sources.

### **Categories of Information We Collect**

We collect the following nonpublic personal information about you:

Information we receive from you on or in applications or other forms, correspondence, or conversations, including, but not limited to, your name, address, phone number, social security number, assets, income and date of birth; and

Information about your transactions with us, our affiliates, or others, including, but not limited to, your account number and balance, payment history, parties to transactions, cost basis information, and other financial information.

**Categories of Information We Disclose and Parties to Whom We Disclose**

We do not disclose any nonpublic personal information about our current or former clients or customers to nonaffiliated third parties, except as required or permitted by law.

**Custodian/Broker Exception**

We are permitted by law to disclose all of the information we collect, as described above, to executing brokers and your custodian to process and settle your transactions.

**Confidentiality and Security**

We restrict access to your nonpublic personal information to those persons who require such information to provide products or services which you have requested. We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

**Intermediaries**

Because we do not act as a custodian or broker, the privacy policy of the financial intermediary who is your custodian or acts as executing broker would govern how your nonpublic personal information under its control would be shared with nonaffiliated third parties. We are seeking to extend our privacy policy, where possible by contract, to such financial intermediary to restrict the use of your non-public personal information.