

Item 1 – Cover Page

A.R. Schmeidler & Co. Inc.

500 Fifth Avenue

New York, NY 10110

212-687-9800

Web site: www.arschmeidler.com

March 9, 2012

This Brochure provides information about the qualifications and business practices of A.R. Schmeidler & Co. Inc. If you have any questions about the contents of this Brochure, please contact us at 212-687-9800 or Pkandel@arschmeidler.com. 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.

A.R. Schmeidler & Co. Inc. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about A.R. Schmeidler & Co. Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This Item 2 provides clients with a summary of material changes since the last annual update of the Brochure in 2011. This version of the Brochure, dated March 9, 2012, has been amended as follows:

- Item 12 (Brokerage Practices) – The description of A.R. Schmeidler & Co. Inc.'s ("ARS" or the "Firm") brokerage practices has been enhanced to clarify that clients may choose to direct trades for their investment advisory accounts through ARS, in its capacity as broker-dealer, and to address the potential conflicts of interest and compensation associated with ARS's role as a broker-dealer and its execution of trades through the Firm's clearing firm. This item has also been updated to clarify that ARS's brokerage commissions are negotiable, to discuss the consequences of directed brokerage arrangements and to describe the Firm's soft dollar practices and trade aggregation practices in more detail.
- Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) and Item 17 (Voting Client Securities) have also been updated to better describe the general risks associated with the Firm's investment strategies and to describe its proxy voting practices in more detail. The additional disclosure does not reflect a change in the Firm's investment process or proxy voting practices.
- Item 10 (Other Financial Industry Activities and Affiliations) and Item 14 (Client Referrals and Other Compensation) have been updated to clarify the nature of ARS's relationship with its parent, Hudson Valley Bank.

The foregoing is only a summary of the material changes to the Brochure. It does not purport to identify every change to the Brochure since the last annual update. This summary of material changes is qualified in its entirety by reference to the full discussion in this Brochure. Clients are encouraged to read the Brochure in detail and contact their account representative with any questions.

Item 3 -Table of Contents

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

Item 4 – Advisory Business

ARS is a federally registered investment adviser and broker-dealer. The Firm was founded in 1971 by Arnold Schmeidler under New York State law. The Firm is a wholly owned subsidiary of Hudson Valley Bank, which is a subsidiary of a public company, Hudson Valley Bank Holding Corporation. As of December 31, 2011, the Firm had approximately \$1.5 billion in assets under supervision, including approximately \$1.17 billion of discretionary assets under management and \$65 million in non-discretionary assets under management.

The Firm offers discretionary investment advisory services through separate accounts and wrap accounts for compensation which is described below in Item 5. Investments are tailored to each individual investor's needs utilizing equity, balanced or all fixed income investment strategies. Clients may impose restrictions on investing in certain securities or types of securities.

Item 5 – Fees and Compensation

The Firm's advisory fee schedule for new clients is based on the amount of assets under management and generally is payable quarterly in advance. The fee schedule is as follows:

Equity and Balanced Accounts

1.25% per annum of the first \$1 million
1.00% per annum of the next \$20 million
Over 21 million to be discussed

Fixed Income Accounts

.50% per annum of the first \$15 million
.35% per annum of the next \$15 million
Over 30 million to be discussed

ARS Multicap Equity Accounts – For institutional use only

.80% per annum of the first \$25 million
.70% per annum of the next \$25 million
Over 50 million to be discussed

This fee schedule applies to new clients who have not been introduced to the Firm with an older fee schedule. Therefore, management fees for certain clients may differ from the above schedule. Because the older clients' fees have been grandfathered or because of relationships with ARS,

Hudson Valley Bank, or other account differences, some clients fees may differ from those described above. In certain circumstances fees may be negotiable.

ARS acts as sub-advisor on several institutional platforms. Fees charged to the clients of these platforms vary by platform. When a client utilizes ARS's services indirectly through another custodian's platform, a wrap account or a UMA program, the platform establishes the fees that are charged to the client. ARS will receive a portion of these fees as sub-advisor.

The specific manner in which fees are charged by ARS is established in a client's written agreement with ARS. ARS will generally bill its investment advisory fees in advance on a calendar quarter basis. Investment advisory fees that are billed in advance are prorated for each capital contribution and withdrawal made during the applicable calendar quarter with the exception of de minimis contributions and withdrawals. Clients may request and in certain cases are being billed in arrears. Clients may also elect to be billed directly for fees or to authorize ARS to directly debit fees from client accounts. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon the effective date of termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

ARS's investment advisory fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to ARS's investment advisory fee.

In its capacity as a registered broker-dealer, ARS receives commissions on taxable accounts that ARS introduces to Pershing LLC, the Firm's clearing broker. The receipt of this brokerage compensation creates a potential conflict of interest that may give ARS an incentive to recommend securities transactions for taxable accounts based on the compensation received. Clients have the option to select other broker-dealers or financial institutions that are not affiliated with the Firm. ARS does not offset or reduce its investment advisory fees by the amount of brokerage compensation it receives. Accordingly, clients should consider the brokerage compensation that ARS earns when evaluating the amount and appropriateness of the total value of services that ARS provides.

Please see Item 12 for a more detailed discussion of the conflicts of interest associated with the Firm's brokerage compensation.

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

ARS does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

ARS provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, private investment funds, trust programs, and other U.S. and international institutions.

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

Investing in securities involves risk of loss that clients should be prepared to bear. ARS's investment process is as follows. The portfolio managers, including the President and Chairman, form the investment policy committee. This group conducts all company research, which results in the Firm's buy list. In addition, the team develops view of the operating environment for companies including determining the positive and negative forces impacting the flow of capital worldwide. The investment committee members include: Arnold Schmeidler- Chairman, Stephen Burke- President, Michael Kahn- Portfolio Manager/Research Analyst, Albert Schmeidler- Portfolio Manager/Research Analyst, Andrew Schmeidler- Portfolio Manager/Research Analyst, Jared Levin- Portfolio Manager/Research Analyst, John Wyman- Portfolio Manager/Research Analyst and Richard McCallum- Research Analyst.

The investment professionals generally meet daily to review the portfolios, discuss positions and weightings, assess the market environment, and reassess the investment thesis for portfolio holdings. In addition, the team holds an investment policy meeting weekly to review portfolio weightings, conduct risk assessments and provide research updates. On a weekly basis, the team reviews portfolio holdings from a technical and fundamental perspective with a decision to buy, hold or reduce the position. The investment professionals also meet quarterly to create a portfolio from the bottom up based on the valuations and outlook at that time. This portfolio is used as the basis for new accounts and to adjust existing accounts as appropriate.

ARS draws its investment ideas from three areas- individual company research, global catalysts and industry dynamics. The fundamental research process provides ARS with an assessment of the enterprise value (current and future) and the growth prospects for the business. The global catalysts and industry dynamics provide the framework that forms or reinforces the view of the growth prospects. This view is then translated into a level of conviction with regard to company and industry weightings.

Investment advisory accounts managed by ARS may be subject to the following general risks. This list is not intended to disclose every potential risk associated with an investment strategy or a particular investment advisory account.

Equity Securities —The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future.

Fixed Income Securities—When interest rates increase, fixed income securities will generally decline in value. Long-term fixed income securities will normally have more price volatility because of this risk than short-term fixed income securities. In addition, fixed income securities are subject to risk of loss due to negative credit events related to an issuer or an issuer or guarantor's default on its obligation to pay interest and repay principal.

Management Risk—There is a risk that ARS's investment strategy may not produce the intended results. The investment performance and the success of any investment strategy or particular investment cannot be predicted or guaranteed, and the value of a client's investments will fluctuate due to market conditions and other factors. The investment decisions made and the actions taken for investment advisory accounts are subject to various market, liquidity, currency, economic and political risks, and will not necessarily be profitable. Past performance is not indicative of future results.

Market Risk—The value of the securities and other investments in which an investment advisory account invests may go up or down in response to the prospects of individual companies, particular industry sectors or governments, general economic conditions and market volatility.

Mid Cap and Small Cap Risk—Investments in small capitalization and mid-capitalization companies generally involve greater risks than investments in larger, more established companies. These securities may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

Non-U.S. Securities Risk—Non-U.S. securities may be subject to risk of loss because of less government regulation, less public information and less economic, political and social stability in the countries of domicile of the issuers of the securities and/or the jurisdictions in which these securities are traded. Loss may also result from the imposition of exchange controls or other government restrictions, or from problems in registration, settlement or custody. These risks may be heightened in investment advisory accounts that invest in emerging markets or growth markets.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of ARS or the integrity of ARS's

management. In 2008, ARS was fined \$15,000 because it failed to report on a timely basis and/or failed to report the correct time of trade, and failed to supervise the reporting of certain bond transactions pursuant to the TRACE corporate bond reporting rules as promulgated by FINRA. Subsequent to FINRA's findings, ARS revised its policies and procedures to address the TRACE reporting deficiencies.

Item 10 – Other Financial Industry Activities and Affiliations

ARS has entered into an agreement with its parent, Hudson Valley Bank (“HVB”), pursuant to which ARS provides HVB with investment advisory services in connection with certain trust accounts for which HVB serves as trustee. ARS and HVB have also entered into a referral arrangement that is described in Item 14. ARS is a registered broker-dealer as well as a registered investment adviser. As a registered broker-dealer, the appropriate personnel are registered pursuant to FINRA's requirements.

Item 11 – Code of Ethics

ARS has adopted a Code of Ethics for all supervised persons of the Firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition on rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at ARS must acknowledge the terms of the Code of Ethics annually, or as amended.

ARS anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which ARS has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which ARS, its affiliates and/or clients, directly or indirectly, have a position or interest. ARS's employees and persons associated with ARS are required to follow ARS's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of ARS and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for ARS's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of ARS will not interfere with: (i) making decisions in the best interest of advisory clients; and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. In addition, the Code requires pre-clearance of many transactions. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between ARS and its clients.

ARS's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Peter G. Kandel Jr.

It is ARS's policy that the Firm will not affect any principal or agency cross securities transactions for clients' accounts. ARS will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the accounts of its affiliates, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction, or any person controlled by or under common control with the investment adviser, acts as brokers for both the advisory clients and for another person on the other side of the transaction.

Item 12 – Brokerage Practices

Directed Brokerage through ARS

In addition to providing investment advisory services, ARS is also registered as a broker-dealer. Clients that do not have a prior relationship with a broker-dealer or do not express a preference for a specific broker-dealer may choose to direct ARS to execute trades for their investment advisory accounts through itself, in its capacity as broker-dealer. ARS, in turn, executes trades for directed accounts through Pershing LLC ("Pershing"), which currently serves as ARS's clearing firm. Pershing is responsible for executing, clearing and settling such transactions. ARS may not always be able to achieve the most favorable execution for client transactions and clients may pay higher transaction costs or receive less favorable pricing as a result of their decision to direct brokerage to ARS for execution through Pershing. Clients should understand that not all investment advisers require their clients to direct brokerage. The prices, commissions, other execution costs and transaction charges for trades directed through ARS and executed through Pershing may not be as favorable as those that might be obtained if trades were placed through another broker-dealer.

Best Execution

In the case where there is no client direction and ARS has the discretion to select broker-dealers to execute transactions for investment advisory accounts, it will do so consistent with best execution. Best price, giving effect to commissions and other transaction costs is normally an important factor in this decision, but the selection also takes into account the quality of brokerage services, including execution capability, willingness to commit capital, creditworthiness and financial stability, clearance and settlement capability and the provision of research and other services. ARS will have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate or to select any broker-dealer on the basis of its purported or "posted" commission rate. Transactions will not always be executed at the lowest available price or transaction cost.

Compensation Arrangement with Pershing in Potential Conflicts of Interest

Clients that direct trades through ARS or have otherwise established a brokerage relationship with ARS should understand that the majority of their trades will be executed by ARS through Pershing

in recognition of the value of the brokerage and other services that ARS provides, both directly and through its clearing agreement with Pershing. These services include:

- The level of individualized service ARS provides;
- Access to low rates for margin debit balances (0.50% below the Broker Call rate);
- Various account services, including online access to account statements, facilitating wires and money movements;
- The quality of the brokerage execution services that Pershing provides;
- Pershing's clearance, settlement and custody services; and
- Pershing's responsiveness and financial stability.

In addition, consolidating execution through Pershing enhances ARS's ability to work trades and control order flow, thus enhancing the quality of trade execution. The brokerage services provided by Pershing and ARS further allow ARS, as investment adviser, to maintain its focus on the investment advisory services it provides to clients.

ARS, as introducing broker, generally executes equity trades through Pershing at \$.06 per share, subject to certain per trade minimums not to exceed \$25. ARS currently retains 90% of the gross commissions generated on taxable accounts and pays the remaining 10% to Pershing to compensate it for the services it provides under the clearing agreement with ARS. ARS has elected to waive the commissions generated from accounts that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and other non-taxable accounts, as well as certain accounts that are managed on behalf of its affiliates, and 100% of that compensation is retained by Pershing. In the future, ARS expects to receive 60% of the gross commissions generated for all advisory accounts that trade through Pershing, regardless of whether the accounts are taxable or non-taxable. The remaining 40% will be paid to Pershing.

The commissions earned by ARS in connection with transactions in investment advisory accounts are in addition to the investment advisory fees that clients pay to ARS. ARS does not offset or reduce its investment advisory fees by the amount of brokerage compensation it receives. Accordingly, clients should consider the brokerage compensation that ARS earns when evaluating the amount and appropriateness of the total value of services that ARS provides. In considering the overall compensation, clients should be aware that ARS's brokerage compensation is limited to the commissions on equity transactions. ARS does not charge clients mark-ups or mark-downs or commissions on fixed income transactions or receive indirect compensation in the form of:

- Cash balances maintained in investment advisory accounts;
- A percentage of margin interest charged on debit balances;
- Mutual fund fees;
- Payment for order flow; or
- Other compensation that might otherwise be available to ARS as a broker-dealer.

The compensation arrangement between ARS and Pershing does not affect the amount of commissions and other execution charges that clients pay because, unless they have negotiated otherwise, all clients are charged the standard commission rate of \$.06 per share. However, the presence of this arrangement may create a financial incentive for ARS to execute transactions through Pershing, as opposed to another broker-dealer. It may also cause ARS to forego opportunities to reduce its standard commission schedule below the current rate or to recapture all or a portion of the amount of the brokerage commissions paid for the benefit of its clients. In addition, to the extent that ARS has elected to waive the brokerage commissions generated by ERISA and other non-taxable accounts, the brokerage commissions generated from such accounts may be viewed as subsidizing the compensation that ARS earns from taxable accounts even though all clients are generally charged the same commission.

Negotiability of Brokerage Commissions

Brokerage commissions may be negotiated below ARS's standard commission schedule. Commissions and other execution charges paid by similar clients may differ depending on the particular circumstances of each client, including the size of the relationship or the account and required service levels, or other factors.

Wrap Fee Programs

ARS also acts as investment adviser for clients that participate in wrap and other separately managed account programs sponsored by broker-dealers and other financial institutions. Where ARS is retained as an investment manager under a wrap program, it does not serve as broker-dealer in connection with transactions in client accounts. Further, ARS does not negotiate brokerage commissions for transactions that are executed by or through the sponsor of the program. These commissions are generally included in the "wrap" fee charged by the sponsor, although certain execution costs are typically not included in this fee and may be charged to the client (including but not limited to dealer spreads, certain dealer mark-ups or mark-downs on principal trades, auction fees, fees charged by exchanges on a per transaction basis, other charges mandated by law, and certain other execution costs).

Although ARS may have discretion to select broker-dealers to execute trades for the wrap program accounts that it manages, ARS generally places such trades through the sponsor of the program because the wrap fee paid by each client typically covers only execution costs on trades executed through the sponsor or its affiliates. If ARS selects a broker-dealer other than the sponsor or its affiliates to execute trades for a wrap program account, any execution costs charged by that other broker-dealer generally are charged to the client as a separate brokerage charge that is in addition to the wrap fee. Clients that enroll in wrap programs should satisfy themselves that the sponsor or its affiliates is able to provide best execution of transactions.

Other Client Directed Brokerage Arrangements

ARS also acts as investment adviser for clients that have accounts domiciled with other broker-dealers and banks. Instead of granting ARS the discretion to select broker-dealers, clients may direct that ARS use a particular broker-dealer to execute all transactions for the client's investment

advisory account under such terms and arrangements as the client negotiates with the particular broker-dealer. Any such direction will be provided to ARS in writing. Clients should understand that if they have directed ARS to use a particular broker-dealer: (i) ARS will not be responsible for negotiating commission rates, or for selecting broker-dealers on the basis of best execution; (ii) transactions for the client's investment advisory account may not be "bunched" (or aggregated) for purposes of execution with orders for the same securities for other accounts managed by ARS; and (iii) this directed brokerage arrangement may result in higher commissions or less favorable net prices than might be the case if ARS were empowered to negotiate commission rates, or to select broker-dealers on the basis of best execution.

Research and Other Soft Dollar Benefits

ARS may select broker-dealers that furnish ARS with brokerage and research services that provide, in ARS's view, appropriate assistance to ARS in the investment decision-making process. As a result, ARS may pay for such brokerage and research services with "soft" or commission dollars. The types of brokerage and research services that ARS acquired with client brokerage commissions in 2011 included research reports on companies, industries and securities; global economic and market research; access to broker-dealer analysts, corporate executives and industry experts; and attendance at trade industry seminars and broker organized conferences.

When ARS uses client commissions to obtain brokerage and research services, ARS receives a benefit because ARS does not have to produce or pay for the brokerage and research services itself. As a result, ARS may have an incentive to select or recommend a broker-dealer based on ARS's interest in receiving the brokerage and research services from that broker-dealer, rather than solely on its clients' interest in receiving the most favorable execution. However, when selecting broker-dealers that provide brokerage and research services, ARS is obligated to determine in good faith that the commissions (and other execution charges) those broker-dealers charge are reasonable in relation to the value of the brokerage and research services they provide to ARS. The reasonableness of these commissions will be viewed in terms of the particular transactions or ARS's overall responsibilities to investment advisory accounts over which it exercises investment discretion. Accordingly, transactions will not always be executed at the lowest available price or commission and ARS may cause clients to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits.

Soft dollar benefits are not limited to those clients who may have generated a particular benefit. ARS does not attempt to allocate soft dollar benefits proportionally among clients or to track the benefits of brokerage and research services to the commissions associated with a particular account or group of accounts.

Aggregation of Trades

ARS may decide to purchase or sell the same securities for several client accounts at approximately the same time. Where ARS believes aggregation is appropriate and in the best interest of clients, orders for multiple client accounts, including certain affiliated and insider accounts (*i.e.*, accounts of employees and affiliates of ARS), may be combined or "bunched" when possible to facilitate

obtaining best execution and/or to allocate equitably among such clients the effects of any market fluctuations that might have otherwise occurred had such orders been placed independently. Under this procedure, the transactions may be averaged as to price. However, commission charges may not always be shared equally between clients in bunched transactions. Instead, commission charges will be determined based the commission schedule currently in effect for each client. ARS will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders generally will be allocated on a pro rata basis. Any exceptions will be explained on the order.

In the case where ARS is acting only as investment adviser and is not acting as broker-dealer clearing through Pershing, it may not be practicable to aggregate trades for multiple advisory accounts that are held on different platforms (i.e., at different wrap sponsors, broker-dealers or banks). In these cases, ARS has implemented a trade rotation policy to determine which type of account is to be traded first. Platforms will be rotated when ARS is implementing buy or sell programs in a security. This trade rotation policy does not guarantee that any one of the platforms will receive a better execution than the other during a given buy or sell program, but rather that no one platform is systematically advantaged or disadvantaged over time. Transactions for multiple accounts within a particular platform are aggregated. Accounts that trade later in the rotation may suffer adverse effects depending on market conditions.

Item 13 – Review of Accounts

Portfolios are reviewed individually and also as part of a broader cross examination of clients' holdings by security. Methods of review include immediate on line CRT access to portfolio appraisals maintained on our in-house computer ARS evaluation system. Daily, weekly and monthly portfolio appraisals are available to portfolio managers by either CRT display and or hard copy and a cross reference master list of securities is reviewed on an ongoing basis. Factors considered in a portfolio review include continued suitability of client holdings in light of changes in the client's financial requirements and objectives, and the size of individual holdings relative to the total value of a client's portfolio. Further, the use of a Quotation Information Service provides continuous review of price changes among client holdings. Review is a continuing function triggered by such factors as addition to or withdrawal of funds in an account, or significant changes in price or company, or economic developments. Personnel who review accounts are members of the Investment Committee. ARS delivers quarterly appraisals to clients and in some cases if requested more than quarterly appraisals are sent to clients.

Item 14 – Client Referrals and Other Compensation

ARS may compensate its parent, HVB, based on a percentage of advisory fees paid by clients referred by the bank.

Item 15 – Custody

Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. ARS urges clients to carefully review such statements and compare such official custodial records to the quarterly account statements that ARS may provide. ARS' statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

ARS usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, ARS observes the investment policies, limitations and restrictions of the clients for which it advises.

Item 17 – Voting Client Securities

ARS has adopted policies and procedures for voting proxies on behalf of investment advisory accounts for those clients that have expressly granted ARS voting discretion. Under its policies and procedures, ARS will generally vote in favor of routine corporate proposals (such as the election of directors or the selection of auditors) and against proposals that cause board members to become entrenched or cause unequal voting rights. ARS will consider the opinion of management and effect of any particular proposal on management, shareholder value and the issuer's business practices. Clients who wish to direct ARS's vote in a particular solicitation should contact their account representative. In the absence of specific instructions, ARS will vote in accordance with its policies and procedures.

In the event ARS or any of its employees has a financial, business or personal relationship with the issuer that creates a material conflict, ARS will attempt to address the conflict through disclosure, by giving clients the opportunity to vote the proxy themselves or through other means such as voting in a manner consistent with a predetermined voting policy or receiving an independent recommendation.

Clients may obtain a copy of ARS's complete proxy voting policies and procedures upon request. Clients may also obtain information from ARS about how ARS voted any proxies on behalf of their account(s).

If clients have not directed ARS to vote proxies, they will receive proxy materials directly from their custodian.

ARS does not render any advice or take any action with respect to securities or other property currently or formerly held in investment advisory accounts or the issuers thereof that become the subject of any legal proceedings, including bankruptcies and class actions.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. ARS 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.