

## **Form ADV Part 2A: Firm Brochure**

### **SLS Management, LLC**

March 31, 2014

#### Principal Office

SLS Management, LLC  
140 West 57<sup>th</sup> Street, Suite 7A  
New York, NY 10019  
Tel 212-537-3600  
Fax 212-537-3550

This brochure provides information about the qualifications and business practices of SLS Management, LLC (“SLS”). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer (“CCO”), Steven J. Rohlfing, at (212-537-3600) or email at [srohlfing@slscapital.com](mailto:srohlfing@slscapital.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.

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

Unless otherwise indicated, the term “SLS” or “we”, “us” or “our” is broadly used within this brochure to refer to SLS Management, LLC.

## Item 2: Material Changes

Since we filed our initial registration as an investment adviser with the SEC on June 14, 2013, we have expanded the type of client for which we provide investment advisory services. As disclosed in Items 4 and 5, we serve as a sub-adviser to publicly offered investment companies registered under the U.S. Investment Company Act of 1940, as amended (the “Mutual Funds”).

We have supplemented our proxy voting procedures by engaging Glass Lewis & Co. to assist in the due diligence process associated with proxy voting decisions for our Clients’ accounts and to assist in the actual casting of votes. See Item 17.

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## Item 4: Advisory Business

SLS is an independent investment management firm formed under the laws of the State of Delaware as a limited liability company as of April 9, 1999. SLS is owned and controlled by Scott Swid.

SLS provides discretionary investment management services to affiliated and non-affiliated pooled investment vehicles (“Clients”). Our advisory services include investing and trading both long and short positions in U.S. and non-U.S. securities and other financial instruments consisting primarily of publicly-traded stocks, bonds, options and related instruments. However, we do not limit our investment capabilities to any particular region, market sector, or investment type. Therefore, our services may include investing in U.S. or foreign, publicly traded or privately issued or negotiated common stocks, preferred stocks, stock warrants and rights, corporate debt, bonds, notes or other debentures or debt participations, convertible securities, swaps, options (purchased or written), futures contracts, commodities and other derivative instruments,

partnership interests and other securities or financial instruments including those of investment companies.

In providing such services to each Client, we direct and manage the investment and reinvestment of each Client's assets in accordance with the terms of each Client's governing documents.

As of December 31, 2013, SLS managed approximately \$285 million on a discretionary basis.

Currently, we serve as the investment manager to the following Clients:

- SLS Investors, LP, a privately offered pooled investment vehicle organized as a Delaware limited partnership (the "Domestic Fund"). An affiliate, SLS Capital, LLC, serves as the general partner for the Domestic Fund.
- SLS Offshore Fund Ltd., a privately offered pooled investment vehicle organized as a Cayman Islands exempted limited company (the "Offshore Fund"). The Domestic Fund and the Offshore Fund are herein collectively referred to as (the "SLS Funds").
- We serve as a sub-adviser to an unaffiliated privately offered pooled investment vehicle organized as a Delaware limited partnership (the "Unaffiliated Private Fund").
- We serve as a sub-adviser to unaffiliated publicly offered investment companies registered under the U.S. Investment Company Act of 1940, as amended (the "Mutual Funds").

## **Item 5: Fees and Compensation**

Compensation we receive from our Clients is comprised of fees based on a percentage of assets under management and/or performance-based amounts.

### SLS Funds

SLS's investment management fees with respect to the SLS Funds are based on a percentage of assets under management and performance based amounts. Detailed information regarding the fees charged to the SLS Funds is provided in the SLS Funds' offering memoranda and other governing documents. In general, we receive up to 2.0% (per annum) of the aggregate fair market value of the relevant SLS Fund's net assets. Asset based fees are accrued and calculated monthly by an independent fund administrator based on the net assets of the relevant SLS Fund (without deduction for any accrued but unpaid asset based fee) as of the last day of each month during the quarter (adjusted for contributions and withdrawals made during the month).

Performance-based compensation is generally equal to 20% of net realized and unrealized profits of each year and is calculated by an independent fund administrator as of the end of each fiscal year. Performance-based compensation will be paid to SLS for the Offshore Fund, and to the affiliated general partner of the Domestic Fund. We (and/or the affiliated general partner), at our discretion, may waive all or a portion of the performance-based allocation.

SLS debits the SLS Funds' custodian accounts quarterly in arrears for the management fee and annually for the performance allocation fee. Should an investor withdraw from an SLS Fund at any time other than at the end of the fiscal period, the performance allocation fee shall be deducted as though it were being made at the end of the fiscal year. The performance allocation fee is subject to a "loss carry forward" provision which prohibits the deduction of the performance allocation fee from any investor's capital account until any net loss previously allocated to the capital account has been offset by subsequent net profits.

#### Unaffiliated Private Fund

SLS receives only a performance based fee with respect to the Unaffiliated Private Fund. Detailed information regarding the performance based fee is provided in that Client's governing documents. In general, the fee is equal to fifty percent (50%) of any month's net gain in the net asset value of the portion of the Unaffiliated Private Fund's account under SLS's management. Net gains with respect to any calendar month are first reduced by prior losses. SLS does not debit the fee from the Unaffiliated Private Fund's custodian account nor does it invoice the Client for the fee. The primary investment manager of this Client is responsible for calculating the fee and remitting payment to SLS at the end of each month if the incentive fee has been earned that month.

#### Mutual Funds

SLS receives 1% (per annum) of the fair market value of the net assets under management with respect to the Mutual Fund accounts, paid quarterly in arrears. SLS does not debit the fee from the Mutual Funds' custodian account nor does it invoice the Client for the fee. The primary investment manager of these Clients is responsible for calculating the fee and remitting payment to SLS at the end of each quarter.

#### Other Fees and Expenses

In addition to the fees described above, limited partners and shareholders of the SLS Funds ("Investors") will bear indirectly the fees and expenses charged to the SLS Funds. These expenses include, but are not limited to, legal, accounting, auditing and other professional fees, research expenses and investment expenses such as commissions, interest on margin transactions, custodial fees, bank service fees, registrar and transfer fees and other reasonable expenses related to the purchase, sale, or transmittal of Client assets. Additional information regarding fees and other expenses attributable to the SLS Funds are addressed in the SLS Funds' Confidential Placement Memoranda

### **Item 6: Performance Based Fees and Side-by-Side Management**

As disclosed in Item 5 above, we receive performance-based compensation from the SLS Funds and the Unaffiliated Private Fund, although the compensation rates and calculations may vary among these Clients. We do not receive performance-based compensation from the Mutual Funds. SLS has a conflict of interest because we can potentially receive greater fees from our Clients having a performance-based compensation structure versus those Clients we charge a fee unrelated to performance (e.g., an asset-based fee). As a result, we may have an incentive to direct

the best investment ideas to, or to allocate or sequence trades in favor of, the Client(s) that pays the highest performance fee. In addition, performance-based compensation may create an incentive for us to make investments that are riskier or more speculative than would be the case in the absence of a right to performance-based compensation. We mitigate these conflicts not only through our policies and procedures that are designed to ensure that all Clients are treated fairly and equally and are the recipients of the fair allocation of investment opportunities, but also through training of SLS investment team members.

## **Item 7: Types of Clients**

Our Clients are private investment funds that operate as pooled investment vehicles and registered investment companies under the Investment Company Act of 1940, as amended. We do not provide investment advice to the underlying investors in our Clients. Moreover, we are not aware of the identities, and have no involvement with respect to the investors in the Unaffiliated Private Fund and the Mutual Funds.

The Investors in the SLS Funds may include a broad range of U.S. and non-U.S. institutions and high net worth individuals. Institutional Investors may include corporations, trusts, estates, charitable organization, endowments, foundations, family offices and others. We generally require that Investors meet certain minimum investment thresholds and suitability requirements. For example, the SLS Funds generally impose minimum investment thresholds of \$2,000,000 although we (or our affiliates) have the discretion to accept less. Additionally, all U.S. persons investing in the SLS Funds are required to be “accredited investors” (as defined in Regulation D of the United States Securities Act of 1933, as amended) and “qualified purchasers” (as defined in the United States Investment Company Act of 1940, as amended). The Investors in the SLS Funds are required to make representations indicating that they are acquiring their interests for their own account; that they have received access to all information that they deem relevant to evaluate the merits and risks of the prospective investment; and that they have the ability to bear the economic risk of an investment in the relevant SLS Fund. Details concerning applicable Investor suitability requirements are included in each SLS Funds’ offering documents and subscription material which are furnished to all Investors.

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

SLS seeks to achieve its investment objective by applying rigorous fundamental analysis primarily to operational restructurings and corporate reorganizations. SLS applies a research-driven, rigorous fundamental analysis that focuses on the valuation of a company through different restructuring and reorganization scenarios. For long investments, SLS uses a disciplined investment approach to identify and analyze companies, such as companies that are seeking to make radical business changes due to deteriorating operating margins. Such companies are typically involved in bringing in new management to refocus the company’s resources and efforts on the company’s core competencies and to right-size production to meet demand. For short investments, SLS uses its disciplined investment approach to identify companies, such as companies that are about to enter a more competitive landscape, resulting in unsustainable earnings expectations. SLS believes primarily focusing on operational restructurings and

corporate reorganizations create opportunities often overlooked by mainstream and traditional equity investors and provide opportunities for significant long-term capital gains. The SLS's strategy is based on aggressive primary due diligence. SLS's research staff visits hundreds of companies, frequently interacts with management teams and attends industry conferences and trade shows. SLS believes that this strategy of proprietary analysis proves valuable as attractive opportunities are often overlooked by Wall Street research analysts.

Investing in securities involves risk of loss that Clients should be prepared to bear. No guarantee or representation is made that we will achieve our investment objective or that Clients and Investors will receive a return of their capital. The description contained below is a brief overview of the material risks related to our investment strategy, but it is not intended to be all encompassing. Each Client's offering memorandum or prospectus, as applicable, provides a description of the risks that investors face when investing in the Clients.

**Special Situation and Distressed Securities** – We may invest our Clients' assets in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. Consequently, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which our Clients may invest, there is a potential risk of loss by the Client of its entire investment in such companies.

**Leverage** – Certain Clients have granted us the discretion to borrow funds and use other forms of leverage in connection with their investment program. While the use of leverage can amplify the profit on successful investments, it also exposes our Clients to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had our Clients not borrowed to make the investments, (ii) margin calls or changes in margin requirements may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds our Clients cost of leverage related to such investments.

**Non-U.S. Securities** - Investing in securities of non-U.S. governments and companies exposes our Clients to risks and opportunities not typically associated with investing in securities of the United States government or United States companies. These include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of non-U.S. taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

**Debt Securities** – We may invest our Clients' assets in unrated or low grade debt securities which are subject to greater risk of loss of principal and interest than higher-rated debt securities. We may invest our Clients' assets in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. We may invest our Clients' assets in debt securities which are not

protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for non-U.S. debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

**Short Sales** - Short selling, or the sale of securities not owned by our Clients, necessarily involves certain additional risks. Such transactions expose our Clients to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by our Clients in connection with a short sale would need to be returned to the securities lender on short notice which would compel our Clients to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

**Options** - Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Because option premiums paid or received by an investor are small in relation to the market value of the investments underlying the options, buying and selling put and call options can result in large amounts of leverage. As a result, the leverage offered by trading in options could cause the value of an investor's capital account to be subject to more frequent and wider fluctuations than would be the case if our Clients did not invest in options.

**Illiquidity** – Certain Clients have granted us the discretion to invest in securities and other financial instruments or obligations which are very thinly traded, or for which no market exists, or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts and it may be extremely difficult to accurately value any such investments.

**Counterparty Risk** - To the extent our Clients authorize us to invest in swaps, "synthetic" or derivatives instruments, repurchase agreements, certain types of option or other customized financial instruments, or, in certain circumstances, non-U.S. securities, our Clients take the risk of non-performance by the other party to the contract. This risk may include credit risk of the counterparty and the risk of settlement default. This risk may differ materially from those entailed in exchange-traded transactions which generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

## **Item 9: Disciplinary Information**

SLS 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.

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

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

As described above, SLS Capital, LLC serves as the general partner to the Domestic Fund. A board of directors, comprised of a related person and some independent directors, manage the Offshore Fund. As a result of our sponsorship of and control over the SLS Funds, the terms of the SLS Funds are not subject to arms-length negotiations.

We have entered into arrangements with Investors in the SLS Funds which would have the effect of establishing rights under, altering, or supplementing the terms of the organizational and offering documents of the SLS Funds with respect to such Investor in a manner more favorable to such Investor than those applicable to other Investors. Such terms and conditions may provide for special rights to make future investments in the SLS Fund, other investment vehicles or managed accounts; special withdrawal rights, relating to frequency, notice, a reduction or rebate in fees to be paid by the Investors and/or other terms; rights to receive reports from the SLS Funds on a more frequent basis or that include information not provided to other Investors (including, without limitation, more detailed information regarding portfolio positions).

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

SLS and its affiliates or related persons may buy and sell the same securities as recommended to our Clients or may have an interest in the Clients. To avoid any potential conflicts of interest involving personal trades, we have adopted a Securities Compliance Policy (“Securities Compliance Policy”), which includes a formal code of ethics and insider trading policies and procedures. Our Securities Compliance Policy requires, among other things, that our employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, our Clients, fellow employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of our Clients, and the interests of SLS above one’s own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this 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 your professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws.



Our Personal Trading Policy also requires employees to: 1) pre-clear certain personal securities transactions, 2) hold positions at least 30 days, 3) report personal securities transactions on at least a quarterly basis, and 4) provide us 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.

A copy of our Securities Compliance Policy shall be provided to any investor or prospective investor upon request.

## **Item 12: Brokerage Practices**

In the course of providing our services, we will execute trades for our Clients through broker-dealers. We have complete discretion over the selection of the broker to be used and the commission rates to be paid. In selecting a broker for any transaction or series of transactions, we will consider a number of factors, including, but not limited to, net price, reputation, financial strength and stability, efficiency of execution and error resolution, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, offering to us on-line access to computerized data regarding our Clients' accounts, the availability of stocks to borrow for short trades and other matters involved in the receipt of brokerage services generally.

### *Soft Dollar Benefits*

We will seek competitive commission rates but will not necessarily attempt to obtain the lowest possible commission for transactions for our Clients. Consistent with our goal of seeking to obtain best execution, transactions for our Clients may be directed to brokers in return for brokerage and research services furnished to us. Section 28(e) under the Securities and Exchange Act of 1934, as amended provides a "safe harbor" which allows us to use client commissions to obtain investment research and brokerage services that provide lawful and appropriate assistance to us in the performance of our decision-making responsibilities. The term "soft dollars" refers to the receipt by SLS, or any affiliate, of brokerage and research services provided by such brokers based on the volume of revenues generated from brokerage commissions for transactions executed for our Clients.

The availability of these soft dollar benefits will create a conflict of interest and may influence us to select one broker rather than another to execute trades for our Clients' account. Nevertheless, we intend to use our best efforts to assure that the value of research and brokerage services provided by such brokers is reasonable in relation to the amount of commission dollars generated to obtain such services. Research generally will be used to service all of our Clients, but occasionally brokerage commissions may be used to pay for research that is used in managing only a select group of Clients' accounts. Also on occasion, research will be used to service clients who have not generated enough brokerage commissions to pay for such research. Generally, research services provided by brokers may include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis,

performance analysis and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts and personal meetings with security analysts. Brokers also provide us with Bloomberg research, exchange data, and order management services through soft dollars. We will make any appropriate allocations so that we bear the cost of any such services used for purposes other than for brokerage or research (e.g., for administration).

#### *Investor Introductions*

The broker dealers that have entered into prime brokerage arrangements with SLS may occasionally provide us with introductions to potential investors for the SLS Funds. Capital introduction is a service provided by prime brokers and is designed to “introduce” fund managers to potential investors, typically through individual meetings or in a conference format. Although capital introduction is customarily offered as a “free” service, conflicts of interest are presented by such arrangements. While SLS does not compensate these broker-dealers based on capital introductions, we may be incentivized to use the services of a specific prime broker due to the broker’s ability to introduce potential investors to SLS.

#### *Block Trades*

Orders for the same security entered on behalf of more than one Client will generally be aggregated (bunched) subject to the aggregation being in the best interests of all participating Clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders; filled orders shall be allocated separately from subsequent orders. All Clients participating in each aggregated order shall receive the average price and if applicable, pay a pro-rata portion of commissions.

#### *Allocation of “New Issues”*

Occasionally, we may, to the extent allowable under FINRA rules, purchase equity securities that are part of an initial or secondary public offering (“New Issues”) for the Funds. New issues shall be allocated to the Clients based on the weighted average of the Clients.

#### *Trade Errors*

In the event that we incur a trade error as a result of our gross negligence, willful misconduct, or fraud, trade errors are to be (i) corrected by us as soon as practicable, in a manner such that the Clients incur no loss. However, trade errors that result other than by breach of the standard of care stated above will be borne by the SLS Funds and the Unaffiliated Private Fund.

### **Item 13: Review of Accounts**

All accounts are managed and reviewed weekly or more frequently by Scott Swid with assistance from SLS’s research analysts. These reviews are designed to monitor and analyze Client transactions, positions, and investment levels. Particular attention is given to changes in company fundamentals, industry outlook, market outlook and price levels.

We provide each Investor in the SLS Funds with annual reports which include audited financial statements prepared in accordance with generally accepted accounting principles and quarterly reports which include a statement of the net asset value of the Investor's interest in the SLS Fund. In addition, we may agree to provide certain investors more frequent or more detailed holdings or performance reports.

With respect to the Unaffiliated Private Fund and the Mutual Funds, we provide daily transaction files to their respective prime brokers. The primary investment manager for the Mutual Funds also receives a transaction report and position report daily.

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

SLS has engaged a placement agent who will introduce new Investors that commit capital to the Offshore Fund. Compensation under this arrangement will generally be a percentage of the management and incentive fees attributable to the introduced assets. The compensation is paid by SLS, not the Offshore Fund. Any conflict of interest that may exist will be fully disclosed to any Investor. At a minimum the Investor will receive our disclosure brochure.

## **Item 15: Custody**

Due to our access to the SLS Funds' funds and securities as general partner or investment manager of the SLS Funds' accounts, and our authority to deduct fees and other expenses from the SLS Funds' accounts, we are deemed to have constructive custody of the SLS Funds' funds and securities within the meaning of Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended. All SLS Fund assets are held in custody by unaffiliated broker/dealers, financial institutions or other qualified custodians (as defined in Rule 206(4)-2). We do not provide the Investors in our SLS Funds with statements from the custodian. Instead, we comply with the periodic reporting requirements of the custody rule by delivering financial statements prepared in accordance with generally accepted accounting principles (GAAP) and audited by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Financial statements are delivered to the Investors in the SLS Funds within 120 days of each SLS Fund's fiscal year end.

SLS does not have custody of the funds and securities of the Unaffiliated Private Fund and the Mutual Funds.

## **Item 16: Investment Discretion**

We have the exclusive responsibility for selecting the securities to be purchased or sold for our Clients' accounts. In addition, we may employ aggressive investment techniques such as leverage, margins transactions, short sales and options transactions which may increase the risk of loss of capital. There are no limitations or restrictions other than what is disclosed in our Clients' Confidential Placement Memorandum or prospectus, as applicable.

SLS may take advantage of opportunities in the area of swaps, options on various underlying instruments and certain other customized “synthetic” or derivative investments in the future.

## **Item 17: Voting Client Securities**

Among the services we provide is that we may vote proxies on behalf of our Clients. Our policy is to vote our Clients’ proxies in the interest of maximizing shareholder value. To that end, we will vote in a way that we believe, consistent with our fiduciary duty, will cause the issue to increase the most or decline the least in value. Consideration will be given to both the short and long term implications of the proposal to be voted on when considering the optimal vote.

We have retained Glass Lewis & Co, a provider of corporate governance research and proxy voting services to assist in the due diligence process associated with proxy voting decisions for our Clients’ accounts. We have retained Broadridge Financial Solutions, Inc. to assist in the actual casting of votes.

We have currently identified no conflicts of interest between our Clients’ interests and our own within our proxy voting process. Nevertheless, if we determine that we are facing a material conflict of interest in voting a Client’s proxy, our procedures provide for a Proxy Voting Committee to convene and to determine the appropriate vote. Decisions of the Committee must be unanimous. If a unanimous decision cannot be reached by the Committee, we will follow the recommendation of Glass Lewis & Co.

Our complete proxy voting policy and procedures are memorialized in writing and are available for our Client’s review. In addition, our complete proxy voting record is available to our Clients, and only to our Clients. Please contact us if you have any questions or if you would like to review either of these documents.

In addition, we currently use an independent company to track and file “Class Action” documents on behalf of the SLS Funds. SLS will ensure that the SLS Funds either participate in, or opt out of, any class action settlements received. For Class Action documents received by us on behalf of the Unaffiliated Private Fund and Mutual Funds, we will ensure that those Clients either participate in, or opt out of, any class action settlements received. We will determine if it is in the best interest of the Clients to participate in a Class Action. The Portfolio Manager/Analyst covering the company will determine the action to be taken when receiving notice of a class action. In the event we opt out of a class action settlement, we will maintain documentation of any cost/benefit analysis to support the decision.

## **Item 18: Financial Information**

A balance sheet is not required to be provided as we (i) do not solicit fees more than six months in advance, (ii) do not have a financial condition that is likely to impair our ability to meet contractual commitments to our Clients or (iii) have not been subject to any bankruptcy proceeding during the past 10 years.