

# M.D. Sass, LLC

## Part 2A of Form ADV

### The Brochure

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**This brochure provides information about the qualifications and business practices of M.D. Sass, LLC (“MDS”). If you have any questions about the contents of this brochure, please contact us at 212-730-2000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

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

## Material Changes

MDS's business activities did not require the preparation of a Part 2A of Form ADV prior to the date hereof. As of February 1, 2015, MDS will be providing investment advisory services to separately managed accounts which requires the preparation and filing of this document.

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## Advisory Business

MDS provides investment management services to clients through separately managed accounts and other investment vehicles. MDS is the investment manager of M.D. Sass Equity Income Plus Fund (the "EIP Fund"). The investment strategy for these clients consists of an equities strategy known as "equity income plus." This strategy combines a diversified portfolio of dividend paying common stocks with potential cash flow from the sale of covered call options and possible downside protection from the purchase of index put options.

MDS is part of a group of affiliated investment advisers, certain of which are registered with the SEC.

For the EIP Fund, investment advice is provided directly to the EIP Fund and not individually to the investors in the EIP Fund. MDS manages the assets of the EIP Fund in accordance with the terms of the governing documents applicable to the EIP Fund.

Separate account management is continuously provided for each client based on agreed upon investment objectives and may be subject to additional restrictions imposed by the respective client.

A corporation formed under the laws of the state of Delaware in February 2013, MDS is controlled by Martin D. Sass and Hugh R. Lamle. As of December 31, 2014, MDS managed regulatory assets under management of approximately \$106.4 million on a discretionary basis.

## **Fees and Compensation**

MDS generally receives a management fee for providing investment management services. Management fees are generally payable quarterly in arrears and are payable for any period that is less than a full quarterly period.

The standard percentage of net assets annual fee for equity income plus (“EIP”) accounts is 1.00%. The standard percentage of net assets annual fee for the EIP Fund is 0.75%.

MDS may, at its discretion, negotiate fees which vary from and may be lower than the standard fee schedule rates.

All clients will also incur brokerage and other transaction costs. Please review the section entitled “Brokerage Practices” herein for more information.

In addition, MDS, in its sole discretion, may waive, reduce or rebate all or a portion of the management fee in respect of any investor. No such waiver, reduction or rebate for the benefit of any investor will entitle any other investor to such waiver, reduction or rebate.

Detailed information regarding the fees charged to the EIP Fund is provided in the EIP Fund’s prospectus or statement of additional information. In addition to management fees, investors of the EIP Fund will bear indirectly the fees and expenses charged to the EIP Fund. Those fees and expenses will vary, but typically will include fees associated with making or selling portfolio investments, legal and accounting fees, taxes, commissions and brokerage fees, registration expenses, fees to government regulatory agencies, the cost of directors’ and officers’ liability insurance and other expenses, such as litigation.

In the case where a client’s account is invested in money market funds that pay a management fee to their own adviser, the client is in effect paying two management fees. Clients indirectly pay an investment management fee to the money market fund manager which is in addition to the investment management fee paid to MDS.

Either MDS or the client may terminate an investment management agreement per the terms negotiated therein. Notice of termination must be given to the other party in writing. Each client is responsible to pay for services rendered until the termination of its respective investment management agreement. Management fees are generally payable in arrears; however for certain clients management fees are payable in advance. Upon termination, the fees charged for investment management services will be pro-rated, and a pro rata refund for any unearned fees will be issued if any fees have been paid in advance.

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

MDS is not compensated based on performance; only management fees as set forth above are charged to its clients.

## **Types of Clients**

MDS provides investment advice to the EIP Fund and other clients, which may include, without limitation, corporate profit sharing and pension funds, partnerships, funds of funds, high net worth individuals and other substantial investors (endowment funds, corporate cash reserves, insurance companies, investment companies, trusts and estates and public sector employee benefit funds) through separately managed accounts and other investment vehicles.

MDS generally requires a minimum separately managed account size of \$10 million for institutional accounts and \$5 million for individual and family accounts. Lower minimums generally apply in the case of limited partnerships or limited liability companies of which MDS is a general partner or managing member, or other MDS affiliates. MDS also may accept lower minimum account sizes in its discretion.

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

### **Methods of Analysis/Investment Strategies**

Our investment philosophy is to invest only where and when there is the potential to add value and where the related risk can be measured and controlled. This approach is applied to asset allocation decisions, as well as bond and equity selection. Our philosophy has remained constant over the years and emphasizes rotating between sectors in order to be opportunistic and achieve high returns with low risk.

MDS's EIP strategy seeks to generate income as well as capital appreciation, while emphasizing downside protection. MDS targets larger capitalization companies that pay regular dividends. Stocks are selected based on a consistent set of fundamental and valuation based criteria. In making its investments, MDS seeks to (i) sell out of the money call options to enhance income or lower the cost basis, and (ii) buy out of the money index puts to reduce downside risk.

### **Risk of Loss**

All investing involves a risk of loss to each client (and their respective investors), and the investment strategies offered by MDS could lose money over short or even long periods. No guarantee or representation is made that MDS will achieve its investment objective or that clients will receive a return of their capital. In addition, the performance of the clients' investments is substantially dependent upon the skill, judgment and expertise of MDS's primary portfolio managers. The death, disability or other unavailability of any of MDS's primary portfolio managers could be material and adverse to the performance of clients' investments.

**Risks Associated with Investments in Securities.** Any investment in securities carries certain market risks. The value of the securities in which MDS invests fluctuates, and, therefore, the value of an investor's investment at the time it is redeemed may be more or less than such investment's value at the time of purchase. In particular, equities in which MDS invests may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. For example, MDS may invest in mid-cap companies, which involves additional risks such as limited liquidity and greater volatility than large capitalization companies.

There is no assurance that MDS will achieve its investment objective of superior capital appreciation or avoid losses.

**Risks Associated with Lack of Diversification.** There are no absolute diversification or concentration constraints on MDS. If MDS's portfolio becomes relatively concentrated, the value of an investment in MDS may be subject to greater volatility and may be more susceptible to any single economic, political or regulatory occurrence or the fortunes of a single company or industry than would be the case if MDS's investments were more diversified.

**Stock Market Risk.** There is always a chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. MDS's strategies may, at times, become focused in stocks of a particular sector, category, or group of companies. Because MDS's investments do not have any diversification and/or concentration requirements, MDS's strategies may underperform the overall stock market.

**Manager Risk.** Poor security selection may cause MDS's strategies to underperform relevant benchmarks or other funds/strategies with a similar investment objective.

**Risks Associated with Investments in Options.** Investments in options may be more volatile than investments directly in the underlying securities, involve additional costs and may involve a small initial investment relative to the risk assumed. During the option period for a covered call option, the covered call writer has, in return for the premium received, given up the opportunity for capital appreciation above the exercise price should the market price of the underlying security increase, but has retained the risk of loss should the price of the underlying security decline. If an index put option were permitted to expire without being exercised, its premium would represent a realized loss.

## **Disciplinary Information**

MDS and its employees have not been involved in any legal or disciplinary events since its inception that would be material to a client's evaluation of the company or its personnel.

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

**Registered Broker Dealer:** MDS is affiliated with M.D. Sass Securities, L.L.C. ("M.D. Sass Securities"), a registered broker-dealer. M.D. Sass Securities is not licensed to sell the EIP Fund.

**Registered Investment Advisers:** The following M.D. Sass entities are related persons of MDS and are registered investment advisers:

M.D. Sass Associates, Inc. ("Associates")  
M.D. Sass Investors Services, Inc. ("Investors")  
M.D. Sass-Macquarie Financial Strategies Management Company, LLC  
AMERRA Capital Management, LLC

**Other Investment Advisers:** The following entities are related persons of MDS and are unregistered investment advisers:

Ascent Real Estate Advisors, LLC  
Taurus Funds Management Pty Limited

MDS has entered into a services agreement with Investors whereby Investors provides MDS with personnel, office space, supplies and office support services as needed by MDS. Such services will be provided for a compensation, payable monthly, equal to the cost of the services provided which generally will be calculated (i) as a prorated portion of rent plus taxes, utilities and services for office space, (ii) as a prorated portion of overall compensation including benefits for personnel, and (iii) in good faith, in the reasonable judgment of Investors, for other services not otherwise readily calculable.

Certain investment advisers named above manage partnerships, limited liability companies, separately managed accounts and other investment vehicles in which investors of the EIP Fund and separately managed account clients of MDS may invest. Other than the services agreement, MDS does not have any direct arrangements with the other MDS related persons which manage such partnerships, limited liability companies, separately managed accounts and other investment vehicles, but the entities all have common control.

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

MDS has adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 (the “Advisers Act”), which is predicated on the principle that MDS owes a fiduciary duty to its clients. Accordingly, employees of MDS must disclose or avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interest of clients. Therefore, MDS endeavors to maintain current and accurate records of all personal securities accounts of its employees in an effort to monitor all such activity. Among other things, the Code requires MDS and its employees to act in the clients’ best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on many types of personal securities transactions. MDS’s Code of Ethics is available for review and will be provided to any investor or prospective investor upon request by calling us at 212-730-2000.

MDS is part of a group of affiliated investment advisers. Certain of MDS’s officers and employees are also officers and employees of one or more of the investment advisers affiliated with MDS (the “Affiliated Advisers”), and certain of MDS’s investment professionals will provide investment advisory services to clients of the Affiliated Advisers. While MDS’s officers and employees will devote the time and services necessary for the conduct of MDS’s advisory business, these other business activities could, and are expected to, require a substantial amount of these persons’ time and effort.

The Affiliated Advisers may trade securities for their client accounts that are the same as, or similar to, securities MDS trades for its clients. The Affiliated Advisers may take positions for their clients similar or opposite to positions taken by one or more of MDS’s clients, and clients of the Affiliated Advisers and MDS’s clients from time to time may be competing for similar

positions in one or several markets. For purposes of seeking to maximize investment opportunities and achieve best execution in certain sector markets, MDS and the Affiliated Advisers may in some instances coordinate portfolio management and trading activities among their respective clients. MDS and its affiliates have instituted policies intended to ensure that, with respect to the allocation of investment opportunities and the execution of trades, all clients of MDS and the Affiliated Advisers are treated fairly and equitably over time.

MDS, Associates, and Investors may from time to time effect cross transactions among certain client accounts, including private investment companies, in which MDS and the other above-mentioned advisers act as general partners/investment advisers and in which certain principals may have investments. Such transactions must be consistent with the investment objectives and policies of each account and, in the view of each respective portfolio manager, must be in the interest of each side of the transaction. Any such transaction will be conducted in accordance with applicable rules and regulations (including, if applicable, appropriate consent by the client).

MDS permits its principals and employees to invest for their own or related accounts in securities purchased for its clients. In order to avoid possible conflicts with clients' interests, the following guidelines are followed:

Any principal of MDS and its affiliates may execute orders through MDS's trading desk. In such cases, clients' orders take precedence so that no trades by principals of MDS or its affiliates will be permitted if it is determined that such trades will disadvantage clients' interests. If it is determined that such trades will not disadvantage clients' interests, the securities of principals of MDS and its affiliates will be traded by the trading desk as part of any blocks traded for clients. Where principals of MDS or its affiliates desire to seek brokerage services directly rather than through MDS's trading desk, no trades for their account are to be made until all clients have been satisfied.

Principals and employees of MDS will not act for their own or related accounts in anticipation of a research report or purchase or sell recommendation for clients' accounts or otherwise on the basis of material non-public information. All transactions by principals or employees are required to be reported to MDS's compliance department on a periodic basis.

Notwithstanding the above, certain principals and employees are participants in MDS's profit sharing plan and/or limited partners or members of private investment partnerships or limited liability companies of which MDS or affiliates of MDS are general partners or managing members (collectively, "Sass Entities"). Sass Entities pursue a broad variety of investment strategies and practices in seeking capital appreciation, including, in some instances, active short-term trading. On occasion, Sass Entities may own shares of the same companies owned by other Client accounts, and in the course of actively trading positions in such companies may purchase or sell securities at the same time as or at different times than other Client accounts based on separate investment decisions made for each account in light of its particular investment objectives and risk/return characteristics, provided that no transaction on behalf of a Sass Entity will be permitted if it is determined that it will disadvantage the interests of other clients.

## **Brokerage Practices**

### **Selection of Brokers**

MDS considers various factors in selecting brokers through which orders for Client accounts are executed. MDS's primary consideration is the broker's ability to provide best execution of the trade (including both trade price and commission). Assuming equal execution capabilities, MDS also takes other factors into account.

In determining which brokers provide best execution, MDS looks primarily to the stock price quoted by the broker through which it can obtain the most favorable price. If the same price is available from more than one broker, MDS's judgment as to the following factors may influence the selection of a broker for a particular trade: the execution, clearance and settlement capabilities of the brokers under consideration; the nature of the security being traded; the size of the transaction; the desired timing of the trade; the activity existing and expected in the market for the particular security; confidentiality; the financial stability of the brokers under consideration; actual or apparent operational problems of any broker under consideration; and the negotiated commission rates available at the time of the trade.

MDS also considers the nature and extent of research services provided when it selects brokers. Assuming equal execution capabilities as described above, MDS may direct commission business to brokers who provide research services. Such services include, but are not limited to: analyses and reports concerning economic factors and trends, industries, specific securities, portfolio strategy, and valuation and performance of accounts; advice regarding critical factors supporting research recommendations and special reports or information based on the specific requests of MDS's portfolio managers/analysts. MDS expects that research services received will generally (but not necessarily always) fall within the "safe harbor" provided by Section 28(e) of the Securities Exchange Act of 1934.

Subject to MDS's duties to seek best execution, MDS may also from time to time obtain research services prepared by third parties and provided by brokers in exchange for a predetermined amount of commission business. These services include portfolio monitoring, analysis and performance measurement systems, various economic forecasting and research services covering stocks and bonds, research and trading conferences, and a source of information as to block trading opportunities. Such third-party arrangements are cancellable at any time while others require notice. Such third-party arrangements do not involve a substantial amount of MDS's commission business on behalf of clients.

Where, in MDS's judgment, several firms have equal execution capability, MDS from time to time places orders with brokerage firms which have recommended that MDS be among a number of investment managers invited to make presentations and proposals to manage potential clients' assets. These are brokerage firms that provide MDS with high-quality execution services and with which MDS would place executions irrespective of the recommendations to potential clients.

Also, some clients designate the broker through whom some or all orders for their account are to be executed. Generally, in the case of trades directed to a particular broker, commission arrangements are negotiated in advance by the client and the broker. Clients who direct MDS to



use a particular broker-dealer should be aware that, in so doing, MDS may not be in a position to freely negotiate commission rates or spreads, obtain volume discounts on aggregated orders, or to select broker-dealers on the basis of best price and execution. As a result, directed brokerage transactions may result in higher commissions, greater spreads or less favorable execution on some transactions than would be the case if MDS were free to choose the broker-dealer.

Orders placed on behalf of clients may be “bunched” for execution with the orders of other clients of MDS or of MDS, its principals or other affiliates. Bunched orders may be executed in block transactions or in a series of transactions throughout a trading day. In the latter case, all participants in such transactions will receive the average price obtained during one trading day. These practices may result in the obtaining of a better average trade price and lower transaction costs than might otherwise be available to certain clients without such bunching, although the average price may be slightly higher than the lowest price in the series of executions that result in the average price. MDS will not aggregate orders unless aggregation is consistent with our duty to obtain best execution and the terms of the investment guidelines and restrictions of each client for which trades are being aggregated.

Generally, MDS places and executes aggregated (i.e., bunched) equity order transactions at each of the trading “desks” (e.g., Goldman Sachs, J.P. Morgan, etc.) used by MDS. The non-directed Client accounts trade first. Aggregated trades are carried out one trade desk at a time; for example, MDS will not have an equity trade that is executed concurrently by two trading desks. For each trading desk used, all participants in such transactions will receive the average price obtained during one trading day. Equity trades for non-directed accounts are completed first, followed by directed brokerage accounts in order of size (largest to smallest). It is likely that execution prices for equity orders will vary by trading desk as a result of the timing of an order’s placement and execution; differences in price resulting from MDS’s order entry process will primarily depend on the changes in market price in the interim period between the time MDS’s first and last aggregated order is placed and executed.

It is MDS’s policy that investment opportunities are allocated fairly and equitably among clients’ accounts. MDS’s general policy is to make investment allocations pro rata across client accounts. Notwithstanding the foregoing, because of the diversity of objectives, risk tolerances, fund or account investor-imposed limitations, tax situations, differences in the timing of capital contributions and withdrawals among various clients, the type of investment strategy, and other factors considered relevant by MDS, there may often be differences among clients in the weighting and cost basis of particular positions and in the particular securities and other-instruments held.

Examples of permissible reasons why *pari passu* allocations or average price may not occur in every situation may include, but are not limited to, the following:

- Differences in clients’ or investment fund investors’ tax situations;
- Differences in available capital;
- Different risk parameters, investment guidelines or specific instructions from a particular Client;
- Differences in investment programs’ emphasis on particular types of investments;

- Commission costs of allocating limited purchases or sales among several clients;
- The limited size of an available position;
- The varying ability to margin, and any applicable margin limitations, for particular clients;
- Liquidity requirements of a particular client;
- The domicile of a particular client, and the ability to participate in particular positions and securities based on such domicile;
- Issuer based restrictions with respect to a particular client; and
- The type of investment strategy.

On occasion, MDS may participate in initial public offerings or new issues (sometimes referred to as “IPOs” or “new issue offerings”) for its eligible clients’ accounts. In these cases, MDS’s general policy and practice is to allocate shares fairly and equitably among eligible clients’ accounts according to a specific and consistent basis so as not to favor or disfavor any eligible client, or group of clients, over another.

In seeking best execution for transactions on behalf of clients, MDS from time to time may instruct the broker-dealer that executes the transaction to allocate or “step-out” a portion of such transaction to another broker-dealer. The broker-dealer to which MDS has “stepped out” would then settle and complete the designated portion of the transaction and the executing broker-dealer would settle and complete the remaining portion of the transaction that has not been “stepped out.” Each broker-dealer would receive a commission or a brokerage fee with respect to that portion of the transaction that it settles and completes. Generally speaking, MDS’s goal in conducting a “step-out” trade is to use a broker that will provide best price and execution and also give commission business to brokers with whom it has other arrangements that need to be paid for but whose execution capability is not as good.

### **Determination of Commission Rates**

In accordance with industry practice, commission rates are normally determined through negotiations with brokers conducted by MDS’s traders. These negotiations take into account industry norms for particular transactions, the size and type of trades, the size and expertise of the brokerage firm involved and the nature of brokerage and research services provided, including special services in connection with a particular trade. Such special services could include, among other things, the assumption of market risk in connection with a trade or series of trades or the facilitation of trades in a thin or volatile market. Although MDS generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Commission rates paid by MDS may in some situations be higher than those charged by other brokers for execution of similar trades without the provision of research and/or special services, which may justify higher commissions and equivalents than would be the case for more routine services.

### **Evaluation of Research; Soft Dollars**

Often no precise monetary value can be assigned to research and special execution services furnished to MDS by brokers. MDS reviews all research services and determines that the amounts of commissions directed to brokers are reasonable in relation to the value of the

brokerage and research services provided, viewed in terms of both particular transactions and MDS's overall responsibilities with respect to the accounts over which it exercises investment discretion. MDS maintains an internal allocation procedure to identify those brokers who provide it with research services and the amount of research services they provide, and then endeavors, subject to MDS's duty to seek best execution, to direct sufficient commissions to them to ensure the continued receipt of such services as MDS believes to be valuable.

MDS may, from time to time, affect fixed income or other securities transactions with certain institutions for soft dollar credits on an agency basis, instead of effecting such transactions on a principal basis with market makers. In connection with transactions that are effected in this manner, a commission will be charged by the executing broker in addition to a mark-up or mark-down, which is included in the market maker's bid or ask prices of the securities being purchased or sold. When using soft dollar credits on an agency basis with certain brokers to obtain research or other products or services, MDS receives a benefit because it does not have to produce or pay for such research, products or services. This benefit may create an incentive to MDS to select a broker based on MDS's interest in receiving research or other products or services, rather than its clients' interests in receiving most favorable execution.

Research services furnished by brokers are generally used in servicing all of MDS's accounts, although not all such services may be used in connection with any particular account that paid commissions to the brokers providing such services. Research services may be shared among MDS and its Affiliated Advisers. Therefore, research services that primarily benefit MDS and/or an Affiliated Adviser may be paid for with commissions generated by any of the other affiliates.

### **Allocations**

MDS advises multiple and diverse clients and investors, which may compete for MDS's time and attention and for limited investment opportunities. MDS has a fiduciary obligation to use its best efforts to ensure that no client is treated unfairly in relation to any other client in the allocation of securities or investment opportunities or in the order in which transactions are executed. MDS will seek to allocate orders and investment opportunities among Clients in a manner that it believes is equitable and in the best interests of all of its clients. Although such allocations may be pro rata among participating clients, they will not necessarily be so, where MDS's allocation policies (e.g., taking into account differing objectives or other considerations) dictate a different result. There can be no assurance that a particular order or investment opportunity will be allocated in a particular manner or that it will be practicable for each account to participate in every transaction or position that is suitable for its objectives and strategy.

### **Review of Accounts**

Senior officers of MDS periodically monitor all portfolios for compliance with investment guidelines, positioning with respect to target portfolio structure, investment performance and adherence to investment objectives. Certain reviews can be daily and are done by the senior officer and/or senior portfolio manager (and/or designees). SEI Global Services, Inc. ("SEI") is responsible for trade settlement, investment accounting, reconciliation, mandatory corporate action processing, and pricing for the EIP Fund. SEI staff reconciles positions, cash balances and

transactions with custody statements daily (for portfolios whose custodians make such information available to SEI electronically) and positions (including cash balances) monthly for portfolios whose custodians do not make information available to SEI on a daily basis. SEI staff also prepares monthly and/or quarterly Client reports for separately managed accounts, which are reviewed by another SEI team member as well as someone within MDS before being provided to the Client service area for distribution to Clients.

The Chairman and CEO and several portfolio managers (with the title of Senior Vice President) review the performance of the investment strategy on a regular basis (not less than monthly).

Clients with separately managed accounts receive reports not less than quarterly, and frequently monthly. Reports on separately managed accounts include returns (in dollars and percentages), comparison of performance to a benchmark, details of portfolio holdings, information on portfolio transactions and other data as required. Fund investors generally receive reports quarterly. Reports generally include a review of results and investment performance. Audited financial statements prepared in accordance with general accepted accounting principles are provided annually to Fund investors.

## **Client Referrals and Other Compensation**

MDS may from time to time compensate third parties for client referrals pursuant to written solicitation agreements complying with the provisions of Rule 206(4)-3 under the Advisers Act.

## **Custody**

Client assets are held in custody by unaffiliated broker/dealers or banks.

## **Investment Discretion**

MDS generally has discretionary authority to determine, without obtaining specific consent from Clients, the securities and amount to be bought or sold.

Notwithstanding the foregoing, clients have (or may in the future) placed different limits on MDS's discretionary authority to invest pursuant to their respective investment management agreements with MDS.

## **Voting Client Securities**

To the extent MDS exercises or is deemed to be exercising voting authority over client securities, MDS's general policy is to vote proxy proposals, amendments consents or resolutions (collectively "proxies") in a manner that serves the best interest of a client, as determined by MDS, in its discretion, taking into account factors described in its proxy voting policies and procedures (together, the "Policy").

In furtherance of the foregoing, MDS generally opposes placing restrictions on the business judgment of management. MDS considers, on a case-by-case basis, executive compensation plans and supports those that promote the adoption of fair, competitive compensation packages for executives and it reviews matters relating to changes in a company's charter documents and generally votes in favor of those measures that provide management with the most operational

flexibility. MDS follows procedures that are designed to identify conflicts or potential conflicts that could arise between its own interests and those of its clients. If it is determined that any such conflict or potential conflict is not material, MDS may vote proxies notwithstanding the existence of the conflict. If it is determined, however, that a conflict of interest or potential conflict of interest is material, appropriate personnel of MDS will work to agree upon a method to resolve such conflict before voting proxies affected by the conflict. The Policy itself contains other more specific policies (including appropriate exceptions) that MDS intends to follow with respect to both routine and non-routine matters.

Some clients do not allow MDS to vote proxies for them. Such clients will receive their proxies or other solicitations directly from their custodian or a transfer agent. In the event clients have questions about a particular solicitation, they may contact us at 212-730-2000.

The foregoing summary of MDS's Policy is qualified in its entirety by the complete text of the Policy, a copy of which may be requested along with MDS's proxy voting record by contacting us at 212-730-2000.

## **Financial Information**

MDS has never filed for bankruptcy and is not aware of any financial condition that is reasonably likely to affect its ability to manage client accounts.