

# Soundwatch Capital, LLC

## **Brochure Dated 3/30/2015**

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**This brochure provides information about the qualifications and business practices of Soundwatch Capital, LLC. If you have any questions about the contents of this brochure, please contact us at (917)359-3820. 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 Soundwatch Capital, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Soundwatch Capital, LLC as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

Soundwatch Capital, LLC has not yet filed an annual updating amendment using the Form ADV Part 2A. Therefore there are no material changes to report.

## **Item 3           Table of Contents**

|         |  |    |
|---------|--|----|
| Item 1  | Cover Page.....  | 1  |
| Item 2  | Material Changes.....  | 2  |
| Item 3  | Table of Contents.....   | 2  |
| Item 4  | Advisory Business .....  | 3  |
| Item 5  | Fees and Compensation .....  | 4  |
| Item 6  | Performance-Based Fees and Side-by-Side Management .....                                   | 5  |
| Item 7  | Types of Clients.....  | 5  |
| Item 8  | Methods of Analysis, Investment Strategies and Risk of Loss.....                           | 5  |
| Item 9  | Disciplinary Information .....   | 9  |
| Item 10 | Other Financial Industry Activities and Affiliations .....                                 | 9  |
| Item 11 | Code of Ethics, Participation or Interest in Client Transactions and Personal Trading..... | 10 |
| Item 12 | Brokerage Practices .....  | 11 |
| Item 13 | Review of Accounts.....  | 11 |
| Item 14 | Client Referrals and Other Compensation .....  | 12 |
| Item 15 | Custody.....   | 12 |
| Item 16 | Investment Discretion.....   | 12 |
| Item 17 | Voting Client Securities.....  | 13 |
| Item 18 | Financial Information .....  | 13 |

#### **Item 4            Advisory Business**

- A. Soundwatch Capital, LLC (the “Registrant”) is a limited liability company formed on September 16, 2014 in the State of New York. The Registrant became registered as an Investment Adviser Firm in October 2014. The Registrant is principally owned by Robert Hammer. Mr. Hammer is also the Managing Member.
- B. As discussed below, the Registrant offers to its clients (typically other investment management companies) sub-advisory investment services. The Registrant does not provide financial planning services.

#### **SUB-ADVISORY INVESTMENT MANAGEMENT SERVICES**

The Registrant primarily offers its investment management services to other investment advisors on a sub-advisory basis. As a sub-advisor, the Registrant shall have discretionary authority for the day-to-day management of the assets that are allocated to it by other advisors. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s management, generally between 0.50% and 1.00%.

- Please Note: The unaffiliated investment advisors maintain both the initial and ongoing day-to-day relationship with the underlying client, including initial and ongoing determination of client suitability for the Registrant’s designated investment strategies and/or programs.

#### **MISCELLANEOUS**

**Fee Differentials.** As indicated below, the Registrant shall price its services based upon various objective and subjective factors. In certain circumstances, the Registrant, in its sole discretion, may charge a different fee (higher or lower) to its clients based upon certain criteria such as: the market value of the assets under management, the complexity of the engagement, the level and scope of the overall investment advisory and/or consulting services to be rendered. As a result of these factors, the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

**Please Note: Inverse/Enhanced Market Strategies.** The Registrant may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client’s other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in

the financial situation or investment objectives for the underlying client for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Disclosure Statement.** A copy of the Registrant's written Brochure as set forth on Part 2 of Form ADV shall be provided to each investment advisor prior to, or contemporaneously with, the execution of the Registrant's Sub-Advisory Agreement. The investment advisor shall be responsible for delivering a copy of the Registrant's Part 2A to each underlying client, to the extent applicable.

- C. The Registrant does not provide investment management specific to the needs of each underlying client. Instead, the Registrant has created models geared toward specific investment objectives. The Registrant shall manage those models consistent with their stated objectives. Investment advisors who engage the Registrant to provide sub-advisory services do so knowing that the underlying clients assets shall be managed through the Registrant's models. Please Note: The investment advisor may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2014, the Registrant had \$0.00 in assets under management on a discretionary basis.

## **Item 5            Fees and Compensation**

A.

### **SUB-ADVISORY INVESTMENT MANAGEMENT SERVICES**

The Registrant may be engaged to provide discretionary investment advisory services on a *fee-only* basis, the Registrant's annual investment advisory fee shall vary from 0.50% up to 1.00% of the total assets placed under the Registrant's management/advisement and shall be based upon various **objective and subjective factors.**

**Note: Fee Differentials.** The Registrant shall price its services based upon various objective and subjective factors. As a result, the Registrant's fees may be diverse based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall services to be rendered. The services to be provided by the Registrant to any particular underlying client could be available from other advisers at lower fees. All investment advisors seeking to engage the Registrant in a sub-advisory capacity should be guided accordingly.

- B. As a sub-advisor, the Registrant's fee shall be paid by the engaging investment adviser from the advisory fee it charges the underlying client. The Registrant's fees shall be billed quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. The Registrant does not recommend broker-dealer/custodians. As a sub-advisor, when assets are directed to the Registrant, the engaging investment adviser and/or the underlying client has already selected a broker-dealer/custodian for their investment assets. However, it should be noted that broker-dealers/custodians charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged

for individual equity and fixed income securities transactions). In addition to fees incurred by the underlying client at the advisor level, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

- D. Registrant's sub-advisory fee shall be prorated and paid quarterly, in advance, based market value of the assets under management on the last business day of the previous quarter. The Registrant generally requires a minimum account size of \$250,000. The Registrant, in its sole discretion, may waive its account minimum requirement and/or charge a lesser sub-advisory fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The Sub-Advisory Agreement between the Registrant and an investment adviser will continue in effect until terminated by either party by written notice in accordance with the terms of the Agreement. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. Neither the Registrant, nor any supervised person of the Registrant accepts compensation from the sale of securities or other investment products.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7            Types of Clients**

The Registrant primarily offers its investment management services to other investment advisors on a sub-advisory basis. The Registrant generally requires a minimum account size of \$250,000. The Registrant, in its sole discretion, may waive its account minimum requirement and/or charge a lesser sub-advisory fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. The Registrant may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
  - Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when acting in a sub-advisory capacity:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s). Investing in securities involves risk of loss that clients should be prepared to bear.

B. The Registrant's method of analysis does not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, the Registrant may also implement and/or recommend options transactions. This strategy has a high level of inherent risk.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk. **Please Note:** Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated

with such strategies. In light of these enhanced risks, Registrant may be directed, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, the Registrant allocates client investment assets among three strategies: the Hedged Core Equity Strategy, the Enhanced Core Equity Strategy and the Fixed Income Enhancement Strategy. These strategies use various mutual funds and exchange traded funds (“ETFs”) (including inverse ETFs and/or mutual funds that are designed to perform in an inverse relationship to certain market indices) and listed options on a discretionary basis in accordance with the Strategy’s designated investment objective(s).

The asset allocation programs comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is specifically applicable to Registrant’s management of client assets:

1. **Initial Interview** – at the opening of the account, the Registrant, through its designated representatives, shall obtain information sufficient to determine the end client’s financial situation and investment objectives;
2. **Individual Treatment** – the end client’s account is managed on the basis of the end client’s financial situation and investment objectives;
3. **Quarterly Notice** – at least quarterly the Registrant shall notify the end client to advise the Registrant whether the client’s financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of his/her/its account;
4. **Annual Contact** – at least annually, the Registrant shall contact the client to determine whether the end client’s financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of his/her/its account.
5. **Consultation Available** – the Registrant shall be reasonably available to consult with the client relative to the status of the client’s account;
6. **Quarterly Statement** – the end client shall be provided with a quarterly report for the account for the preceding period;
7. **Ability to Impose Restrictions** – the end client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct the Registrant not to purchase certain mutual funds;
8. **No Pooling** – the end client’s beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the end client’s account;
9. **Separate Account** - a separate account is maintained for the end client with the Custodian; and
10. **Ownership** – each end client retains indicia of ownership of the account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

The Registrant believes that its annual investment management fee is reasonable in relation to: (1) the advisory services provided under the *Investment Advisory Agreement*; and (2) the fees charged by other investment advisers offering similar services/programs. However, Registrant’s annual investment management fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to Registrant’s annual investment management fee, the client will also incur charges imposed directly at the mutual and exchange traded fund level (e.g., management fees

and other fund expenses). **Please Note:** Registrant's investment programs may involve above-average portfolio turnover which could negatively impact upon the net after-tax gain experienced by an individual client in a taxable account.

These allocation models include the following:

### **Soundwatch Hedged Core Equity Strategy**

The Soundwatch Hedged Core Equity Strategy is a rules based investment strategy that provides strong correlation to the equity market, while also providing additional income and protection through the use of highly liquid listed options.

The Soundwatch Hedged Core Equity Strategy seeks to maintain an appropriate balance between risk and reward over the course of market cycles and volatility regimes by strategically investing across a combination of stocks and options. Furthermore, it seeks to create significant equity participation while targeting greater downside protection than a stock-only portfolio.

The Soundwatch Hedged Core Equity Strategy can be implemented as a standalone investment strategy or as an overlay strategy around a client's current equity portfolio. When implemented as an overlay strategy, the underlying equities should have a strong correlation to the S&P 500 in order to limit the impact of basis risk.

When implemented as a standalone strategy, the available client assets will be principally invested in highly liquid ETF's that are tracking the S&P 500 index, such as SPY. An index tracker will typically provide income in the form of dividends as well as capital appreciation in the underlying equities.

Additional income will be generated by selling covered call options. Part of the income from dividends and covered call options will be invested in put options to limit downside risk. The put options are meant to limit the downside of the equity portfolio rather than to eliminate all downside risk. This tail risk protection will be in place at all times. There is no attempt to time the market as history has shown market corrections are impossible to predict.

The Soundwatch Hedged Core Equity Strategy is suitable as a substitute for equity allocations as a defensive equity/conservative equity allocation. Advisors are also using the strategy as part of their "alternatives allocation", as it attempts to provide more upside capture than lower volatility strategies while also striving for downside protection and strong risk adjusted returns.

### **Soundwatch Enhanced Core Equity Strategy**

The Soundwatch Enhanced Core Equity Strategy is a combination of the Soundwatch Hedged Equity Strategy and an additional overlay strategy that seeks to profit from market volatility.

When implemented as a standalone strategy, the available client assets will be principally invested in highly liquid ETF's that are tracking the S&P 500 index, such as SPY, as well as in call spreads and put spreads.

The Soundwatch Enhanced Core Equity Strategy is suitable as a substitute for equity allocations. Advisors are also using the strategy as part of their "alternatives allocation", as it attempts to provide more upside capture than lower volatility strategies while also striving for downside protection and strong risk adjusted returns.

### **Soundwatch Enhanced Fixed Income Strategy**

The Soundwatch Enhanced Fixed Income Strategy is a rules based investment strategy that provides strong correlation to a diversified bond portfolio, while also providing additional income through the use of highly liquid listed option spreads. Historically it has demonstrated favorable upside/downside capture ratios while seeking to generate bond-like returns with an expected volatility between that of equities and bonds.

When implemented as a standalone strategy, the available client assets will be principally invested in highly liquid ETF's that are tracking a diversified bond portfolio, as well as in call spreads and put spreads.

The Soundwatch Enhanced Fixed Income Strategy is suitable as a substitute for fixed income allocations. Advisors are also using the strategy as part of their "alternatives allocation", as it attempts to provide stronger risk adjusted returns compared to an allocation to a diversified bond portfolio by using option spreads to profit from market volatility.

## **Item 9            Disciplinary Information**

Neither the Registrant nor any of its supervised persons have been the subject of a disciplinary action.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. The Registrant has no other relationship or arrangement with a related person that is material to its advisory business.
- D. The Registrant does not recommend or select other investment advisors for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's related persons, which is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons." The Registrant's securities transaction policy requires that Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of the their current securities holdings within ten (10) days after becoming an Access Person. Access Persons are also required to provide quarterly transaction reports to the Chief Compliance Officer or his/her designee. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Registrant's Access Persons.

## **Item 12            Brokerage Practices**

- A. The Registrant does not recommend broker-dealers/custodians for execution and/or custodial services. As a sub-advisor, when assets are directed to the Registrant, the engaging investment adviser and/or the underlying client has already selected a broker-dealer/custodian for their investment assets. The Registrant requires that any engaging investment adviser executes a Sub-Advisory Agreement setting forth the terms and conditions under which Registrant shall provide sub-advisory services as well as all necessary paperwork at the custodial level granting the Registrant authority to transact on behalf of any underlying client's account.
1. Research and Additional Benefits  
Registrant does not receive support services and/or products from any broker-dealer/custodian in furtherance of its investment advisory business operations.
  2. The Registrant does not receive referrals from broker-dealers.
  3. The Registrant does not recommend or select broker/dealers on behalf of the underlying client. The engaging investment adviser and/or the underlying client shall be responsible for selecting the broker-dealer/custodian. It shall not be the responsibility of the Registrant to negotiate terms and arrangements for custodial accounts with the underlying client's broker-dealer/custodian, nor shall the Registrant be responsible for seeking better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for their account.
- B. To the extent that the Registrant provides investment management services to underlying clients, the transactions for each underlying client's account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several underlying clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the underlying clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

## **Item 13            Review of Accounts**

- A. Account reviews are conducted on a periodic basis by the Registrant's Principal, at least annually. The unaffiliated investment advisors who engage the Registrant on a sub-advisory basis maintain both the initial and ongoing day-to-day relationship with the underlying client, including initial and ongoing determination of client suitability for the Registrant's designated investment strategies and/or programs. It is the engaging investment advisor firm's responsibility to advise the Registrant of any changes in the investment objectives and/or financial situation for the underlying clients.

- B. The Registrant **may** conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from their broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, the Registrant does not receive any indirect economic benefit from a broker-dealer/custodian.
- B. Neither the Registrant nor any of its representatives compensates any person other than its supervised persons for client referrals.

#### **Item 15            Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian.

**Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

#### **Item 16            Investment Discretion**

The Registrant may only be engaged to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over an underlying client's account, the unaffiliated investment advisor shall be required to execute a Sub-Advisory Agreement, granting discretionary authority to the Registrant to buy, sell, or otherwise effect investment transactions involving the assets in the underlying client's name.

The Registrant's discretionary authority may, at anytime, be subject to restrictions, made **in writing** (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

## **Item 17          Voting Client Securities**

- A. The Registrant does not vote client proxies. The unaffiliated investment advisory and/or the underlying client maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

## **Item 18          Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Robert Hammer, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**