

Hilton Capital Management, LLC Disclosure Brochure

March 30, 2016



HILTON CAPITAL MANAGEMENT, LLC

a Registered Investment Adviser

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This brochure provides information about the qualifications and business practices of Hilton Capital Management, LLC (hereinafter "Hilton Capital Management"). If you have any questions about the contents of this brochure, please contact Barbara Martens at (516) 535-3828. 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 Hilton Capital Management is available on the SEC's website at www.adviserinfo.sec.gov. Hilton Capital Management is an SEC registered investment adviser. Registration does not imply any level of skill or training.

Item 2. Material Changes

This Item discusses only the material changes that have occurred since Hilton Capital Management's last annual update. Tullamore Capital LP, a hedge fund exempt from registration with the SEC, liquidated and dissolved during 2015. As a result, Hilton Capital Management is no longer the investment manager to such fund and Tullamore Capital GP LLC, an affiliate of Hilton Capital Management, is no longer the general partner to such fund.

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Item 4. Advisory Business

Hilton Capital Management has been doing business as an SEC registered investment adviser since January 2002. The firm's mission is to provide superior investment management services. Hilton Capital Management strives to preserve its clients' capital and build sustainable wealth.

Hilton Capital Management provides investment management services to its clients. Prior to engaging Hilton Capital Management to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Hilton Capital Management setting forth the terms and conditions under which Hilton Capital Management renders its services.

The principal owners of the firm are Rafferty Holdings, LLC and William Garvey. Hilton Capital Management has \$753,045,452 of assets under management as of December 31, 2015, all of which are managed on a discretionary basis.

This Disclosure Brochure describes the business of Hilton Capital Management and certain of its affiliates. Certain sections will also describe the activities of Supervised Persons. "Supervised Persons" are any of Hilton Capital Management's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on Hilton Capital Management's behalf and is subject to Hilton Capital Management's supervision or control.

Investment Management Services

Clients can engage Hilton Capital Management to manage all or a portion of their assets on a discretionary basis. Hilton Capital Management primarily allocates clients' investment management assets among master limited partnerships ("MLPs"), real estate investment trusts ("REITs"), individual debt and equity securities, collective investment vehicles (such as private investment funds and mutual funds) and options in accordance with the investment objectives of the client. However, Hilton Capital Management also may provide advice about any type of investment held in clients' portfolios.

Hilton Capital Management tailors its advisory services to the individual needs of clients. Hilton Capital Management consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. Hilton Capital Management ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance; provided, that Hilton Capital Management's advisory services with respect to any investment fund it manages or advises is based on the relevant fund's investment objective and program and not the individual investment objectives of the investors in such funds.

Clients are advised to promptly notify Hilton Capital Management if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Hilton Capital Management's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in Hilton Capital Management's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

Sub Advisory Services

Hilton Capital Management offers a platform of management services to other investment advisers through sub-advisory relationships, including advisory services to wrap fee platforms sponsored by independent third parties.

Management of Collective Investment Vehicles

Hilton Capital Management acts as investment manager to Hilton Capital Partners, LP, Hilton Capital Fund, SPC, Hilton Capital Master Fund Ltd. and Hilton Capital Management Private Equity I, LLC (each, a private investment fund exempt from registration with the SEC). Hilton Capital Partners, LP, Hilton Capital Fund, SPC and Hilton Capital Master Fund Ltd. are currently undergoing liquidation and are no longer taking on new investors or making any new investments. Hilton Capital Partners GP, LLC, an affiliate of Hilton Capital Management, is the general partner of Hilton Capital Partners, LP. In addition, Hilton Capital Management is now the sub-advisor to the Direxion Hilton Tactical Income Fund (formerly known as Hilton Yield Plus Fund), a mutual fund registered with the SEC. Rafferty Asset Management, an affiliate of Hilton Capital Management, is now the investment manager of Direxion Hilton Tactical Income Fund. Hilton Capital Management was formerly the investment manager to Direxion Hilton Tactical Income Fund. Hilton Capital Partners, LP, Hilton Capital Fund, SPC and Hilton Capital Master Fund Ltd. are collectively hereinafter referred to as the "Hilton Capital Partners Funds" and individually as a "Hilton Capital Partner Fund". The investment objectives, risk factors and all other relevant terms and information with respect to each Hilton Capital Partners Fund, Hilton Capital Management Private Equity I, LLC and the Direxion Hilton Tactical Income Fund are described in their respective offering documents. Hilton Capital Partners, LP, Hilton Capital Fund, SPC, Hilton Capital Master Fund Ltd. and Hilton Capital Management Private Equity I, LLC are no longer being offered. While each Hilton Capital Partners Fund is generally Hilton Capital Management's client, the term "client(s)" as used in this Disclosure Brochure sometimes refers to the investors in such funds, as appropriate. In addition, "individual client(s)" referred to herein shall mean such clients (whether individuals, taxable entities or tax-exempt entities) that set up separately managed accounts with Hilton Capital Management.

Investors in the Hilton Capital Partners Funds must be "qualified clients" under Rule 205-3 under the Investment Advisers Act of 1940, as amended, as well as "accredited investors" under Rule 501 of the Securities Act of 1933, as amended.

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Hilton Capital Management will devote its best efforts with respect to its management of the Hilton Capital Partners Funds, Direxion Hilton Tactical Income Fund and its individual client accounts. Hilton Capital Management may give advice or take action with respect to the Hilton Capital Partners Funds and the Direxion Hilton Tactical Income Fund that differs from that for individual client accounts. To the extent that a particular investment is suitable for both the Hilton Capital Partners Funds and certain individual client accounts, such investments will be allocated between the Hilton Capital Partners Funds and the individual client accounts pro rata based on the assets under management or in some other manner which Hilton Capital Management determines is fair and equitable under the circumstances to all of its clients.

Item 5. Fees and Compensation

Hilton Capital Management offers its services on a fee basis, which may include fees based upon assets under management or the performance of the client's portfolio.

Management Fee

Hilton Capital Management provides investment management services to individual clients for a management fee based upon a percentage of the market value of the assets being managed by Hilton Capital Management. The annual fee varies (between 0.15% and 1.25%), depending upon the market value of the assets under management and the type of investment management services to be rendered. Hilton Capital Management's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Hilton Capital Management does not, however, receive any portion of these commissions, fees and costs. Hilton Capital Management's management fee is charged quarterly, in arrears, based upon the market value of the assets being managed by Hilton Capital Management on the last day of the previous quarter. If an account is terminated, Hilton Capital Management's management fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate. Hilton Capital Management, in its sole discretion, may charge a lesser management fee to any individual client.

The management fees charged by the Hilton Capital Partners Funds and the Direxion Hilton Tactical Income Fund, as well as all other fund expenses, are described in their respective offering documents. Hilton Capital Management Private Equity I, LLC no longer charges any management fees.

Performance Fee

Hilton Capital Management may also charge individual qualified clients a performance-based fee in accordance with applicable legal requirements. The performance fee may be up to ten percent (10%) based upon the performance of the account. The performance compensation received by Hilton Capital Management is generally subject to a high-water mark. Hilton Capital Management, in its sole discretion, may charge a lesser performance fee to any individual client.

A performance fee arrangement raises conflicts of interest. The performance fee may be an incentive for Hilton Capital Management to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In addition, where Hilton Capital Management charges performance-based fees and also provides similar services to accounts not being charged performance-based fees, there is an incentive to favor accounts paying a performance-based fee. Hilton Capital Management has procedures in place to ensure that any recommendations made are in the best interest of clients regardless of whether the client is paying a performance-based fee or different type of fee.

The performance fees charged by the Hilton Capital Partners Funds, as well as all other fund expenses, are described in their respective offering documents. Hilton Capital Management Private Equity I, LLC does not charge any performance fees.

Additional Fees

Individual clients may incur certain charges imposed by the broker-dealers, custodians and other third parties maintaining their accounts, such as custodial fees and brokerage commissions. In addition, to the extent a client's account is invested in underlying collective investment vehicles (such as private investment funds, ETFs and mutual funds), such vehicles also impose charges, which are disclosed in such vehicle's offering documents. For example, such vehicles may charge management fees, performance fees and other fund expenses. Likewise, such vehicles may charge deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Item 6. Side-By-Side Management

Because Hilton Capital Management has multiple clients, at times it may need to allocate investment opportunities of limited availability across its clients' accounts. In such situations, some accounts may offer higher management and performance-based fee potential than others. Hilton Capital Management has an incentive to favor accounts for which it receives higher performance-based fees since it may receive a greater profit if the investment generates a positive return.

To ensure equitable treatment of all clients irrespective of such fee considerations, Hilton Capital Management has adopted an allocation policy that sets out the criteria for determining allocations, the most important of which are investment objective and strategy, existing portfolio composition and available liquidity. For a copy of Hilton Capital Management's allocation policy, please contact the Chief Compliance Officer at the number or address listed on the cover of this Disclosure Brochure.

Item 7. Types of Clients

Hilton Capital Management provides its services to individuals, taxable and tax-exempt entities, collective investment vehicles (such as private investment funds and mutual funds) and wrap fee accounts.

Minimum Account Size

Hilton Capital Management generally imposes a minimum individual client account size of \$250,000. Hilton Capital Management, in its sole discretion, may accept individual clients with smaller portfolios. As noted herein, Hilton Capital Partners, LP, Hilton Capital Fund, SPC, Hilton Capital Master Fund Ltd. and Hilton Capital Management Private Equity I, LLC are no longer being offered.

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

Investment Strategies, Methods of Analysis and Risk of Loss

Hilton Tactical Income Strategy

A majority of Hilton Capital Management's individual clients are invested in the "Hilton Tactical Income Strategy." This strategy is a strictly disciplined approach that focuses on the need for income by creating portfolios that include MLPs, REITs and equities. Portfolios will be split along product lines and will stress diversification of assets. While growth may occur, the major focus will be to generate income greater than is available in an intermediate fixed-income portfolio.

Hilton Capital Partners Funds and Hilton Capital Management Private Equity I, LLC

Hilton Capital Partners, LP, Hilton Capital Fund, SPC, Hilton Capital Master Fund Ltd. and Hilton Capital Management Private Equity I, LLC are no longer being offered.

Wealth Preservation Strategy

Certain legacy individual clients are also invested in the "Wealth Preservation Strategy." This strategy is a strictly disciplined approach that focuses on preservation of the client's capital. Given the continued volatility of interest rates, it is Hilton Capital Management's opinion that strategies stressing capital preservation benefits its clients.

Financial Opportunity Strategy

The "Financials Opportunity Strategy" will seek to take advantage of expected further consolidation in the United States banking industry by investing in publicly traded small and mid-cap banks that are likely to be acquired during the current consolidation cycle. Specifically, the strategy will invest in bank franchises that are trading at attractive valuations who are likely to attract multiple potential acquirers.

Hilton Global Dividend/Equity Income Strategy

Our "Global Dividend/Equity Income Strategy" uses the strengths of our primary Hilton Tactical Income Strategy's income oriented approach to develop a global portfolio of largely dividend paying equities. This strategy is designed for the investor who seeks to have exposure to global equities with an emphasis on dividend yield. One of key attributes of the strategy is that we attempt to deliver a competitive yield by investing in the sectors of the market that closely mirror the drivers of United States gross domestic product in any given year.

Risks of Loss

The profitability of Hilton Capital Management's recommendations depends upon correctly assessing the future course of price movements of stocks, bonds and other financial instruments. There can be no assurance that Hilton Capital Management will be able to predict those price movements accurately. Investing in securities involves the risk of loss. Clients should be

prepared to bear such loss. A full description of the market and other risks for the Hilton Capital Partners Funds, Hilton Capital Management Private Equity I, LLC and the Direxion Hilton Tactical Income Fund is set forth in their respective offering documents.

Cybersecurity Risks

Hilton Capital Management's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although Hilton Capital Management has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, Hilton Capital Management may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Hilton Capital Management's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm Hilton Capital Management's reputation or subject it or its affiliates to legal claims and otherwise affect their business and financial performance. Additionally, any failure of Hilton Capital Management's information, technology or security systems could have an adverse impact on its ability to manage the private investment funds and separately managed accounts referred to herein.

Item 9. Disciplinary Information

Hilton Capital Management is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Hilton Capital Management does not have any required disclosures to this Item.

Item 10. Other Financial Industry Activities and Affiliations

Hilton Capital Management is solely owned by Rafferty Holdings, LLC ("Holdings"). Hilton Capital Management is under common control and ownership with Rafferty Capital Markets, LLC ("RCM"), an SEC registered broker-dealer and member of FINRA and Rafferty Asset Management, LLC ("RAM"), an SEC registered investment adviser. Hilton Capital Management also has an agreement in place with RCM whereby Hilton Capital Management manages certain RCM accounts. In addition, certain of the Supervised Persons of Hilton Capital Management are also registered representatives of RCM. These registered representatives do not currently effect securities brokerage transactions on a commission basis for Hilton Capital Management's investment advisory clients.

Hilton Capital Partners GP, LLC, an affiliate of Hilton Capital Management, is the general partner of Hilton Capital Partners, LP.

Item 11. Code of Ethics

Hilton Capital Management maintains a code of ethics which includes policies regarding the trading of securities in personal brokerage or similar accounts by its principals and employees. The code does not restrict Hilton Capital Management principals, members and employees from maintaining or trading in such accounts, but establishes that any activity that either abuses confidential knowledge about client accounts or attempts to profit at their expense is considered an abuse of the foundation of trust upon which Hilton Capital Management's business is built and is strictly prohibited. All Hilton Capital Management principals, members and employees are required to submit annual reports on all securities holdings and quarterly reports on all security transactions in accounts controlled either directly or indirectly (although certain exceptions apply). Submitted reports are reviewed by the Chief Compliance Officer, or her delegate. Violations of policy are punishable by sanctions including fines and termination of employment.

Clients and prospective clients may contact Hilton Capital Management to request a copy of its Code of Ethics.

Item 12. Brokerage Practices

Hilton Capital Management generally recommends that clients utilize the brokerage and clearing services of broker-dealers. Factors which Hilton Capital Management considers in recommending broker-dealers to clients include their respective financial strength, reputation, execution, pricing, research and service. The commissions and/or transaction fees charged by such broker-dealers may be higher or lower than those charged by other broker-dealers.

The commissions paid by Hilton Capital Management's clients comply with Hilton Capital Management's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified broker-dealer might charge to effect the same transaction where Hilton Capital Management determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Hilton Capital Management seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

An individual client may direct Hilton Capital Management in writing to use a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and Hilton Capital Management will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through other broker-dealers with orders for other accounts managed by Hilton Capital Management. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Hilton Capital Management may decline a client's request to direct brokerage if, in Hilton Capital Management's sole discretion, such directed brokerage arrangement would result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

Transactions for each client generally will be effected independently, unless Hilton Capital Management decides to purchase or sell the same securities for several clients at approximately the same time. Hilton Capital Management may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Hilton Capital Management's 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 generally be averaged as to price and allocated among Hilton Capital Management's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Hilton Capital Management determines to aggregate client orders for the purchase or sale of securities, including securities in which Hilton Capital Management's Supervised Persons may invest,

Hilton Capital Management generally does so in accordance with applicable regulations. Hilton Capital Management does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Hilton Capital Management determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Hilton Capital Management may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Hilton Capital Management in its investment decision-making process. Such research generally will be used to service all of Hilton Capital Management's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Hilton Capital Management does not have to produce or pay for the products or services. Any research and/or brokerage products or services received by Hilton Capital Management will comply with Section 28(e) of the Securities Exchange Act of 1934, as amended.

Item 13. Review of Accounts

Account Reviews

Hilton Capital Management monitors individual client's accounts as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by one of Hilton Capital Management's principals. All individual clients are encouraged to discuss their needs, goals, and objectives with Hilton Capital Management and to keep Hilton Capital Management informed of any changes thereto. Hilton Capital Management contacts individual clients at least annually to review their previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives. With respect to the Hilton Capital Partners Funds and Hilton Capital Management Private Equity I, LLC, Hilton Capital Management reviews such Funds on at least a semi-annual basis and more frequently as necessary.

Account Statements and Reports

Unless otherwise agreed upon, individual clients are provided with transaction confirmation notices and regular summary account statements directly from the applicable custodian for such clients. Those clients to whom Hilton Capital Management provides investment advisory services will also receive a report from Hilton Capital Management that may include relevant account and/or market-related information, such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from Hilton Capital Management.

Investors in the Hilton Capital Partners Funds receive a report from such Funds' administrator that includes relevant account and/or market-related information, such as account performance on a quarterly basis. In addition, all investors in the Hilton Capital Partners Funds receive the audited financial statements within 120 days of the end the applicable fund's fiscal year.

Item 14. Client Referrals and Other Compensation

Client Referrals

Hilton Capital Management is required to disclose any direct or indirect compensation that it provides for client referrals. Hilton Capital Management does not have any required disclosures to this Item.

Other Economic Benefits

Hilton Capital Management is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12 above.

Item 15. Custody

Hilton Capital Management's agreements with the custodian of any individual client's account may authorize Hilton Capital Management to debit such account for Hilton Capital Management's management fees and directly remit such fees to Hilton Capital Management in accordance with applicable custody rules. In these circumstances, such custodians send statements to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Hilton Capital Management. Hilton Capital Management also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the custodians and compare them to those received from Hilton Capital Management.

Private Funds

Due to the role of Hilton Capital Management as the general partner of certain of the Hilton Capital Partners Funds and Hilton Capital Management Private Equity I, LLC, Hilton Capital Management is deemed to have custody of such funds' assets. As such, Hilton Capital Management engages an independent public accountant registered with, and subject to regulatory inspection by, the Public Accounting Oversight Board (PCAOB) to conduct an annual audit of the Hilton Capital Partners Funds and Hilton Capital Management Private Equity I, LLC. The Firm distributes the audited financial statements to each investor within 120 days of the fiscal year ends of Hilton Capital Management Private Equity I, LLC and the Hilton Capital Partners Funds.

Item 16. Investment Discretion

Hilton Capital Management is given the authority to exercise investment discretion on behalf of clients. Hilton Capital Management is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Hilton Capital Management is given this authority through agreements between Hilton Capital Management and such clients. In certain circumstances, clients may request a limitation on this authority (such as certain securities not to be bought or sold). When given investment discretion, Hilton Capital Management and its affiliates generally take discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The broker-dealers to be utilized in effecting such transactions.

Item 17. Voting Client Securities

Hilton Capital Management generally votes proxies on behalf of the Hilton Capital Partners Funds. When Hilton Capital Management accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, all proxies will be voted consistent with guidelines established and described in Hilton Capital Management's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact Hilton Capital Management to request information about how Hilton Capital Management voted proxies for that client's securities or to get a copy of Hilton Capital Management's Proxy Voting Policies and Procedures.

Item 18. Financial Information

Hilton Capital Management is not required to disclose any financial information pursuant to this Item due to the following:

- It does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- It does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- It has not been the subject of a bankruptcy petition at any time during the past ten years.

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