

# Heard Capital LLC

CRD [PENDING]

FORM ADV – PART 2A

Firm Brochure

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Heard Capital LLC  
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Chicago, IL 60606

This Brochure provides information about the qualifications and business practices of Heard Capital LLC (the “Adviser” or “Heard”). If you have any questions about any of the information in the Brochure, please contact our Chief Compliance Officer at 312.786.5212 or [compliance@heardcapital.com](mailto:compliance@heardcapital.com). 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. Registration with the SEC or state authority does not imply a certain level of skill or training.

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

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## ITEM 4 – ADVISORY BUSINESS

Heard Capital LLC (“Heard” or the “Adviser”) was founded in 2010 and is seeking registration with the SEC as an investment adviser. In order to qualify for such registration with the SEC, Heard will have assets under management of at least \$100,000,000 within the first 120 days of its registration.

William Heard is the Chief Executive Officer, Chief Investment Officer and Founder of the Adviser. Clients and potential clients may review the SEC website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) for more information regarding the Adviser’s ownership.

### General Partner of the Heard Opportunity Fund LLC

Heard serves as the General Partner and the adviser of the Heard Opportunity Fund LLC (the “Fund”). The Fund commenced its investment and trading activities in May of 2013 and operates under the registration exemptions provided in Section 3(c)1 of the Investment Company Act of 1940, as amended, and Rule 506(b) of Regulation D under the Securities Act of 1933, as amended.

The Adviser generally pursues the Fund’s investment objectives by making opportunistic investments in the global equity and debt markets. The Fund invests in a wide range of instruments, including, but not limited to: listed and unlisted equities, debt securities, options, warrants and other derivative instruments. The Fund may leverage its capital through bank borrowings, swaps and other derivatives as well as trading of stock on margin, futures and other means. Although the Fund is not limited in the amount of leverage it employs, it anticipates that the gross leverage exposure will generally not exceed 200% of its unlevered assets at any time.

Heard seeks global opportunities in various sectors of the economy. The Fund’s portfolio is constructed utilizing “bottom-up” fundamental analysis across the capital structure (from senior debt to equity) where Heard believes the perception of value is not in line with the intrinsic value of the underlying assets or special situation. Heard generally looks to establish its long positions in companies with one or more of the following characteristics: sound growth prospects, a history of successful capital allocation, an entrenched competitive position, a seasoned management team, ample liquidity, strong recurring cash flow and a sustainable competitive advantage that Heard believes is likely to persist into the future. Heard may also take short positions. Heard will generally look to establish the short positions in companies displaying weak fundamentals, strong competition, poor leadership, weakening fundamentals or poor prospects in the marketplace.

In general, the Adviser will attempt to avoid illiquid and hard to value assets, but it may invest up to 20% of the Fund’s total assets in illiquid or hard to value investments, determined at the time such investment is made.

The Fund is offered by prospectus only.

### Separately Managed Accounts

Heard provides for the management of customer assets via separately managed accounts with an intended investment objective of achieving attractive risk adjusted returns. The separately managed accounts are generally intended to allow clients access to the strategy and overall investment objectives of the Fund, as described above, and/or may be designed according to each client’s specific investment profile, mandate or guidelines.

## ITEM 5 – FEES AND COMPENSATION

### The Heard Opportunity Fund LLC

The Fund ordinarily will debit from each Capital Account and pay to the Adviser a monthly Management Fee in advance, determined as of the first day of the calendar month. The Management Fee will be equal to 0.167% of the net asset value ("NAV") of the relevant Capital Account determined as of the first day of the calendar month (approximately 2% annually).

The Adviser may agree, in its sole discretion, to a management fee arrangement in respect of any Capital Account that differs from that described above. The Adviser does not intend to charge the Adviser or its members or employees the Management Fee.

### Separately Managed Accounts

Heard is compensated by a management fee on a monthly or quarterly basis in accordance with the fee calculations established in the separate Client agreement.

Through its Administrator, Heard provides Clients with an invoice covering all management fees incurred by the Managed Account(s) during the month or the quarter, as the case may be; Heard will not be entitled to receive payment unless and until it provides Clients with such invoices. After receiving instructions from Heard, the Custodian will cause the fees earned during any period to be paid by the Managed Account(s).

For its management services, each Client shall pay to Heard an annual management fee (the "Management Fee") of 1.5% payable in monthly or quarterly arrears, as the case may be, and such Management Fee shall be determined based on the value of such Client's assets under management as of such month or quarter. The Client's fee is provided and agreed in the separate Client agreement and may vary depending on account size, management style, investment restrictions and other criteria. The Management Fee is negotiable.

The Management Fee will be based on the month- or quarter-end value of assets under management, calculated before deduction or accrual of any withdrawals accrued or payable as of the date the Management Fee is paid.

If Client contributes assets to the Managed Account(s) on a date other than the first day of a month or quarter, as the case may be, the Managed Account(s) shall be charged a prorated portion of the Management Fee for that month or quarter with respect to such contribution, based on the number of days remaining in that month or quarter and based on the value of the contributed assets on the last day of such month or quarter.

If Client withdraws all or a portion of the assets from the Managed Account, whether on termination of the Client agreement or otherwise, on any date other than the last day of a month or quarter, as the case may be, the Management Fee paid for that month or quarter with respect to the portion withdrawn shall be prorated based on the number of days elapsed and the value of the assets withdrawn in that month or quarter.

The Administrator will be responsible for determining the net asset value of the Managed Account(s), and such calculation shall be confirmed by Client and Heard in good faith. Heard will then prepare the above-mentioned invoices with wiring instructions and will send such to Client as soon as reasonably practicable. Such invoices will be subject to Client's approval upon which they will be binding upon Client.

Client authorizes Management Fees to be paid promptly, but in any event within thirty (30) calendar days following receipt of the invoice. Client shall bear all investment expenses relating to the Managed Account(s), including, but not limited to: (i) brokerage commissions, issue and transfer taxes, administration fees, custodial fees, and bank service fees; and (ii) any other reasonable expenses (including legal fees) related to the purchase

and sale of assets, where such other expenses are approved by Client in writing. Heard shall have no authority to bind Client to any service provider, and Heard shall not incur any expenses on behalf of Client, other than commissions charged by brokerage firms, futures commission merchants, or financial counterparties exclusively authorized by Client. Brokerage expenses shall be itemized and allocated by Heard as reasonably required by Client upon request.

Clients are hereby advised that lower fees for comparable services may be available from other sources. Further, Clients are encouraged to review separate confirmations and statements prepared and delivered by Client's custodian to understand the costs and fees associated with the Managed Account.

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

### The Heard Opportunity Fund LLC

As of each Incentive Allocation Calculation Date, Adviser generally will debit from each Capital Account, and will credit to the Adviser's Capital Account, an Incentive Allocation equal to twenty percent (20%) of the Net New Profit in respect of such Capital Account at such time.

"Net New Profit" is any amount by which the NAV of a Capital Account exceeds the "High Water Mark" for such Capital Account, which is the NAV of such Capital Account immediately after the assessment of the most recent Incentive Allocation (adjusting for any withdrawals or distributions from such Capital Account since such assessment) or, if such Capital Account has never been assessed an Incentive Allocation, the amount of the capital contribution that established such Capital Account (adjusting for any withdrawals or distributions since it was established). If an Incentive Allocation Calculation Date occurs as of any date other than the end of a calendar year because an Investor requests or is required to make a withdrawal, a similar allocation will be made to the Adviser's Capital Account in an amount equal to the product of the amount described above times a fraction, the numerator of which is the amount of such withdrawal and the denominator of which is the NAV of such Capital Account immediately before such withdrawal. In that case, the High Water Mark for such Capital Account will be appropriately adjusted downward to reflect such withdrawal.

If a capital withdrawal is made or required to be made from a Capital Account at a time when the NAV of such Capital Account is at or below its High Water Mark, the High Water Mark for such Capital Account will be decreased pro rata (in the same proportion as the amount of the withdrawal bears to the NAV of such Capital Account immediately before such withdrawal).

The determination of the Incentive Allocation is binding and conclusive on the Investors. Although the High Water Mark for an Investor's Capital Account carries forward from year to year until exceeded, the Adviser is not required to "repay" any Incentive Allocation allocated to the Adviser's Capital Account in the event such Investor's Capital Account subsequently experiences losses.

Because the Fund will establish a separate Capital Account for each separate capital contributions an Investor makes to the Fund, the determination of whether a Capital Account has experienced Net New Profits will be made separately with respect to each Capital Account. Thus, it is possible that, depending on the various times at which an Investor makes capital contribution and the timing of the Fund's profits and losses, one or more of such Investor's Capital Accounts could experience Net New Profit, while the NAV of other Capital Accounts held by such Investor could be below the High Water Mark for such Capital Accounts, with the result that the Investor may bear an Incentive Allocation even where it has experienced a net loss on its overall investment.

The Adviser may agree, in its sole discretion, to a different Incentive Allocation arrangement in respect of any Capital Account, or waive or reduce the Incentive Allocation in respect of any Capital Account. This will not entitle

the Investor that holds such Capital Account, or any other Investor, to such a different arrangement, waiver or reduction in respect of any other Capital Account.

The Incentive Allocations depend on continuing increases in the profitability of the Fund's strategy. This creates an incentive for the Adviser to invest and trade the Fund's assets in a manner that is riskier or more speculative than would otherwise be the case.

Further, the Incentive Allocations made to the Adviser are determined on the basis of the value of the Fund's assets, including value attributable to unrealized appreciation. Thus, Incentive Allocations may be made to the Adviser based on positions that were profitable at the time of such fees but unprofitable when eventually liquidated.

## **ITEM 7 – TYPES OF CLIENTS**

The Adviser provides investment advisory services to institutions, and in some cases, high net worth individuals. While the Adviser may, as an accommodation, accept accounts that have fewer assets, the Adviser generally seeks clients with investable assets of at least \$10 million.

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### Heard Opportunity Fund LLC

The Fund's investment strategies and investment techniques involve significant risks. Although the Adviser will use what it considered seasoned investment research techniques and risk management strategies in investing and trading for the Fund, an investment in the Fund should be considered speculative and involves substantial risk.

In considering an investment in the Fund, prospective investors should be aware of certain special considerations and risk factors, which include, but not limited to, the following:

- General Investment Risk, *i.e.*, the risk of deterioration in the financial markets in general;
- Strategy Risk, *i.e.*, the risk that the Fund's investment strategies and/or investment techniques may not work as intended;
- Institutional Risk, *i.e.*, the risk that the Fund could incur losses due to: (i) the failure of counterparties to perform their contractual commitments to the Fund or (ii) the financial difficulty of brokerage firms, banks or other financial institutions that hold the assets of the Fund;
- Fund Structure Risk, *i.e.*, the special considerations and risks arising from the operation of certain provisions of the LLC Agreement and the organizing documents of the Fund;
- Operational Risk, *i.e.*, the special considerations and risks arising from the day-to-day management of a pooled investment vehicle like the Fund;
- Regulatory Risk, *i.e.*, the special considerations and risks arising from the regulatory environment in which the Fund operates;
- Tax Risk, *i.e.*, the special considerations and risks arising from the operation of an investment vehicle treated as a partnership for U.S. federal tax purposes; and
- ERISA Risk, *i.e.*, the special considerations and risks applicable to employee benefit plans and similar arrangements (including individual retirement accounts) that may invest in the Fund.

Certain special considerations and risk factors that fall under these general categories are described in the Fund's PPM. Prospective investors should therefore read the entire Memorandum before subscribing for Interests. In addition, the inclusion of specific special considerations and risk factors in this Memorandum should not be construed to imply they are described in complete detail, or that there are no other special considerations or risk factors that apply to an investment in the Fund.

#### All Accounts

##### **Methods of Analysis.**

In providing investment advisory services, the Adviser's analysis methods include a review of the fundamentals of the securities recommended for client accounts, other fundamental analysis, technical factors (including at times review of charting) as well as the cyclical elements of the securities markets (to a more limited extent) and economic cycles. While a number of different factors, data and information will be considered and used by the Adviser in making securities selection decisions, the primary method used by Adviser is fundamental analysis.

##### **Investment Strategies.**

Heard seeks global opportunities in various sectors of the economy. A global portfolio will be constructed utilizing "bottom-up" fundamental analysis across the capital structure (from senior debt to equity) where Heard believes the perception of value is not in line with the intrinsic value of the underlying assets or special situation. Heard will generally look to establish the strategy's long positions in companies with one or more of the following characteristics: superior growth prospects, a history of successful capital allocation, an entrenched competitive position, a seasoned management team, ample liquidity, strong recurring cash flow and a sustainable competitive advantage Heard believes is likely to persist into the future. Heard may also take short positions. Heard will generally look to establish a Client's short positions in companies displaying weak fundamentals, strong competition, poor leadership, weakening fundamentals or poor prospects in the marketplace.

In general, Heard will attempt to avoid illiquid and hard to value assets, but it may invest up to 20% of the strategy's total assets in illiquid or hard to value investments, determined at the time such investment is made.

**Risk of Loss.** The Adviser's investment strategy is speculative and entails substantial risk of loss. Although the above sets forth certain general investment strategies, the Adviser may undertake additional strategies or investments consistent with its overall investment objective. There can be no assurance that the investment objectives of the Adviser will be achieved. Accordingly, the Adviser's strategies could result in substantial losses under certain circumstances.

#### **ITEM 9 – DISCIPLINARY INFORMATION**

The Adviser has no disciplinary event(s) to disclose.

#### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The Adviser maintains a membership in the National Association of Investment Companies (NAIC) for purposes of networking with other professionals regarding industry trends and related issues. More information about this organization can be found at [www.naicpe.com](http://www.naicpe.com).

#### **ITEM 11 – CODE OF ETHICS**

**Code of Ethics and Personal Trading.** The Adviser has adopted a Code of Ethics for all of its supervised persons, describing its high standard of business conduct and fiduciary duty to its clients. Included within the code is a

policy to conduct the Adviser's activities in accordance with the highest ethical standards and in accordance with all applicable laws and regulations. In addition, the code provides that employees are required to provide the Adviser with information as to securities transactions and holdings in employee accounts. (For purposes of the code, an employee's or principal's "personal account" generally includes any account (a) in the name of the employee or principal, his/her spouse, his/her minor children, or other dependents residing in the same household, (b) for which the employee or principal is a trustee or executor, or (c) which the employee or principal controls). Also, certain non-public investment opportunities are brought to the Adviser's attention through the personal relationships with the Adviser's employees or affiliates (instead of client account activity); clients may not be given the opportunity to invest in these securities absent unusual circumstances. Instead, the Adviser's employees or affiliates may invest in these non-public securities for their own accounts.

All supervised persons must acknowledge the terms of the Code of Ethics initially upon the commencement of employment, annually, or upon a material amendment to the code. A copy of the Adviser's code of ethics is available upon request.

#### **Participation or Interest in Client Transactions.**

The Adviser shall invest and reinvest the Managed Account(s)' assets in accordance with the Client's investment guidelines. All trading on behalf of the Managed Account(s) shall be done on an agency (not a principal) basis. The Adviser shall not engage in any agency cross trades with respect to the Managed Account(s) unless the Adviser determines in its reasonable discretion that such trades are in the best interests of the Managed Account(s) and such trades are approved by the Client prior to execution. In advance of executing any agency cross trades on behalf of the Managed Account(s), the Adviser will send the Client a written notice that includes: (1) a statement of the nature of the transaction; (2) the date and time the transaction took place or is expected to take place; and (3) the source and amount of any other remuneration received or to be received by the Adviser.

Neither the Adviser nor any associated person is permitted to recommend to Clients, or buy or sell for client accounts, securities in which it/he/she has a material financial interest. There is a possibility however, that related person may recommend securities to Clients, or buy or sell securities for client accounts, at or about the same time that the related person buys or sells the same securities for his/her own account. To mitigate any conflict of interest, the Adviser ensures that the related person's transaction will receive either the same price as that of the Client, or, if not feasible, the Client will get the more favorable price.

The Adviser anticipates that, in appropriate circumstances and consistent with Clients' investment objectives, the Adviser will cause accounts over which the Adviser has management authority to effect, and will recommend to Clients or prospective Clients, the purchase or sale of securities in which the Adviser, its affiliates and/or Clients, directly or indirectly, have a position or interest. In addition, there will be circumstances in which the Adviser's personnel will trade for their personal accounts in a manner that differs from actions taken for client accounts, including securities which are recommended to and/or purchased for Clients. The Code of Ethics is designed so that the personal securities transactions, activities and interests of the employees of the Adviser will not interfere with (i) making decisions in the best interest of Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

The Adviser will provide a copy of its Code of Ethics at no charge to any Client or prospective Client upon request.

#### **ITEM 12 – BROKERAGE PRACTICES**

##### Heard Opportunity Fund

While the length of time the Fund holds a particular security will be a consideration in investment decisions for both performance and tax efficiency reasons, the Fund's investment policies may change or could lead to frequent changes in the Fund's investments, particularly in periods of volatile market movements or for other reasons, *e.g.*



a change in tax laws. The length of time the Fund has held a particular security will generally not be a consideration in investment decisions. The Fund's investment policies may lead to frequent changes in the Fund's investments, particularly in periods of volatile market movements. Portfolio turnover generally involves some expense to the Fund, including brokerage commissions, dealer mark-ups and other transaction costs on the sale of securities and reinvestment in other securities. The Fund's annual portfolio turnover rate may exceed 100%.

Financial institutions such as broker-dealers and banks will have custody of the Fund's assets, including its margin deposits. Often these assets will not be registered in the name of the Fund. Financial difficulty, fraud or misrepresentation at one of these institutions could impair the operational capabilities or capital position of the Fund.

The Fund is subject to substantial fees, transaction costs and other costs, and other expenses, regardless of whether it realizes any profits. Accordingly, the Fund must earn substantial trading profits to avoid depletion of its assets due to such costs and expenses.

#### Separately Managed Accounts

Heard will execute transactions on behalf of the Managed Account(s) in accordance with its execution policy, a copy of which is provided to Client in connection with other account opening documents. In the event of any changes to such execution policy, Heard will promptly provide Client with such revised policy. Heard is not authorized to execute any transactions with an affiliate unless such transactions have been approved and disclosed to Client in advance and are, in the reasonable determination of Heard, in the best interests of the Managed Account(s).

- a) Heard will provide Client with a list of the markets and exchanges Heard may conduct business on behalf of each Managed Account(s). Heard agrees that all transactions will be effected in accordance with the rules and regulations of the relevant market or exchange, and in accordance with all applicable laws
- b) Heard does not execute trades on an unregulated exchange or in an unregulated market. For the avoidance of doubt, "unregulated exchange" and "unregulated market" shall be defined as an exchange or a market in any jurisdiction that is not subject to the oversight of a governmental regulatory body.
- c) Heard agrees to provide the names of all brokers and/or counterparties with whom it anticipates executing trades and/or entering into derivative contracts, as applicable, on behalf of the Managed Account(s). This list shall include only those who are authorized to conduct such business and properly licensed under the laws, rules or regulations of any government, exchange, or self-regulatory organization charged with regulating Heard, the Managed Account(s), or market(s) where either conducts any business. Heard, upon prior approval from Client, may add or remove brokers and/or counterparties from the list.
- d) Heard will not be permitted to utilize soft dollar arrangements as it relates to the Investment Accounts(s).

#### **ITEM 13 – REVIEW OF ACCOUNTS**

The Adviser will cause the Administrator to provide each Client and the Adviser with periodic holdings reports which shall detail the positions and cash. The Adviser shall provide the Administrator with all information in the Adviser's possession which the Administrator may request. The Adviser shall review the holdings reports for the Managed Account(s) and will advise the relevant Client and the Administrator when it identifies discrepancies (if any). If Client identifies any such discrepancies, upon its request to the Adviser, the Adviser will work with such Client and the Administrator to resolve such discrepancies.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

The Adviser has no current arrangements with Third Party Investment Advisers to refer qualified prospective client to enter into separately managed account arrangements with the Adviser.

## **ITEM 15 – CUSTODY**

### Heard Opportunity Fund LLC

As soon as reasonably practical after the end of each calendar year, the Fund will provide to each Member an audited statement of assets and liabilities of the Fund as of the end of such year and audited statements of operations and changes in net assets of the Fund for such year.

As soon as practical after the end of each calendar year, the Fund will provide each Member with such tax information and schedules as are necessary to enable such Member to prepare its federal income tax return.

Reports and other Fund communications may be delivered by e-mail, unless the investor opts out of e-mail delivery in its Subscription Agreement.

### Separately Managed Accounts

Based on terms and conditions in a Managed Account's agreement, the Adviser has the ability to cause the relevant custodian to deduct Management Fees from such Managed Account. For this reason, the Adviser is considered to have custody of client assets.

While the Adviser places all Clients' assets in custody with qualified custodians and does not maintain physical custody over any Client's assets, the Adviser is still considered to have custody over such assets because of its ability to deduct fees from the Managed Accounts. The custodians send account statements each month to Clients associated with the Managed Accounts. Managed Accounts have established their own, independent relationships with specific qualified custodians.

## **ITEM 16 – INVESTMENT DISCRETION**

The Adviser solely offers discretionary accounts. In a discretionary account, Client grants the Adviser the authority to place trades without prior notification to Client.

Regardless of the discretionary authority the Adviser has with respect to a Managed Account, when recommending securities to and determining amounts of securities to effect for such Managed Account, the Adviser observes the investment policies, limitations and restrictions of the Client associated with such Managed Account. Client investment restrictions must be provided to the Adviser in writing.

## **ITEM 17 – VOTING CLIENT SECURITIES**

The Adviser shall exercise voting rights or grant proxies with respect to the assets held by Managed Accounts in accordance with the Adviser's proxy policy. The Adviser, only upon Client's request, shall forward to the Custodian all annual reports, interim reports, financial statements, notice of meetings, proxy statements and ballots, and other communications sent to security holders received by the Adviser. The Adviser shall have the duty, power and authority to vote the Managed Accounts' assets in person or by proxy unless instructed not to do so by the

relevant Client in writing. Notwithstanding the foregoing, the Adviser will forward to the relevant Client all information relating to legal proceedings related to the assets contained in the relevant Managed Account(s) and shall not exercise voting rights or grant proxies with respect thereto unless instructed by such Client. On a quarterly basis, a summary of proxies voted for the relevant Managed Accounts shall be provided by the Adviser to Clients associated with such Managed Accounts. A copy of the Adviser's proxy policy shall be provided to Client, and copies of any amendments to such policy shall be provided as well.

#### **ITEM 18 – FINANCIAL INFORMATION**

Registered investment advisors are required in this Item to provide their clients with certain financial information or disclosures about such advisors' financial condition. The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients and has not been the subject of a bankruptcy proceeding.