

M.D. Sass – Macquarie Financial Strategies
Management Company, L.L.C.
Part 2A of Form ADV
The Brochure

1185 Avenue of the Americas, 18th Floor
New York, NY 10036
<http://www.mdsass.com/>

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

Additional information about FinStrat is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Material Changes

FinStrat's most recent update to Part 2 of Form ADV was made in November 2010. FinStrat's business activities have not changed materially since the time of that update. However, in 2010 the SEC required significant changes to the content and format of Part 2 of Form ADV, to be implemented by March 2011. This brochure, which reflects those changes, is materially different from brochures used by FinStrat in prior years.

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Advisory Business

FinStrat serves as an investment adviser to two private investment funds, M.D. Sass-Macquarie Financial Strategies, L.P. and M.D. Sass-Macquarie Financial Strategies Investment Vehicle, LLC. We collectively refer to these investment funds and any future clients, as our "Clients" in this brochure.

FinStrat provides investment advice to the Clients relative to its investments in a diversified portfolio of traditional and alternative investment management companies that range from start-up and early stage companies to existing small and mid-sized companies. In connection with the investments in such investment management companies, FinStrat also advises the Clients with respect to seed investments in the investment vehicles and accounts managed by the investment management companies in the portfolio.

We note that that investment advice is provided directly to the Clients and not individually to the investors in the Clients. FinStrat manages the assets of each Client in accordance with the terms governing documents applicable to each Client.

FinStrat was founded in February 2004 in Delaware and is primarily owned by M.D. Sass Financial Holdings, LLC and Macquarie Holdings (USA), Inc. As of January 31, 2011 FinStrat managed approximately \$273 million on a discretionary basis.

Fees and Compensation

FinStrat receives a management fee and it or a related person may receive a performance allocation (see “Performance Based Fees and Side-by-Side Management” below) for providing investment management services. Management fees are payable quarterly in advance. Both management fees and performance allocations will be deducted by FinStrat and any related person directly from the Clients.

For the period in which new investments are being made, the management fee will be 2% of the aggregate amount of capital committed to the Client. Thereafter, the rate at which the management fee is charged will decrease in each year by 0.2% to a minimum of one percent (1%), and the management fee for each year will be calculated by applying such year’s percentage to an amount equal to the sum, without duplication, of (i) capital contributions invested in portfolio entities that have not been disposed of or written off, (ii) capital contributions invested in seed investments that have been disposed of, to the extent such portfolio investments had been managed by any portfolio entities not disposed of or written off at such time, and (iii) any portion of the capital committed to the Client that remains callable due to having been reserved for investment in portfolio entities.

FinStrat, in its sole discretion, may waive, reduce or rebate all or a portion of the management fee and/or performance allocation and interest thereon in respect of any Client or any investor in a Client. No such waiver, reduction or rebate for the benefit of any Client or any investor in a Client will entitle any other person to such waiver, reduction or rebate.

In addition to management fees and performance allocations, Clients’ investors will bear indirectly the fees and expenses charged to the Clients. Those fees and expenses will vary, but typically will include fees, costs and expenses related to the purchase, holding and sale of Portfolio Investments (defined in the “Methods of Analysis, Investment Strategies and Risk of Loss” section), and any expenses incurred in connection with transactions not consummated, management fees, fees and unreimbursed expenses of custodians, outside counsel and accountants, any insurance or litigation expense, any taxes, fees or other governmental charges levied against the Client, costs and expenses of an advisory committee and annual meetings of investors, and extraordinary expenses. FinStrat or its related persons also may provide various office space, back office and other services to assist the development and growth of the Portfolio Investments and may charge the underlying investment management companies such services at cost. Further information regarding the fees charged to Clients may be found in the Client’s offering document and other governing documents.

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

Either FinStrat or the Client may terminate its respective investment management agreement per the terms negotiated therein. Notice of termination must be given to the other party in writing. Each Client is responsible to pay for services rendered until the termination of its respective investment management agreement. FinStrat's policy is to make pro-rata refunds if any fees have been paid in advance.

Performance Based Fees and Side-by-Side Management

FinStrat or a related person may be compensated based on a performance allocation that is equal to 20% of amounts distributed to the limited partners of the Client after the limited partners have received the total amount of the capital contributions actually paid by them to the Client plus an amount sufficient to provide a cumulative 8% preferential return thereon, in each case calculated as of the date of the relevant distribution.

Performance based fees may create an incentive for FinStrat to make investments that are riskier or more speculative than would be the case in the absence of a performance fee.

Types of Clients

FinStrat provides investment advice to private investment funds.

Each Client operates as a pooled investment vehicle intended to provide management expertise and other advantages to investors. The minimum initial capital contribution for an investor of the Partnership is \$5,000,000. However, FinStrat maintains discretion to accept less than the minimum investment amount, subject to limitations under applicable law.

Investors will be required to make certain representations when investing in a Client, including but not limited to that (i) they are acquiring an interest for their own account, (ii) they received or had access to all information they deem relevant to evaluate the merits and risks of the prospective investment and (iii) they have the ability to bear the economic risk of an investment in the Client. Each investor will be furnished with a copy of the applicable operative document (e.g., limited partnership agreement, memorandum and articles of association, etc.) for each Client.

Methods of Analysis, Investment Strategies and Risk of Loss

FinStrat's investment strategy is to invest on behalf of its Clients in a portfolio of traditional and alternative investment management companies ("Portfolio Companies") and generally have a controlling interest in each of these Portfolio Companies, either in the form of majority control or a significant minority stake with meaningful managerial and economic control rights. The Client's ownership interest will entitle it to receive a share of the carried interest and profit distributions. The Client will provide track record capital to the investment vehicles and accounts managed by the Portfolio Companies, which will increase the companies' growth and value by demonstrating the performance of particular investment strategies related to appropriate risk-adjusted benchmarks (together with Portfolio Companies, the "Portfolio Investments"). Finally, the Client will use one of several exit strategies when ending the investment in the Portfolio Companies including: outright sales to strategic or financial buyers, buyouts by the portfolio company

management teams, or initial public offerings of either individual companies or combinations of them.

Investments in Portfolio Investments are highly speculative, and Clients' investors could risk a complete loss of their investment. A successful program of investing in Portfolio Investments is subject to risks, including without limitation, risks related to (i) the quality of management teams of the Portfolio Investments; (ii) the ability of the management teams of the Portfolio Investments to select successful investment opportunities; (iii) general market conditions; and (iv) the ability of the Client to liquidate its investments. No guarantee or representation is made that FinStrat will achieve its investment objective or that Clients will receive a return of their capital. In addition, the performance of the Clients' investments is substantially dependent upon the skill, judgment and expertise of FinStrat's primary portfolio managers. The death, disability or other unavailability of any of FinStrat's primary portfolio managers could be material and adverse to the performance of Clients' investments.

Risk of Limited Number of Investments. The Client may participate in a limited number of investments and, as a result, the aggregate return of the Client may be substantially adversely affected by the unfavorable performance of any single investment.

Competition for Portfolio Investments The Client may encounter competition from other entities having similar investment objectives. Potential competitors include other investment partnerships and corporations, business development companies, strategic industry acquirors and other financial investors investing directly or through affiliates. Some of these competitors may have more relevant experience, greater financial resources and access to more personnel than the Client. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to the Client and adversely affecting the terms upon which investments can be made. There can be no assurance the Client will be able to identify or consummate investments satisfying the investment criteria or the Client's rate of return objectives. Likewise, there can be no assurance that the Client will be able to realize upon the values of its investments or that it will be able to invest the capital committed by the Client's investors. To the extent that the Client encounters competition, returns to Client's investors' returns may decrease.

For a more detailed discussion of the risks associated with an investment in M.D. Sass Macquarie Financial Strategies, L.P., please see its confidential offering memorandum.

Disciplinary Information

FinStrat and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

Other Financial Industry Activities and Affiliations

Registered Broker Dealer: FinStrat is affiliated with M.D. Sass Securities, L.L.C. ("M.D. Sass Securities"), a registered broker-dealer, which may market interests of the Clients. M.D. Sass Securities will receive compensation for marketing the interests that is equal to a portion of the Clients' committed capital .

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

M.D. Sass Associates, Inc. (“Associates”)
M.D. Sass Management, Inc. (“Management”)
M.D. Sass Investors Services, Inc. (“Services”)
Resurgence Asset Management, LLC (“RAM”)
Resurgence Asset Management International, L.L.C. (“RAMI”)
Re/Enterprise Asset Management, LLC (“REAM”)
Waterfall Asset Management, LLC (“Waterfall”)
AMERRA Capital Management, LLC (“AMERRA”)

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

Ascent Real Estate Advisors, LLC
Taurus Funds Management Pty Limited
Arcadia Capital Advisors, LLC

FinStrat has entered into an Administrative Services Agreement with Services whereby Services will provide FinStrat with certain personnel, supplies, legal, technology, marketing, clerical and other office support services as may be required for the business and operations of FinStrat. Such services will be provided for compensation, payable monthly, equal to the cost of the services provided which will be calculated (i) as a prorated portion of rent plus taxes, utilities and services for office space, (ii) as a prorated portion of overall compensation including benefits for personnel and (iii) in good faith in the reasonable judgment of Services for other services not otherwise readily calculable.

Certain investment advisers named above manage partnerships, limited liability companies, separately management accounts and other investment vehicles in which investors of Clients of FinStrat may invest. Other than the Administrative Services Agreement, FinStrat does not have any direct arrangements with the other FinStrat related persons which manage such partnerships, limited liability companies, separately management accounts and other investment vehicles, but the entities all have common control.

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

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

review and will be provided to any investor or prospective investor upon request by calling us at 212-730-2000.

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

FinStrat, Services, Associates, RAM, REAM, RAMI, Waterfall and AMERRA ("MD Sass entities) and their respective officers, directors, employees and affiliates engage in investment activities for their own accounts, either through individual managed accounts or one or more investment entities having investment policies with risk/return characteristics that are similar or differ from those of the Clients. Such MD Sass entities and their respective officers, directors, employees and affiliates also continue to manage other funds, including private equity funds, that may compete with FinStrat's Clients for certain investment opportunities.

In the event of a potential or actual conflict of interest with regard to a proposed investment by the Clients in any entity the securities of which are owned by any of such MD Sass entities or their respective officers, directors, employees and affiliates, the issue will be submitted to an advisory committee of the Clients for prior approval, and FinStrat will take such actions as are determined by an advisory committee to be necessary or appropriate to eliminate or ameliorate the conflict or interest.

Brokerage Practices

Broker/dealers are not used for Client transactions as the investment strategy does not involve the trading of securities that would require broker/dealers.

Review of Accounts

Senior executives of FinStrat periodically monitor all portfolios in order to review performance, portfolio structure and the achievement of investment objectives. Each account is maintained, supervised and reviewed on a regular basis (not less than quarterly) by the Chairman and Chief Executive Officer, President, or Senior Managing Director of FinStrat.

Performance results are reported to Client's investors on a quarterly basis and more frequently, if requested. Client investors also receive audited annual reports of the Client.

Within 180 days after the end of the each Client's fiscal year, the investors of the Client will receive (i) audited annual reports of the Client, (ii) a management report with respect to each investment of the Client and (iii) a statement of capital account balances. The Clients' investors will also receive, within 60 days of the end of each of the Clients' first three fiscal quarters, quarterly reports including an unaudited balance sheet of the Clients and an unaudited statement of income or loss and cash flows for such quarter and for the year to date.

Client Referrals and Other Compensation

FinStrat is affiliated with M.D. Sass Securities, a registered broker-dealer, which may market interests in the Clients. M.D. Sass Securities will receive compensation for marketing the interests that may include a portion of the Client's committed capital.

Custody

Except for certain privately offered securities, Client assets generally are held in custody by unaffiliated broker/dealers or banks. FinStrat anticipates that any private offered securities not held by a qualified custodian will meet the security exemption under Rule 206(4)-2. FinStrat has access to some Client accounts since it or an affiliate serves as the general partner of each Client.

Client investors will not receive statements from the custodian. Instead the Clients are subject to an annual audit and the audited financial statements are distributed to each investor. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 180 days of each Client's fiscal year end.

Investment Discretion

FinStrat generally has discretionary authority to determine, without obtaining specific consent from the Clients or their investors, the securities and amount to be bought or sold. Any limitations on authority are included in the respective Client's confidential offering memorandum and other governing documents. FinStrat may generally exercise its investment discretion and authority conditionally or unconditionally, arbitrarily, or inconsistently in varying or similar circumstances. For example, FinStrat may provide certain investors or third parties representing investors more frequent or more detailed reports of a Client's portfolio holdings or performance, special fee and allocation arrangements and special withdrawal rights that it does not provide to other investors.

Voting Client Securities

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

In furtherance of the foregoing, FinStrat generally opposes placing restrictions on the business judgment of management. FinStrat considers, on a case-by-case basis, executive compensation plans and supports those that promote the adoption of fair, competitive compensation packages for executives and it reviews matters relating to changes in a company's charter documents and generally votes in favor of those measures that provide management with the most operational flexibility. FinStrat follows procedures that are designed to identify conflicts or potential conflicts that could arise between its own interests and those of its Clients. If it is determined that any such conflict or potential conflict is not material, FinStrat may vote proxies notwithstanding the existence of the conflict. If it is determined, however, that a conflict of interest or potential conflict of interest is material, appropriate personnel of FinStrat will work to agree upon a method to resolve such conflict before voting proxies affected by the conflict. The Policy itself contains

other more specific policies (including appropriate exceptions) that FinStrat intends to follow with respect to both routine and non-routine matters.

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

Financial Information

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