

## Firm Brochure

Wall Street Access Asset Management

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**This brochure provides information about the qualifications and business practices of Wall Street Access Asset Management. If you have any questions about the contents of this brochure, please contact us at (212) 709-9400. 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 Wall Street Access Asset Management is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Material Changes

This Item discusses only material changes that are made to this Firm Brochure since our last annual update. Sections of the Firm Brochure were amended to include: removal of references to William Smith and the firm's total assets under management were also changed.

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## **1. Advisory Business**

Wall Street Access Asset Management, LLC (“WSAAM” or the “Firm”) has been in business since February 2001 and provides investment advisory services to a Fund of Funds hedge fund and to individual and corporate clients. The Firm is the general partner and investment advisor to Advanced Strategies II, L.P., a domestic limited partnership formed for the purpose of operating as a Fund of Funds hedge fund (the “Fund”). In addition, the Firm provides individualized investment advice and asset allocation services to individuals, trusts, institutions, corporations and pension plans. The Firm conducts business under the names of Wall Street Access Wealth Management and Battery Park Capital; both are divisions of Wall Street Access Asset Management. The Firm is owned directly by Wall Street Access, LLC, and Wall Street Access, LLC is owned by Wall Street Access Corporation.

### Account Management Services to Individual Investors

The Firm provides individualized investment advisory and asset allocation services to individuals, trusts, corporations, institutions, foundations and pension plans (“Individual Investors”).

The Firm's services to Individual Investors include: (1) evaluating an Individual Investor's financial circumstances for allocation of assets and investment strategies for the Individual Investor's selection; (2) making recommendations for specific investments and/or general asset allocations; (3) obtaining and evaluating recommended investments from independent money managers; (4) investing the Individual Investor's account in accordance with their investment goals and objectives; (5) monitoring the Individual Investor's account and reporting to the Individual Investor on a monthly, quarterly or annual basis; and (6) monitoring investment activities of any independent money managers and reporting on such activities to Individual Investors. These services are specifically tailored to an Individual Investor's specific needs and may not all apply to all clients.

The Firm offers advice and invests in a wide-range of products and services, including, but not limited to, individual equity securities, fixed income instruments, mutual funds, ETF's, insurance products, retirement accounts, 529 plans, estate plans, trusts, equity options, warrants, certificates of deposit, annuities and alternative investments.

Each Financial Advisor bases their advice and investment choices on experience, due diligence and research and applies them to each individual investor's needs and objectives. Due diligence includes, but is not limited to, review of independent research materials, recommendations by independent money managers, and Investment Committee discussions. Each Financial Advisor has a fiduciary responsibility to make recommendations and invest on behalf of an Individual Investor's best interest.

Accounts may be managed under a wrap fee program or as commission or fee based accounts, there is no difference in how a Financial Advisor manages each account. The

Firm will however receive a portion of the wrap fees for our services. The firm does not manage any wrap fee clients; however, wrap fee programs are available to clients if they are interested in entering into a wrap fee arrangement. Please read the Firm's Wrap Fee Program Brochure for additional information on wrap fee programs.

#### Investment Management Services to Funds of Funds

The Firm provides investment advisor services to the Fund by selecting the individual Hedge Funds in which the Partnership invests. A Hedge Fund is selected based on a number of criteria including the quality and longevity of the Hedge Fund's investment record, its stated investment philosophy, the Hedge Fund's structure and the size of its portfolio and the types of securities it holds, the educational and business backgrounds of its principals, its fee structure, its research resources, and the number of clients and investors in the Hedge Fund. The Fund also generally invests in Hedge Funds in which the individual fund manager ("Investment Manager") invests a significant portion of its own liquid net worth.

Hedge Funds are carefully chosen by the Firm after extensive due diligence by analysts and advisors with approval by the Investment Committee. Once Funds are selected, the Firm continues to regularly evaluate each Hedge Fund and Investment Manager to ensure that their investment program is consistent with the Fund's investment objective and to monitor whether their investment performance is satisfactory.

The assets of the Fund are invested in diverse Hedge Funds with expertise in different areas, including, but not limited to, domestic and foreign equities, equity-related instruments, and fixed income and other debt-related instruments. Some Hedge Funds may sell short or trade on margin. The Investment Managers will not be limited in the markets (either by location or type, such as large capitalization, small capitalization or non-U.S. markets) in which they invest or in the investment discipline that they may employ (such as value or growth or bottom-up or top-down analysis). The Fund may also invest in Hedge Funds that focus on special situations such as acquisition attempts, reorganizations, liquidations and arbitrage.

When a new Hedge Fund is added, no more than 20% of the fair market value of the Fund's net assets will be invested in it. Assets of the Fund that are not invested in individual Hedge Funds are invested in money market instruments, including money market mutual funds.

Due to the nature of investing in Hedge Funds, the Fund is not tailored to an individual client's needs. All clients are managed in the same manner with the same amount of care. All changes made to the Fund are made on behalf of the overall portfolio, which takes into consideration relevant risks and objectives. The Fund is only available to accredited investors ("Partners") as defined by the Securities Act of 1933, Rule 501 of Regulation D.

As of December 31, 2016, the Firm has \$295,046,586.00 Assets under Management (AUM). Of this amount, \$295,046,586.00 is managed on a discretionary basis.

## **2. Fees and Compensation**

The Firm offers investment advisory services for a percentage of assets under management, commissions, hourly charges and fixed fees (not including subscription fees).

### Fees for Funds of Funds (the Fund)

The Firm charges the Fund an annual management fee (based on net assets) of up to 1.5% of the value of each investor's capital account. Such management fees are billed in arrears based on the value of each investor's capital account, as determined on an annual basis at the end of each fiscal year. These fees are deducted at the end of every month automatically from each investor's account and are reflected on the quarterly statements. Partners are not charged on months they make full redemptions. Since the fees are charged in arrears. See Partner Documents related to the Fund for additional information on redemptions. No other fees are applied.

### Fees for Individual Investors

The most typical fee structure for our clients is to be charged a fee based on the percentage of the client's assets under management. These fees are typically debited quarterly in arrears, but may be charged in advance, depending on your agreement.

There is no set fee schedule but fees range from 0.05% to 2% per annum. Fees may be negotiable based on factors such as the size of your account, the type of account, the long range growth plan or other objectives for the account, the participation of the account in a group of accounts managed by the Firm and other circumstances. Breakpoints may also be offered at certain asset ranges. Before opening an account, you will receive a complete fee schedule, as set forth in the management agreement, including disclosures of any portion of the fees allocated to other parties, along with other descriptive materials for the service and disclosures regarding the Firm. Customers are required to acknowledge receipt of such disclosure materials by signing the management agreement and returning it to the Firm.

Fees are charged and deducted automatically from your account and reflected on the monthly statement. You may elect to pay the advisory fee separately provided that the Firm is authorized to deduct the advisory fee from your Account if any invoice is not paid by you within ten days of the beginning of each calendar quarter.

You may terminate your participation in the Firm's services at any time by notifying the Firm in writing. If you have paid fees in advance, the fee will be adjusted and refunded to you to reflect an early withdrawal. Fees paid in arrears may not be adjusted for early withdrawals or redemptions.

Clients utilizing our Separately Managed Account or Lockwood Capital Management offerings will be charged an advisor fee and manager or program fee. The maximum Client fee is typically 300 bps (3%), inclusive of the Manager fee, which ranges from

about 40 - 90 bps, or the program fee, which ranges from 20 - 75 bps, and can be above or below this value depending on the manager or program breakpoints. Please see the Firm's Wrap Fee Program Brochure for more details.

The Firm's advisory fees for wrap accounts typically include all transaction fees. Advisory fees for other account types are billed separately from any transaction fees or brokerage charges that may be incurred by your account. To the extent that your account is invested in a mutual fund, you will also pay fees to the mutual fund's investment manager or distributor as described in the prospectus for the mutual fund, with the result that you may pay a higher combined total advisory fee as compared to if you had invested directly in the mutual fund without the investment advisory services provided through the Firm.

Wall Street Access, the Firm's affiliated broker-dealer, may charge transaction fees and account related brokerage charges that are separate and in addition to the fees charged by the Firm, except if the account participates in the wrap fee program. Accounts managed by Colleen Sorrentino are charged a \$35 processing fee and \$1.50 postage fee on transactions effected through Wall Street Access, the affiliated broker. In addition, to the extent that your account is invested in a mutual fund, Wall Street Access may receive all or a portion of the 12b-1 fees that are paid by the mutual fund. In some instances, advisory fees may be charged to your account in addition to commissions or markups. In these cases, your advisor may consider reducing your advisory fee to adjust for the brokerage commissions. Commissions paid to unaffiliated broker-dealers are determined by the value added that the broker provides in that particular company. The value added items may include a high quality of trade price execution, research provided on the particular company or the brokers ability to provide advisor access to the company's management through industry conferences.

The Firm does not typically accept compensation for the sale of specific securities or other investment products. When recommending and investing in mutual funds, financial advisors will typically recommend "no-load" funds. The Firm will accept asset-based sales charges or service fees from the sale of mutual funds when "no-load" funds are not available or if it is in the best interest of the client. These commissions represent a de-minimis amount of revenue from advisory clients. A conflict of interest does not arise because each financial advisor makes recommendations and investments for a client's needs, not for specific product compensation. Accounts are reviewed by the Firm's Compliance Department to ensure this occurs. Clients have the option to purchase investment products recommended by the Firm through other brokers or agents not affiliated with the Firm.

### **Information about Accounts Managed by David Rauch**

***Billing by custodian.*** Contemporaneously with the execution of the Advisory Agreement, the client may be asked to sign an authorization that will allow the custodian of any of his/her accounts to debit such account(s) for the amount of certain service fees owed to the firm and remit such to the firm. The authorization shall remain valid until a written

revocation of the authorization is received by us. In connection with this fee deduction process, the custodian should send to the client a statement, at least quarterly, indicating:

- All amounts disbursed from the account, and
- The amount of advisory fees paid directly to the firm.

Clients may also incur certain charges imposed by third parties other than the firm in connection with investments made through the account, including but not limited to, transaction fees, mutual fund sales loads, surrender charges, and IRA and qualified retirement plan fees. Please see a fund's prospectus for more information about fees.

In addition, the custodian of the accounts, TD Ameritrade may charge accounts certain additional fees such as wire transfer fees, fees associated with checks, margin interest on margin balances, safekeeping fees, and account transfer fees as well as other miscellaneous items. A miscellaneous fee schedule is available upon request. The firm does not charge these miscellaneous account fees and does not receive any economic benefit from these fees.

### **3. Performance-Based Fees and Side-By-Side Management**

The Firm does not charge performance-based fees.

### **4. Types of Clients**

The Firm generally provides investment advice to: individuals, banks and thrift institutions, investment companies, pension and profit sharing plans, trusts, estates or charitable organizations, corporations or other business entities.

In general, Individual Investors must meet a minimum initial account size requirement of \$25,000. A unit of the Firm's advisory business generally requires a minimum investment of \$500,000. In addition, investors in the Firm's Fund of Funds requires a minimum initial investment of \$250,000 and all investors in the Fund of Funds must have a minimum net worth of at least \$1,500,000 and be accredited investors. Accounts will not be terminated if they fall below the minimum initial account size or investment requirement and the Firm may waive some of these requirements on a case-by-case basis.

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

The Firm may use any of the following security analysis methods: charting, fundamental analysis, technical analysis or cyclical analysis. The Firm is not limited to these strategies when making investment decisions. Clients should be aware that all securities trading is speculative in nature and involves substantial risk of loss. Clients should be prepared for this risk of loss. Clients should discuss any questions or concerns they have with their financial advisor.



When making investment decisions and recommendations, the Firm may rely on any of the following sources of information: financial newspapers and magazines, research materials prepared by others, discussions with corporate management, inspections of corporate activities, corporate rating services, recommendations by independent money managers, annual reports, prospectuses, filings with the SEC and company press releases.

The Firm may use any of the following investment strategies when implementing an investment strategy for the client: long term purchases (securities held over one year), short term purchases (securities sold within one year), trading (securities sold within 30 days), short sales, margin transactions and option writing, including covered options, uncovered options or spread strategies.

The Firm primarily recommends stocks, fixed income instruments, mutual funds and ETFs. Each security carries its own risks with it.

### **Information Specific to Customers of David Rauch**

David Rauch adheres to a disciplined value-orientated approach to investing across all market capitalizations, sectors, and geographic regions. Portfolios are relatively concentrated with holdings ranging from a single security to approximately forty securities, depending on individual client risk tolerances and investment objectives.

David Rauch seeks to achieve his objective by acquiring securities of companies at a discount to what he believes is their historical intrinsic value. Fundamental research is the foundation of our process, with a focus on restructuring, corporate events and special situations.

There may be a potential of significant volatility and potential loss of principal associated with concentrated positions in our portfolios

### **The following are the investment strategies offered by David Rauch:**

#### **Event Driven Equity Strategy**

Portfolio seeks to generate returns over a long-term time horizon by investing in undervalued companies at attractive valuations. The Advisor seeks to identify undervalued and distressed equities across all economic sectors that are trading at deep discounts to their intrinsic values that could possibly lead to above average return of principle. The Portfolio typically invests in 25-40 equity securities with any market capitalization but can be invested in a single security at any time increasing the level of risk exposure. The strategy seeks to outperform the total return of the S&P 500 Index over time.

## **Event Driven Balanced Strategy**

Portfolio is created to generate returns over a long-term time horizon supplemented with current income. The objective of the Balanced Portfolio is to add a ladder approach to our Equity Portfolio investment process, diversifying our risk in any credit and interest rate environment. The Portfolio typically invests in 25-40 equity securities across the market capitalization spectrum and government, agency, corporate and municipal debt instruments with allocation of 70% Equity and 30% Fixed Income allowing for deviation due to market conditions as well as individual client risk tolerance. The overall credit quality of the Portfolio ranges from High Yield to AAA.

## **Event Driven Fixed Income Strategy**

The objective is to build a quality, well diversified Portfolio with multiple credits in multiple sectors covering a wide range of industries. The goal of our Fixed Income Portfolio is two-fold. First, generate low principle risk with the highest return possible; and second, generate a total return taking advantage of distressed credits with high coupons that will lead to greater principle appreciation and higher coupon payments. The Portfolio typically invests in 25-50 fixed income securities with positions in government, agency, corporate, and municipal debt. The overall credit quality of the Portfolio ranges from High Yield to AAA.

## **Risk Factors**

There are many types of investment risk. In addition, most types of investment risk exist in varying degrees. A certain type of risk might be very low in one investment and very high in another. No investment is entirely risk-free. Customers who want "risk-free" investments generally consider solely one type of risk (usually credit risk). At best, one can find investments that avoid certain types of risk, but at the expense of being exposed to other types.

### **Capital or Principal Risk**

When you invest a certain amount in a security, there is often a chance you will not recover even that initial amount. This is capital risk. It is the risk that investors will not fully recover their entire investment. Speculative investments, such as options, have a high degree of capital risk. High-quality, short-term investments, such as Treasury bills, have a very small degree of capital risk. Common stockholders are exposed to capital risk as owners of a business. If the business does not do well, the value of their investment will decline.

### **Selection Risk**

This is the risk of choosing a security that does not perform well, when given a choice of many different suitable securities. For instance, if we are choosing between utility stocks and technology stocks, it is possible that the stock *not* chosen is the one that benefits from a bull market.

### **Timing Risk**

This refers to the risk of purchasing or selling a security at an inopportune time. As a result, the investor incurs a loss or earns less profit. If a client has a large sum to invest, timing risk will be significant if the entire amount is invested at once. To reduce timing risk, *dollar-cost averaging* could be used. In dollar-cost averaging, equal sums are invested at regular intervals over a period of time. The chances that an investor will make purchases just at market peaks are reduced. Of course, the chance of investing the entire amount at a market trough is reduced as well.

#### Liquidity Risk

This refers to an investor's ability to sell a security quickly without a substantial loss. This type of risk tends to increase as the amount of trading in a security decreases. For example, large amounts of Treasury bills can be bought or sold with little impact on price. However, small company, over-the-counter stocks cannot be sold in large amounts without depressing the market. T-bills are very liquid. Small OTC stocks are illiquid. Liquidity is affected by the amount of a particular security outstanding and the amount of trading volume in that security. Limited partnerships also have significant liquidity risk. Some partnership interests were originally sold as private placements, making them very difficult to resell. An investor who purchases a limited partnership interest should have an investment horizon that coincides with the expected life of the partnership (often 5 to 10 years or more). A particular investment can also be non-liquid because the investor does not own a large enough block to trade competitively in the market for that security. For example, small blocks of municipal bonds are non-liquid. Small blocks are more difficult to buy and sell.

#### Market (Systematic) Risk

This is the risk that a security's value may decline, not because of any change in the specific security, but due to a decline in the market in general. During stock market declines, nearly all common stocks decrease in value. However, like most risks, systematic risk comes in varying degrees. Some stocks that are very volatile have a high degree of systematic risk. Other types of common stocks that are more stable have less systematic risk. This type of risk is closely related to potential profit. The greater the systematic risk, the higher the potential for your gains *or* losses to be large.

#### Legislative Risk

New legislation can adversely affect the profit potential of an investment. This can occur at the federal, state, or local level and relates to all securities. For example, the tax treatment of annuities and retirement plans has changed several times over the last decade.

#### Political Risk

The chance that political events will affect the value of investments is political risk. While it can affect U.S. investments, it usually has a greater impact on foreign securities.

#### *Risks Associated with Bonds*

Although bonds are subject to many of the risks mentioned above, there are some types of risk that are closely associated with debt instruments.

### Credit Risk

We usually think of credit risk when we think of bonds, since a bond is a loan made by the bondholder to the bond issuer. The risk here is that the bond issuer may be unable to pay interest and/or principal when due. U.S. government securities have a low degree of credit risk. Bonds rated below investment grade (junk bonds) have a high degree of credit risk.

### Inflationary (Purchasing Power) Risk

A dollar received twenty years from now will probably purchase fewer goods than one received today. Due to inflation, the value of a dollar will likely decline over time causing a decline in its purchasing power. Historically, equity securities (stocks) and variable annuities provide the best protection against this type of risk. The reason is that their income tends to increase with inflation. Bonds have a high degree of purchasing power risk, because their income is fixed and will be eroded by inflation. The principal amount repaid at maturity will also have less purchasing power than the original monies invested.

### Interest Rate Risk

This is the risk that an interest rate rise will cause the price (value) of an investor's bond holdings to decline. Longer maturities tend to have greater interest rate risk than shorter maturities. Also, lower coupon bonds are more sensitive to interest rate fluctuation than higher coupon bonds. Some stocks are also exposed to this kind of risk and are said to be interest-rate sensitive. For example, utilities tend to borrow heavily to finance operations. An increase in interest rates requires the utility to pay more for future financing. This added expense will reduce profitability causing the price of the stock to decline.

### Call Risk

This refers to the risk that bondholders will have their investments redeemed (called) by the issuer before the stated maturity date. If the bond has a coupon rate that is higher than is currently available in the market, the bond may be called. The bondholder would then lose the high coupon bond, and have to invest in other bonds that would offer the current lower yield.

### **Shorting, Margin and Use of Leverage**

Clients of David Rauch may open accounts as margin accounts and if a client elects to use margin, such use can magnify risk to client's accounts. These advisors also have the ability to short stocks in the client portfolios; a high level of risk is associated with this strategy. Shorting securities requires the use of margin. They believe shorting may provide opportunities for returns on investments for margin approved clients if advisors believe a stock is overvalued. In rare circumstances, structured products may be offered to certain clients. These products often involve a significant amount of risk and should only be offered to clients who have carefully read and considered the product's offering documents, as they are often times based on derivatives. Structured products are intended to be "buy and hold" investments and are not liquid instruments.

## **Options**

Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the issuer which may be unwilling or unable to perform its contractual obligations. These options are subject to pricing components— including duration, strike price and premiums— to which the underlying stocks are not. We may trade in put and call options, which involve qualitatively different risks than owning or selling short the underlying common stock. Because option premiums paid or received by an investor are small in relation to the market value of the investments underlying the options, trading put and call options is highly leveraged.

### **6. Disciplinary Information**

Neither the Firm nor any of its Management Persons have had any legal or disciplinary event against them to report to you. If an event or action arises, it will be disclosed to you in a timely manner.

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

The Firm has an affiliated company, Wall Street Access, which is a registered broker-dealer, member of the Financial Industry Regulatory Authority (FINRA), and member of the New York Stock Exchange, Inc. Asset management accounts are generally custodied at Wall Street Access' clearing firm and Wall Street Access employees may provide administrative support to the Firm in the processing and maintenance of your account. The Firm anticipates that Wall Street Access's clearing broker will perform all custodial functions, unless you designate another custodian. Additionally, the Firm anticipates that many securities transactions for the accounts of Individual Investors will be effected through Wall Street Access, unless your advisor chooses to execute trades away from the affiliated broker-dealer or unless you specifically direct us otherwise.

The Firm may offer its advisory services to Wall Street Access clients. In addition, the Fund of Funds may be sold to investors through Wall Street Access.

Management participants, advisors and administrative staff of the Firm are also registered, in multiple registration categories with the Firm's broker-dealer affiliate Wall Street Access. Additionally, Senior Management personnel of the Firm are also registered with the National Futures Association through the Firm's broker dealer affiliate.

The Firm is the general partner of the Fund of Funds.

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

The Firm maintains a written code of ethics. We will provide a copy of the Firm's code of ethics to you upon request. The Code of Ethics is based on the principle that the Firm and each of its employees owe a fiduciary duty to its clients and a duty to comply with federal and state securities laws and all other applicable laws. These duties include the obligation of your advisor and other Firm employees to conduct their personal securities transactions in a manner that does not interfere with your transactions or otherwise to take unfair advantage of our relationship with you. The general principles of the code of ethics include: your advisor has the duty at all times to place your interests first, your advisor must conduct all personal securities transactions in a manner to avoid any actual or potential conflict or abuse of a position of trust and responsibility, your advisor must conduct all personal securities transactions so as to avoid even the appearance of a conflict of interest with your account.

The Firm and its advisors may buy, sell or hold positions in securities or related securities that it also recommends to its customers. For example, the Firm holds a significant investment in the Fund of Funds which it also recommends to clients and which may be recommended to other investors by Wall Street Access. Additionally, your advisor may buy, sell or hold a specific security or related security that is recommended to you. Generally, if an advisor purchases or sells a security that is also purchased or sold for your account, the advisor's purchase or sale will be executed along with your transaction so that you and the advisor receive the same average price. If transactions for advisors are effected at a different time than your order, they will be executed in such a way that the timing of the order does not interfere or conflict with your transaction. This is usually accomplished by the advisor executing a transaction for their account on a different day.

If an advisor has an interest in the issuer that he is also recommending or purchasing for your account, such as a business relationship with the issuer, the advisor is obligated to disclose that to you.

The predominant conflict with regard to an advisor's personal trading or participation or interest in the client's transactions is the potential for the advisor to profit or benefit from their position with respect to you and your account. Some of the potential conflicts of these arrangements are addressed by requiring advisors to get pre-clearance of all personal securities transactions. Additionally, all advisors are required to disclose any securities accounts that are held away from the Firm. Compliance personnel review the account statements for advisor's personal securities accounts for potential conflicts. Additionally, conflicts of interest between the advisors transactions and the advisors adherence to the firm's Code of Ethics are periodically reviewed through trade activity reviews by the Chief Compliance Officer or his designee. These reviews are designed to detect patterns of potential conflicts or violations.

## **9. Brokerage Practices**

The Firm has the fiduciary duty to engage in brokerage practices that are in the best interests of you and your account. The three areas of brokerage that receive the greatest

attention from us are: (1) best execution; (2) soft dollars; and (3) directed brokerage arrangements.

### **Research and other Soft Dollar Benefits**

Some of the Firm's advisors have arrangements with executing broker-dealers whereby we receive research in exchange for the placement of our client trades. This is called a "soft dollar arrangement." Client commission dollars, instead of "hard" dollars, pay for the research, which is used by the Firm for that client's account or other clients' accounts. The broker-dealer may provide research directly or obtain the research from third party vendors. The Firm receives hard copy research reports that are created by the executing broker.

We feel that these arrangements where we may use a portion of your commission dollars to pay for the research benefit you and our other customers because we do not have to produce the research internally and the research we receive is completely independent. The Firm may have the incentive to send orders to the broker dealers that provides the Firm with research rather than choosing based on most favorable execution. The decision to send orders to these broker dealers in return for soft dollar benefits may cause you to pay higher commissions than those charged by other broker dealers. The Firm makes its best effort to allocate the soft dollar benefits proportionately. Instances may arise where a customer receives a soft dollar benefit without paying for it or may pay higher commissions and not receive a direct soft dollar benefit. Soft dollar benefits include: written research that is company, sector or industry specific, direct access to broker dealer analysts, corporate access to industry and company conferences and access to corporate road shows. Some of the Firm's advisors may also pay a higher commission for execution services from broker dealers that provide best execution. These advisors will use specific executing brokers when they feel that they can provide best execution on our orders in thinly traded stocks or in stocks that they have a particular expertise in.

### **Procedures Used in the Last Year to Direct Brokerage**

The following are instances where an advisor may have directed your order to a specific broker-dealer in return for soft dollar benefits:

#### Size Improvement

Your advisor may select broker-dealers that execute trades in markets that provide the greatest liquidity and thus potential for execution of orders larger than the size quoted.

#### Research and Soft Dollars

Your advisor may consider broker-dealers that provide research and brokerage services pursuant to soft dollar arrangements, provided such arrangements comply with the Firm's policies and procedures.

#### Quality of Overall Execution Services

Your advisor may select broker-dealers that consistently execute trades in an accurate and professional manner, including providing prompt and accurate oral, hard copy or electronic reports of execution.

### Expertise

Your advisor may select one broker-dealer over another qualified broker-dealer if the former broker-dealer has special expertise in executing trades for a particular type of security.

### **Brokerage for Client Referrals**

The Firm does not reward broker-dealers for referring advisory clients to us by directing client trades and thus commissions to such broker-dealers.

### **Directed Brokerage**

The Firm does not routinely recommend, request or require you to direct your advisor to execute transactions through a specific broker-dealer. The Firm will enter into directed brokerage arrangements at your request only if such arrangements comply with applicable securities laws and regulations. Client directed brokerage might result in higher commission rates because the Firm may not be able to aggregate orders to reduce transaction costs and the client may receive less favorable executions.

The Firm may utilize its affiliated broker-dealer, Wall Street Access, to provide brokerage services for your account. As such, Wall Street Access may execute securities transactions for your account. In this instance, all relevant fee arrangements applicable to your account will be disclosed to you. Wall Street Access will ensure that all client transactions receive best execution, which may include utilizing an unaffiliated broker, if necessary. All orders sent to Wall Street Access will be executed on an agency basis to address potential conflicts of interest.

Also, the Hedge Funds that participate in the Firm's Fund of Funds may choose to utilize Wall Street Access to provide brokerage services for their own investment accounts. Such executions will typically be on an agency basis and the client will be charged a commission by Wall Street Access in connection with each transaction.

### **Order Aggregation**

Whenever feasible, trade orders will be aggregated when an advisers desire to purchase or sell the same security for multiple clients. Orders for two or more customers may be aggregated only if it is in the best interest of each client participating in the order and if it is consistent with the firm's duty to obtain best execution.

The price of the securities purchased or sold in an aggregated order will be at the average share price for all transactions of the clients in that security on a given day. The allocation of securities obtained in an aggregated securities order will be made in accordance with the firm's trade allocation procedures.



## **Important Information Regarding Accounts Managed by David Rauch**

David Rauch may recommend a broker of record and its corresponding custodian such as TD Ameritrade. These advisors participate in the TD Ameritrade Institutional program which offers services that include custody of securities, trade execution, and clearance and settlement of transactions.

The firm or its designated representatives may receive certain support services that may assist the firm in its investment decision-making process for all clients whose assets are custodied at TD Ameritrade.

David Rauch receive no products, research, or services (i.e., soft dollars) that would be considered a significant factor in utilizing TD Ameritrade. However, these advisors may receive certain services and products, such as fundamental research reports, technical and portfolio analyses, pricing services, economic forecasting and general market information, historical data base information, and computer software that assist in the investment management process, from its custodian.

As a general matter, brokerage and research services are used to service all of David Rauch's clients. However, each and every brokerage or research service may not be used for the benefit of all individual accounts. Brokerage commissions paid by one account may be used to pay for brokerage and research services that may not be used to service that account. The Firm does not usually attempt to allocate the relative costs, benefits or research among client accounts because it believes that, in aggregate, the research it receives benefits clients and assists the firm in fulfilling its overall duty to its clients.

### **10. Review of Accounts**

#### **Account Management Services to Individual Investors**

Advisors, Department Managers and Compliance personnel will provide ongoing reviews of accounts for Individual Investors. The ongoing reviews are designed to ensure that portfolios are constructed and performed in accordance with the client's stated investment objectives and/or selected portfolio objective. On a quarterly basis, the Investment Review Committee reviews all of the advisory account business activity. These reviews are designed to address investment allocation, best execution, employee trades, suitability and investment management.

#### **Investment Management Services to Funds of Funds**

The Investment Committee regularly evaluates each Hedge Fund and Investment Manager that is included in the fund of funds to ensure that their investment program is consistent with the Fund's or the Affiliates investment objective, respectively, and to monitor whether their investment performance is satisfactory. Advisors and analysts provide continuous monitoring through ongoing due diligence efforts, and reports to the Investment Committee on a monthly basis.

## **11. Client Referrals and Other Compensation**

Wall Street Access, the Firm's broker-dealer affiliate, receives commission compensation from some of the Hedge Funds that are included in the Firm's Fund of Funds. These hedge funds may choose, at their own discretion, to send trades to Wall Street Access for execution.

Many, if not most, of the Hedge Funds in which the Fund invests will execute trades through Wall Street Access. Wall Street Access receives brokerage commissions for these transactions at rates comparable to those charged to other institutional customers. The Firm will not condition any investment in a Hedge Fund on whether the Hedge Fund executes transactions through Wall Street Access. Nevertheless, the Firm has an incentive to invest the Fund's assets in Hedge Funds that trade through Wall Street Access.

For accounts that are invested in mutual funds, Wall Street Access may receive 12b-1 fees directly from the mutual fund.

The Firm may compensate employees of the Firm's affiliated broker-dealer, Wall Street Access for client referrals. The compensation would be in the form of a percentage of the overall advisory fees collected by the Firm for a specified period of time.

As noted previously, David Rauch participates in TD Ameritrade's institutional customer program and may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between the firm's participation in the program and the investment advice it gives to its clients, although we may receive economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits may include the following products and services; the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to the firm by third party vendors. Some of the products and services made available by TD Ameritrade through the program may benefit the firm but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services may be made available by TD Ameritrade that are intended to help us manage and further develop its business enterprise. The benefits received by the firm or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, we endeavor at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by the firm or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

## **12. Custody**

The assets of your account are maintained in the custody of the clearing firm of Wall Street Access unless you have instructed us to maintain them at a different custodian. You will receive statements directly from the Firm's custodian. You will receive the following statements from the custodian; (i) monthly statements showing all account assets and transactions occurring in the account in the prior month including an indication of all amounts dispersed from the account and the amount of the advisory fees paid; and, (ii) annual tax information.

If you are invested in the Firm's Fund of Funds, a third party Fund Administrator will send quarterly statements directly to you. The quarterly statement will include performance figures and a capital summary.

In some instances, your advisor may produce quarterly performance reports. These reports should not be confused with your account statements and we encourage you to review any reports you receive directly from your advisor or the Firm with the statements you receive from the custodian.

For customer accounts managed by David Rauch, your assets will be maintained by an unaffiliated, qualified custodian TD Ameritrade, a mutual fund company or transfer agent. Your assets are not held by our advisory firm or any affiliate of our firm. TD Ameritrade, the qualified custodian is authorized by the client to deduct and direct payment of advisory fee directly from the client's custodial account.

Clients should receive account statements on at least a quarterly basis from TD Ameritrade. The Firm urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you and rely solely on the account statement received from the qualified custodian.

### **13. Investment Discretion**

The Firm accepts discretionary authority to manage the securities in your account if you choose. A discretionary account allows the advisor, at his or her discretion, to decide when to buy and sell securities in your account, what securities to buy or sell for your account and the price and time securities are purchased or sold. The discretionary authority may be granted by a clause in the Asset Management Agreement or it may be granted by signing a separate Power of Attorney. The Firm will not assume it has discretionary trading authority unless it is expressly granted by you. You have the right, with any account that you have acknowledged as discretionary, to restrict the purchase of any security in that account by notifying us in writing. We will not invest in any securities that you specify as "restricted securities" and you may modify that list as needed.

### **14. Voting Client Securities**

You can delegate your advisor to vote your proxies on your behalf or you can retain the authority to vote your own proxies. If you delegate your voting rights to your advisor,

your advisor will vote proxies related to securities held in your account in a manner solely in your best interests. The advisor will consider only those factors that relate to your investment, including how its vote will economically impact and affect the value of your investment. Proxy votes will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, and maintain or increase the rights of shareholders. Proxy votes will be cast against proposals having the opposite effect. In voting on each and every issue, your advisor will vote in a prudent and diligent fashion and only after a careful evaluation of the issue presented on the ballot. You may contact your advisor directly to find out how proxy votes were made on specific issues.

The Firm recognizes that conflicts between itself and clients may arise in voting the proxies of public companies and that these conflicts must be addressed. The Chief Compliance Officer is responsible for identifying potential conflicts of interest in regard to the proxy voting process. Where appropriate, the Firm will use any of the following methods to resolve such conflicts: we may provide you with information regarding the shareholder vote and the Firm's potential conflict and obtain your consent before voting, we may vote based on the Firm's written voting guidelines, we may vote based on an independent third party's recommendation or we may request that you ask another party to determine how the proxies should be voted.

You may request a copy of the Firm's proxy voting policies and procedures by contacting the Firm's Compliance Department.

## **15. Financial Information**

The Firm does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance so it is not required to include a balance sheet. Additionally, the Firm will disclose to you any financial condition that is reasonably likely to impair our ability to meet any contractual commitments to you when any such event arises.

## **17. Requirements for State-Registered Advisers**

The following people are the Firm's principal executive officers and/or management persons:

Denis P. Kelleher

President and Investment Committee Member

Mr. Kelleher was a founding officer of the Firm in February 2001 and also is the Chairman and founder of Wall Street Access, where he has been employed since 1981 and currently holds the position of Chairman of the Board. Mr. Kelleher is Director of the The New Ireland Fund, Inc. (a closed-end fund listed on the NYSE), where he serves on the Investment Policy Committee. Mr. Kelleher is a graduate of St. Brendan's College, Killarney, County Kerry, Ireland and of St. John's University.

Arthur L. Goetchius

Chief Executive Officer and Investment Committee Member

Mr. Goetchius is the Chief Executive Officer of Wall Street Access Asset Management and the Chief Executive Officer of Wall Street Access, an affiliate of the Firm, where he has been employed in various positions as a principal officer of the firm. Prior to that Mr. Goetchius worked at Datek Online Holdings as a Consultant in July 2002, AMT Capital Securities LLC as President and Chief Financial Officer in July 1994 and D. Blech & Company Inc. as Chief Financial Officer in March 1994. Mr. Goetchius has over 25 years' experience in the financial services industry.

Thomas Burnett, CFA

Director of Business Development

Mr. Burnett was a founding officer of the Firm in February 2001 and previously held the position of President of Merger Insight, an institutional research service and a Division of Wall Street Access. Mr. Burnett is the founder and principal author of Mergers & Acquisitions, which was formed in 1996. Prior to that, Mr. Burnett worked at Merrill Lynch as Managing Director of the Risk Arbitrage Department from 1982 through 1986 and was then Managing Director of International Equities from 1986 through 1992. Mr. Burnett is a graduate of Williams College and has an MBA from Stanford University Graduate School of Business. Mr. Burnett was born in 1943.

Colleen Kelleher Sorrentino, CFA

Financial Advisor and Investment Committee Member

Ms. Sorrentino was a founding officer of the Firm in February 2001 and has been a Vice President with Wall Street Access and Wall Street Advisors since 1995. She is a graduate of the University of Rochester and earned an MBA in Finance from the Stern School of Business at New York University. Ms. Sorrentino was also awarded the Chartered Financial Analyst designation in 2000. Ms. Sorrentino was born in 1969.

Advisory Board

WSAAM also utilizes an Advisory Board to provide periodic advice to the Investment Committee on major trends that will influence the securities markets. While this input helps the Investment Committee determine general investment strategies and asset allocations, the Advisory Board does not determine the client investment advice.