

## Item 1 – Cover Page

**Form ADV Part 2A Brochure**  
**[February 10, 2012]**

**DSC Advisors, L.P.**

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**[www.dscllc.net](http://www.dscllc.net)**

This Brochure provides information about the qualifications and business practices of DSC Advisors, L.P. (the “Adviser” or “We”). If you have any questions about the contents of this Brochure, please contact us at (312) 915-2400. 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 DSC Advisors, L.P. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

DSC Advisors, L.P. is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.

## Item 2 – Material Changes

This brochure filed on February 10, 2012 is prepared based on rules adopted by the United States Securities and Exchange Commission in 2010. Those rules substantially modified the format, organization and content of the written disclosure statement required of registered investment advisers by Rule 204-3 promulgated under the United States Investment Advisers Act of 1940.

This Brochure is the initial Brochure for the Adviser. In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of those changes. We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge, and will also reference the date of our last annual update of our brochure.

Currently, our Brochure may be requested by contacting [David Nietfeldt, Chief Compliance Officer] at [312-915-2400] or [nietfeldt@dscllc.com].

Additional information about the Adviser is also available via the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### **Item 4 – Advisory Business**

The Adviser is a Delaware limited partnership that began operations in 2002 and is principally owned by the 2003 AGB Family Dynasty Trust, which is ultimately controlled by Andrew G. Bluhm (“Principal”).

The Adviser currently provides discretionary investment advisory services to private investment funds through a master-feeder structure (the “Funds”). A master-feeder structure is a common private investment fund structure in which all or part of two separate funds’ assets (“feeder funds”) are invested in a centralized fund (“master fund”). In the Funds’ case, Delaware Street Capital, L.P., a Delaware limited partnership (the “Domestic Feeder Fund”) and Delaware Street Capital Offshore, Ltd., a Cayman Islands exempted company (the “Offshore Feeder Fund”) are the feeder funds (and are collectively referred to herein as the “Feeder Funds”), and invest all or substantially all of their assets in the master fund, Delaware Street Capital Master Fund, L.P., a Cayman Islands limited partnership (the “Master Fund”).

Each Feeder Fund’s investment objective, strategy and process are described in its Confidential Information Memorandum. Each Feeder Fund’s Confidential Information Memorandum and governing documents, in addition to describing, among other things, our investment management relationship, the Funds’ investment program and objective and the specific terms applicable to an investment in a Fund (including as to fees and other compensation, costs and expenses, and liquidity), contains a discussion of various risk factors and considerations, as well as certain conflicts of interest, that generally is more extensive in scope and detail than those described in this Brochure. Accordingly, this Brochure and the information set forth herein is qualified in its entirety by the disclosures in each Feeder Fund’s Confidential Information Memorandum and the terms of a Fund’s governing documents.

The Adviser serves as the Funds’ investment manager and has full discretion to manage the Funds’ investment portfolios. The Feeder Funds’ investment objectives are to generate positive risk-adjusted net returns over the full course of a market cycle by opportunistically acquiring and selling short securities including, but not limited to equities, options, and related instruments. The Adviser tailors its investment advisory services to the Funds and not to the needs of any underlying investors in the Funds. The Adviser’s methods of analysis, investment strategies, and risks are further described in Item 8 below.

As of December 31, 2011, the Adviser had \$163.9 million of regulatory assets under management, all of which are managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

### **Management Fees; Performance-Based Compensation**

We generally receive a management fee calculated as a fixed percentage of the value of the assets we manage. The management fee is generally paid monthly in advance. Any unearned fees will be refunded. In addition, as further described below in Item 6, we or our affiliates are entitled to additional compensation in the form of an incentive allocation or fee based on the performance achieved for a client over a specified measurement period, generally, a fiscal year (collectively, the management fee and incentive allocation or fee are referred to herein as “Fees”). Our Fees are deducted from the Funds’ assets. Our fee schedule is omitted since this brochure is only delivered to qualified purchasers as defined in Section 2(a) (51) (A) of the Investment Company Act of 1940, as amended.

Fees applicable to the Funds are described in each Fund’s Confidential Information Memorandum. We are generally permitted under the terms of a Fund’s governing documents to reduce or waive, in our sole discretion, our Fees for underlying investors in the Fund. For example, we may reduce the Fees applicable to investments in a Fund by certain large or strategic investors.

We may launch or manage other funds or accounts with higher or lower fees and/or different compensation structures. Different client facts and circumstances, including the client’s investment strategy, liquidity profile and prevailing market terms, will be considered in determining applicable Fees.

### **Costs and Expenses**

In addition to the Fees discussed above, investors in the Funds will bear indirectly the fees and expenses charged to the Funds. Those fees will vary, but typically include but are not limited to the following: the Feeder Funds’ *pro rata* portion of all of the Master Fund’s expenses relating to its investment activities, including brokerage commissions, prime brokerage fees, “bid-ask” spreads, mark-ups, interest expenses, stock loan expenses, costs incurred by errors committed in trading securities barring willful misconduct, gross negligence, or bad faith and other transactional charges. In addition, the Funds will directly bear certain expenses relating to cash management and certain fees relating to the Funds’ administration, such as legal, accounting, audit, tax preparation, consulting and custodial fees and expenses.

A Feeder Fund’s Confidential Information Memorandum and governing documents detail the costs and expenses that are the responsibility of the Feeder Fund or the Master Fund, as well as certain overhead costs and expenses that generally are our responsibility.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

### **Performance-Based Fees**

As detailed in Item 5 above, we or certain of our affiliates are entitled to receive performance-based compensation from the Funds in the form of an incentive allocation or fee. The applicable incentive allocation or fee made or payable to us or one of our affiliates generally is calculated as a percentage of “net” new profits. Net new profit is, generally speaking, profit over a “high water mark,” which is the greater of the value of an investment on the last date that incentive compensation was previously paid or the date of the investment. The incentive compensation is typically allocated to the Adviser or its affiliate as of the end of the fiscal year. In the event that an investor in a Fund withdraws capital at any time other than at the end of a fiscal year, the deduction is generally made with respect to the investor as though it were being made at the end of a fiscal year. The incentive compensation generally includes realized and unrealized gains and losses.

All compensation arrangements where the Adviser or its affiliates receives incentive compensation will comply with the requirements of Rule 205-3 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Performance-based fee arrangements may create an incentive for the Adviser to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement.

### **Side-By-Side Management**

Side-by-side management is the simultaneous management of multiple accounts that follow the same or similar investment strategies. Since the Funds are managed in a master-feeder structure, there are limited conflicts with regard to the simultaneous management of the Funds as trading generally occurs at the Master Fund. Due to the fact that trading activity such as realized and unrealized gains is generally allocated pro-rata to each of the Feeder Funds, there are limited situations that could arise in which one Fund is treated more favorably than another Fund for allocation purposes.

## **Item 7 – Types of Clients**

The Adviser currently provides discretionary investment advice to several related private investment funds, including private investment partnerships and foreign investment companies. Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act of 1933, as amended. Investors in the Funds are

subject to qualification standards. Investors in the Funds may include, among others, pension plans, foundations, funds of funds, family offices, trusts, other institutional investors and high net worth individuals. The minimum initial investment in the Funds is generally \$1 million, subject to change or waiver at the discretion of the Adviser and/or the Fund's Board of Directors, if applicable.

In addition to the Funds, we may in the future provide advisory services to other private investment funds or other clients.

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

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

In formulating investment advice and in managing assets on behalf of the Funds, we primarily use a fundamental valuation analysis for all long and short positions. As part of our due diligence process for an investment, we may consider, among other things, analyses of income, balance sheets and cash flow statements, capital structures management, industry, competitors and competitive position, public and private market valuation, and contingent liabilities. We apply our fundamental value orientation opportunistically across a wide array of companies and industries.

As detailed in the investment objectives for the Feeder Funds as outlined in Item 4 of the Confidential Information Memorandum, we seek to cover a broad range of industries with specific areas of specialization matching our unique professional experience. In constructing the Funds' portfolios, we attempt to diversify investment holdings with an aim to limit portfolio correlation. We also periodically quantify and monitor the downside risks of portfolio investments. The Adviser may hire, as appropriate, consultants with industry specific expertise to assist with analyzing a particular investment.

We are not limited in the methods we may use to evaluate a particular investment. While we primarily employ a fundamental valuation analysis, we may take a macro view or other view when selecting investments for the Funds.

Mr. Bluhm is responsible for the general oversight and day-to-day management of the Funds' portfolios.

### ***Investment Strategies***

The Adviser's primary investment strategy for the Funds focuses on acquiring long positions in undervalued securities or selling short overvalued securities. On the long side,

we seek to target companies where an investment has limited downside and compelling appreciation potential. We anticipate that the companies in which the Funds invest will have many of the following characteristics:

- Attractive valuation in absolute terms and/or with regard to growth prospects;
- Sustainable business model with opportunities to maintain or grow its business and operating margins;
- Solid management and strong earnings quality;
- Ability to generate cash flow even in recessionary or distressed environments;
- Reasonably assessable contingent or off balance sheet liabilities; and,
- Limited risk of obsolescence.

On the short side, we target companies with few or none of the above characteristics. In addition, we seek investments that appear to be overvalued due to additional specific or industry-wide short term or sustained business flaws.

In the course of implementing its investment strategies, the Adviser may also employ the use of a variety of securities, including, but not limited to, equities, options, fixed-income securities, bank debt, warrants, and derivative contracts such as total return swaps on equities or bank debt, credit default swaps, and/or swaptions. Each of these products may be subject to market risk, currency risk, credit risk, and/or off-balance sheet risk. These risks are discussed in greater detail in each Feeder Fund's Confidential Information Memorandum. The Adviser may employ leverage and invest in illiquid securities such as private placements.

We will seek to hedge certain risks and exposures associated with the Funds' portfolios by investing in derivatives, including equity index option or equity options on individual securities contracts, or through long positions which mitigate or limit portfolio exposure. We may also hedge foreign currency exposure for investments denominated in non-U.S. Dollars.

### ***Risk of Loss***

The investment objectives and methods summarized above represent the Adviser's current intentions. Depending on conditions and trends in the securities markets and the economy in general, the Adviser may pursue any objectives, use any investment techniques or purchase any type of security that it considers appropriate and in the best interests of the Funds whether or not described in this section. The above discussion includes and is based on numerous assumptions and opinions of the Adviser concerning world financial markets and other matters, the accuracy of which cannot be assured. Investing in securities involves risk of loss that clients should be prepared to bear. The Adviser's past



performance generally or the past performance of the Funds should not be construed as an indication of any futures results. There can be no assurance that the Funds' investment strategy will be achieved and if achieved that it will create profitable results.

Set forth below is a summary of certain material risks applicable to the advisory services provided by the Adviser to the Funds. The summary is qualified in its entirety by the risk factors set forth in each Feeder Fund's Confidential Information Memorandum.

- Investment approach and strategy risks such as the Adviser's opportunistic fundamental investing approach
- Equity securities risks
- Short sale risks
- Fixed-income investment risks
- Derivative instruments risks
- Options risks
- Exchange-traded funds investment risks
- Foreign securities risk
- Affiliated investment risks
- Credit risk
- Dependence on the Adviser for management of the Funds

#### **Item 9 – Disciplinary Information**

Item 9 is not applicable to us as we have no reportable material legal or disciplinary events.

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

There are no material limitations on our ability to conduct any other business, including any business within the financial or securities industry, whether or not that business is in competition with the Funds, or on the ability of our personnel to serve as officers, directors, consultants, partners or security holders of one or more other investment funds, partnerships, securities firms or advisory firms.

One of our affiliates, which is under common ownership and control with us, serves as general partner for the Domestic Feeder Fund organized as a Delaware limited partnership for which we serve as the investment manager. As general partner, this affiliate receives the incentive allocation described in Item 6 above in respect of the Domestic Feeder Fund for which it serves as general partner.

Mr. Andrew G. Bluhm is the Principal of both the Adviser and the general partner and also serves as a member of the Board of Directors of the Offshore Feeder Fund.

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

The Adviser, its Principal or related entities will generally have a material investment in the Funds. Therefore, the Adviser may be considered to participate, indirectly, in transactions effected for the Funds. The foregoing relationships, fees and any other actual or potential conflicts of interest are disclosed in the applicable Fund's Confidential Information Memorandum.

The Adviser, its employees, and family members of employees and entities sponsored by such persons may co-invest with the Funds into special purpose entities. The terms of any such transactions by and among the Adviser, Funds, their employees, family members of employees, and entities sponsored by such persons must be approved by the general partner or Adviser as reflective of market terms and arm's length negotiations. The Adviser, several of its employees, and family members of employees may benefit from the fees earned by special purpose entities from transactions with these entities and individuals as well as any fees or allocations due to the Adviser or general partner as a result of such transactions.

The Adviser may act as investment manager, investment adviser and/or general partner for a number of clients, accounts, funds and collective investment vehicles, including private investment funds pursuing similar or varied investment strategies. The Adviser will allocate investment opportunities among its clients in a manner that it considers fair, reasonable and equitable. However, the Adviser may give advice and take action, with respect to any of those clients, accounts, funds and collective investment vehicles that may differ from or be identical to the advice given, or the timing or nature of action taken, with respect to other clients. The Adviser, its respective affiliates, and the Principal, officers, partners, managers, employees and agents of the Adviser and its respective affiliates may engage in transactions or investments, or cause or advise other clients to engage in transactions or investments, that may differ from or be identical to the transactions or investments engaged in by the Adviser for a client's account. There can be no assurance that an investment opportunity which comes to the attention of the Adviser and its affiliates will not be allocated wholly or primarily to one or more of the Adviser's clients, with other clients being unable to participate in this investment opportunity or participating only on a limited basis, or with other clients not sharing the risks of the investment. The Funds could be disadvantaged because of activities conducted by the

Adviser for other clients as a result of, among other things: legal restrictions on the combined size of positions which may be taken for all accounts managed by the Adviser, thereby limiting the size of any one client's position; and the difficulty of liquidating an investment for more than one account where the market cannot absorb the sale of the combined positions.

The Adviser's personnel are permitted to trade for their own accounts, and from time to time may buy or sell securities or futures that the Adviser trades for the Funds. To avoid any potential conflicts of interest resulting from the personal trading of the Adviser's Principal and employees, and to avoid the misuse of material, non-public information, the Adviser has adopted a written Code of Ethics (the "Code") designed to address and avoid potential conflicts of interest, as required under Rule 204A-1 of the Advisers Act.

The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons of the Adviser must acknowledge the terms of the Code annually, or as amended. The Code also requires the Principal and employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide the Adviser with a detailed summary of personal securities holdings (both initially upon commencement of employment and annually thereafter), in each case subject to certain exceptions described in the Code.

Clients or prospective clients may request a copy of the firm's Code by contacting its Chief Compliance Officer, Mr. David Nietfeldt.

Employees of the Adviser may serve as directors or in a similar capacity for companies (each, a "Portfolio Company") whose securities are purchased or held by the Funds. In the event that the Adviser or its employees obtain material non-public information with respect to any Portfolio Company of whose board of directors he or she serves or is subject to trading restrictions pursuant to the internal trading policy of such a Portfolio Company, the Adviser may be prohibited from engaging in transactions in the securities of such Portfolio Company for a period of time. Employees of the Adviser who serve on a board of directors may also face conflicts of interest since they may receive compensation, including fees, options, or discounted securities for serving as a director, or have other financial interests in the company. A conflict may arise in situations where the director's duties conflict with the interests of the Funds.

## Item 12 – Brokerage Practices

The Adviser is authorized to make the following determinations in accordance with each Fund's and other clients' objectives and restrictions without obtaining prior consent from the Funds, any of its investors or other clients: (1) which securities or instruments to buy or sell; (2) the total amount of securities or instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions.

In making its decisions regarding the allocation of brokerage transactions for the Funds and other clients, the Adviser seeks to obtain the best execution, taking into account the following factors: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of the order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer; (iv) the quality, comprehensiveness and frequency of available research services considered to be of value to the Adviser and its clients; (v) the value of brokerage services over and above trade execution provided to the Adviser and its clients including market, industry, or company specific research and analysis; and (vi) the competitiveness of commission rates in comparison with other broker-dealers satisfying the Adviser's other selection criteria. Although the Adviser generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Transactions may involve, among other things, specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services.

In selecting a broker for any transaction or series of transactions, the Adviser may consider a number of factors, including, for example, net price, reputation, financial strength and stability, efficiency of execution and error resolution, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, the availability of stocks to borrow for short trades and other matters involved in the receipt of brokerage services generally.

Where best execution may be obtained from more than one broker, the Adviser may purchase and sell securities through brokers who provide research, statistical and other information, although not all Funds may in every instance be the direct beneficiaries of the research services provided. Research furnished by brokers may include, but is not limited to both internally generated items (such as research reports prepared by employees of the broker), as well as items acquired by the broker from third parties (such as quotation

services). The Adviser has used, and expects to use soft dollars for costs and expenses otherwise payable by the Funds.

Some of the brokerage and research services obtained by the Adviser may be used for both research and non-research purposes ("mixed use items"). In such cases, the Adviser will make a reasonable allocation of the cost of the product or service according to its use. Except as described below, the Adviser will use soft dollars to pay the portion of the product or service that provides assistance in the investment decision-making process while the portion not related to the investment decision-making process (i.e., the portion not afforded under the 'safe harbor' protection of Section 28(e)) will be paid directly by the Adviser.

In selecting a broker, the Adviser makes a good faith determination that the amount of such transaction fee charges are reasonable in comparison to the value of the research services provided and that such research benefits (either alone or together with other Funds managed by the Adviser) the Fund for which securities transactions are placed.

While the Adviser generally intends to accept research and related services falling within the safe harbor for fiduciaries' use of commissions arising from clients' portfolio transactions established by Section 28(e), the Adviser may make use of certain research and related services that fall outside the safe harbor. The Adviser may use soft dollars generated from the Funds' transactions to obtain non-research products and services, including without limitation, software and hardware for the Adviser's risk management, portfolio management, compliance, accounting, trade allocation and other internal systems that may be used by the Adviser's trading and non-trading professionals, consulting services, including consultant's travel and related expenses, data services, non-research publications and subscriptions, legal, audit and other professional consulting bills of the Funds or for other accounts managed by the Adviser.

The Adviser may select a broker-dealer who is an employee or an affiliate of an investor in the Funds. The Funds may also engage third party selling agents to assist in introducing capital to the Funds.

In the event that the Funds incur a trade error as a result of the Adviser's gross negligence, willful misconduct, or fraud, such errors are to be corrected by Adviser as soon as practicable and in a manner such that the Funds incur no loss. Trade errors that otherwise occur and do not breach the standard of care stated above will be borne by the Funds, as stated in the Confidential Information Memoranda.

### **Item 13 – Review of Accounts**

We provide continuous advisory services to the Funds. Generally, the Principal is actively engaged with the Adviser's investment professionals in monitoring current and potential future investments as well as periodic risk management of the investment portfolio. The risk management process also includes frequent informal dialogue and active monitoring of the Funds' investments.

The Adviser provides investors with annual reports which include audited financial statements prepared in accordance with U.S. generally accepted accounting principles and at least quarterly reports which include a statement of the value of the investor's interest in the relevant fund and unaudited performance data.

In addition, the Adviser may agree to provide certain investors more frequent or more detailed reports of the Funds' portfolio holdings or performance.

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

We do not currently have any agreement or arrangement under which we or any related person compensates another person or entity for referring investors to the Funds or separately managed account clients to us. However, as disclosed in the applicable Confidential Informational Memorandum, we may engage and compensate persons or entities (whether or not affiliated with us) that are instrumental in the sale of interests in the Funds. For separately managed account clients, any referral agreement or arrangement and the related compensation will be disclosed to the client.

### **Item 15 – Custody**

The Adviser does not generally maintain physical custody of any client assets. All client assets are held in custody by unaffiliated broker-dealers or banks. However, the Adviser may be considered to have custody or access to those assets held in certain client accounts under certain circumstances, such as when an affiliate of the Adviser serves as the general partner or sponsor of the Funds. In these cases, the investors in the Funds generally do not receive statements directly from their custodians. Instead, the Funds are audited on an annual basis in accordance with generally accepted accounting principles (GAAP) and the financial statements are distributed to each investor within 120 days after their fiscal year-

end or as otherwise permitted under Rule 206(4)-2 under the Advisers Act (the “Custody Rule”).

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

The Adviser is given full investment discretion and is authorized to make the following determinations in accordance with each Fund’s and other clients’ objectives and restrictions without obtaining prior consent from the Funds, any of its investors or other clients: (1) which securities or instruments to buy or sell; (2) the total amount of securities or instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions. The Adviser’s discretionary authority regarding investments may be subject to certain limitations as stated in the Funds’ Confidential Information Memoranda.

#### **Item 17 – Voting Client Securities**

The Adviser generally exercises proxy voting authority for the Funds and believes that proxies should be voted in the best interests of the Funds. To that end, the Adviser has retained Institutional Shareholder Services (“ISS”) to vote the proxies on behalf of the Funds. The Adviser has conducted adequate due diligence, and has determined that proxies for the Funds should be voted in accordance with ISS’s Standard Proxy Voting Policy (the “Policy”). The Adviser is relying on ISS’s representation that its votes are independent, and that it will vote in accordance with the Policy. The Adviser may, at its sole discretion, choose to override ISS’s recommendation if it determines that the recommendation is not in the Funds’ best interest.

The Adviser will monitor for conflicts of interest that may arise with respect to a certain issue. When a conflict is determined to exist, the Adviser will refrain from overriding ISS’s recommendation. In such instances that ISS cannot provide a recommendation (e.g. a privately held investment), or the Adviser believes that voting in accordance with ISS’s recommendation would not be in the best interests of the Funds, the Principal will determine how shares should be voted.

The Adviser’s complete Proxy Voting Policy and Procedures are memorialized in writing and are available for review upon request. In addition, the Adviser maintains a record of all of the proxy votes cast on behalf of the Funds, which is also available upon request.

In addition, from time to time, “Class Action” documents may be received by the Adviser on behalf of the Funds. To that end, the Adviser has retained Financial Recovery Technologies (“FRT”) to ensure that the Funds either participate in, or opt out of, any class action settlements received, with the end goal being to maximize the total recoverable value. The Adviser may, at its sole discretion, choose to override FRT’s recommendation if it determines that the recommendation is not in the Funds’ best interest.

#### **Item 18 – Financial Information**

Item 18 is not applicable to us.