

# **Douglas Lane & Associates, LLC**

**FORM ADV PART 2A**

**BROCHURE**

777 Third Avenue, 38<sup>th</sup> Floor, New York, NY 10017

Phone: 212-262-7670; Fax: 212-262-2801

[www.dclainc.com](http://www.dclainc.com)

This brochure provides information about the qualifications and business practices of Douglas Lane & Associates, LLC. 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 DCLA is also available at the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **Item 2 – Material Changes**

There have been no material changes made to DCLA®'s Brochure since its previous filing on January 1, 2016.

We may at any time update this Brochure and send, or offer to send, a copy by email or in hard copy form.

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## **Item 4 – Advisory Business**

Douglas Lane & Associates, LLC (CRD #282563) succeeded to the advisory business of its predecessor Douglas C. Lane & Associates, Inc. (CRD #104882 / SEC #801-47055) as of January 1, 2016, and will do business under the name of Douglas Lane & Associates, LLC. (DCLA).

The advisory services and management of DCLA remain the same as its predecessor. The successor application reflects new ownership by Focus Operating, LLC. Douglas Lane & Associates, LLC is a wholly-owned subsidiary of Focus Operating, LLC, which is a wholly-owned subsidiary of Focus Financial Partners, LLC, a Delaware limited liability company (“Focus”), [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com).

DCLA Partners LLC provides management, supervision, oversight and operational support services to DCLA, pursuant to a Management Agreement between Focus and DCLA Partners LLC. The primary management team of DCLA Partners LLC includes Sarat Sethi and Edward D. Dewees, who are executive officers of DCLA.

DCLA is a registered investment advisory firm based in New York City. DCLA provides asset management for high-net-worth individuals and families, trusts, endowments, corporations, pension and retirement accounts, foundations and institutions. Our clients currently reside in 44 states and 15 countries around the world. As of January 1, 2016, discretionary assets under management totaled \$4,389,224,244. (Discretionary management is defined as: the client has given us authority to place trades on their behalf in their accounts.)

DCLA provides customized management of stock and bond portfolios for our clients. We seek to provide equity returns above the Standard & Poor’s 500 stock index, but allocate clients’ capital between common stocks and fixed-income securities in accordance with their risk tolerance and their investment objectives. Our clients primarily own individual common stocks and fixed-income securities. We do not invest in or sell any financial products such as mutual funds, ETFs, annuities, insurance, etc. Our firm’s only revenue comes from the investment advisory fee we charge to manage our clients’ portfolios.

Each client portfolio is managed on an individualized basis. We do not manage assets in any “pooled” way (e.g., a mutual fund or “model portfolio”). Instead, we believe that we add significant value to our clients by customizing each client’s portfolio to his or her specific circumstances and needs. We work with clients to determine an investment strategy that supports their financial goals, lifestyle and risk profile. Some clients may wish to impose minor restrictions on investing in certain securities or types of securities and we will usually accommodate those restrictions. Communication is an essential part of a relationship, and we are always available to our clients by phone or for face-to-face meetings.

For those clients who seek additional guidance, we also offer a variety of financial planning services. These services include, but are not limited to, planning for retirement, education savings, charitable giving, tax and estate matters, and guidance related to mortgage and insurance topics. Our years of collaborating with our clients' accountants, lawyers, and other advisors provide us with considerable experience in identifying and managing these critical financial issues. While we have CFP® (Certified Financial Planner) practitioners on our staff, we do not charge a fee for financial planning services. However, we believe these services add significant value to our clients as they navigate their financial lives.

We handle all of the technical and regulatory compliance aspects of portfolio management. For discretionary accounts, we place trade orders to buy or sell securities with the clients' brokers/dealers. We have software that reconciles our portfolio management information with transactional data from the clients' brokers/dealers or custodians generally on a daily basis through electronic downloads. In some cases we reconcile accounts monthly if a broker/dealer or custodian is not set up for electronic daily downloads. We also keep careful records of realized capital gains and losses for each account.

In some instances a client may have an arrangement with a custodian or financial institution in which the financial institution provides a variety of services for a bundled fee. These accounts are managed the same as any other account under our management, but sometimes at an adjusted fee.

## **Item 5 – Fees and Compensation**

The only source of revenue for our firm is the fee assessed to manage our clients' assets. The fee is based on a client's assets under our management according to the following schedule:

1.00% on the first	\$ 5 million
.75% on the next	\$10 million
.60% on the next	\$15 million
.50% on the next	\$20 million
.30% thereafter	

Fees are negotiable and may vary from client to client. Certain employees, friends and family associated with DCLA do not pay fees, or receive discounted fees.

DCLA will generally bill clients quarterly, in advance, utilizing a quarterly fee calculation based upon the total market value of the assets in each account at the close of business on the last business day of the preceding quarter (the "Appraisal Date"). Quarterly periods do not necessarily correspond to calendar quarters since inception dates of an account or a client

relationship determines the quarterly period. In some instances, when there are special circumstances, fees, or the assets subject to fees, may be adjusted.

Clients may from time to time have cash assets invested in money-market funds which charge a management fee on the assets invested in the money-market funds. DCLA may also charge a fee on cash invested in money-market funds when such cash is considered available for long-term investment. DCLA may choose not to bill clients on cash or other asset classes or products as a concession to certain clients.

### Fee Payment Options

Clients receive a fee statement from us quarterly. As indicated in our Investment Advisory Agreement, there are two options from which to choose in paying for our services:

- Direct Debiting: Most clients choose to have their fees deducted directly from their accounts. The custodian does not validate or check our fee or its calculation.
- Pay-by-check

Our Investment Advisory Agreement with a client may be terminated at will by either party upon written notice. Fees are owed up to the date we receive written notice of termination from a client, and any fees paid in advance and unearned are refunded.

### **Additional Fees and Expenses:**

Advisory fees payable to us do not include expenses a client pays to the broker/dealer when we purchase or sell securities for his/her account(s). The following fees or expenses are generally paid directly by clients to their broker/dealer or custodian:

- Brokerage commissions
- Trade-away fees
- Custodial fees
- Transaction fees
- Exchange fees
- SEC fees
- Transfer taxes
- Wire transfer and electronic fund processing fees

These fees are charged by and paid to the broker/dealer or custodian from the clients' accounts. We do not receive, directly or indirectly, any portion of these fees charged to our client. In addition, none of our employees receive (directly or indirectly) any compensation from the

purchase or sale of securities or investments for our clients. As a result, we are a “fee only” investment advisor.

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

Not Applicable.

## **Item 7 – Types of Clients**

We provide our services to the following types of Clients:

- Individuals
- Trusts, estates, charitable organizations and institutions
- Corporations or other business entities
- Pension and profit sharing plans
- Others

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

**Analysis:** Our investment philosophy seeks to provide above-average total returns for our clients’ capital through long-term investment in individual equity and fixed-income securities. We seek to invest in companies that have business models that can generate attractive long-term returns for our clients. We do not invest in any pooled or collective vehicles such as hedge funds or private equity funds.

Central to every investment decision we make on behalf of our clients is our proprietary fundamental research process. We have an eight-member Research Committee which includes six principals, all of whom are portfolio managers/research analysts and serve as the voting members of the Committee, and two members who are non-voting research analysts. Six of the members also hold the Chartered Financial Analyst® designation. We invest significant time and resources into our extensive research process. In addition to visiting with companies, we utilize fundamental, top-down, bottom-up analysis for determining investment decisions. Our research analysis includes the study of company annual reports, prospectuses, filings with the Securities and Exchange Commission and press releases. We do not use market timing services of any kind.

**Investment Strategies:** We employ a “core” strategy which we believe derives its advantage from its flexibility. We invest in companies of all size. Since we are not constrained by company size, style, or geography, we can identify the best investment opportunities available in the market, regardless of how they may be classified by the broader investment community. We are long-term investors who believe our clients benefit primarily from the growth and capital

generation of the companies in which we invest, rather than any trading strategies we could employ.

### **Risk of Loss:**

All investments in securities include a risk of loss of principal (invested amount) and any profits that have not been realized (securities that have not been sold to “lock in” the profit). Stock markets and bond markets can fluctuate substantially over time, and performance of any investment or portfolio is not guaranteed. As a result, there is a risk of loss in the value of the assets we manage for our clients. We cannot guarantee any level of performance or that clients will not experience a loss in their account assets.

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

Not applicable.

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

DCLA is part of the Focus Financial Partners, LLC (“Focus”) network. As such, DCLA is a wholly-owned subsidiary of Focus Operating, LLC (“Focus Operating”), which is a wholly-owned subsidiary of Focus. Focus also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the “Focus Partners”). The Focus Partners provide wealth management, benefit and investment consulting services, serving individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds or limited liability companies as disclosed on their respective Form ADV, Schedule D.

DCLA does not believe that the Focus relationships pose a material conflict to clients. The Focus Partner firms do not share client information amongst each other without prior client consent. The Principals of the other Focus Partner Firms are not involved in the management of DCLA. Additional information about Focus can be found at [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com).

### **Item 11 – Code of Ethics**

DCLA has a fiduciary duty to serve and act in the best interests of our clients. A copy of our Code of Ethics is available on request and is summarized below.

Our Code of Ethics is distributed to each employee at the time of hire and annually thereafter. Our policies and procedures address conduct and practices by our firm and our employees that involve such matters as complying with all Federal Securities Laws, Rules, and Regulations



applicable to our business and safeguarding of material, non-public information. We have also adopted policies and procedures governing the purchase and sale of securities by employees, which among other things, require preclearance of certain transactions, and prohibit personal trading: 1) in securities currently being researched or considered for investment in clients' accounts (securities on the DCLA "Presentation List"); and 2) in securities on the "Approved List" within five business days after the securities have been added to the "Approved List" by the DCLA Research Committee.

## **Item 12 – Brokerage Practices**

DCLA does not act as a broker/dealer or custodian of client funds. Thus, each client is free to select a broker/dealer and custodian of their choice. We strongly recommend that clients choose a large, financially strong, low-cost broker/dealer as custodian. Over 75% of our clients' assets are custodied with low cost broker/dealers or custodians. However, clients may choose brokers/dealers or custodians with higher costs for various personal reasons. Except in instances when we may "trade away" (as described below), equity trades are placed individually for all DCLA managed accounts using the account's broker/dealer. In most cases, these trades are placed electronically and executed within seconds of their placement. We do not attempt to time trades based on market movements during the day. We believe that all trades placed for our clients' accounts in this manner are executed quickly, fairly and accurately.

In rare cases certain clients have directed us to trade through a specific broker. These directed broker trades may, or may not, be competitive with regard to "best execution." Employing a directed broker may mean the loss of the opportunity to receive "discount" commissions, negotiate commissions, or obtain volume discounts, any of which may, or may not, result in less competitive execution.

The vast majority of our clients' accounts that are maintained at various broker/dealers or custodians are not charged separate custody fees. Generally, the broker/dealer serving as custodian receives compensation from the client in the form of brokerage commissions. In addition, these brokers/dealers or custodians usually receive management fees on cash balances held in money-market accounts. Occasionally, as described below, DCLA will execute trades for a client "away" from the broker/dealer or custodian and deliver the shares into the client's account. In this case, and in addition to the commission paid to the executing broker/dealer, it is typical for the client's broker/dealer or custodian to charge a "trade away" fee for the clearance and settlement of trades executed through the outside broker-dealer.

### **Research and Other Soft Dollar Benefits:**

When we have discretion to select brokers/dealers for client security trades or engage in "trade away" transactions, commissions are used not only to complete the transaction, but also to

compensate for investment research provided to us (Soft Dollars). Use of Soft Dollars is permitted under Section 28(e) of the Securities Exchange Act of 1934 and allows us to pay brokers/dealers more than the lowest commission available in order to obtain research and brokerage services, as long as certain conditions are met. Section 28(e) allows us to use Soft Dollars to pay for research, as described below, used in the investment decision-making process. In choosing brokers/dealers, we consider their depth of expertise relative to the types of transactions we are executing. Some of the brokers we may trade with are Citigroup, Goldman Sachs, Jeffries, JP Morgan, and Morgan Stanley.

We receive access to investment conferences sponsored by various brokers/dealers that we select for security trades. These conferences provide us with access to the managements of companies that our clients own, or that we are researching for potential investment. In addition, we receive proprietary research from the brokers/dealers and other related third parties. .

We may have an incentive to select or recommend a broker/dealer based on our interest in receiving research or access to conferences, rather than our clients' interests in receiving most favorable execution and, therefore, clients may pay commissions higher than those charged by other brokers/dealers. We use Soft Dollar benefits to service all of our client accounts. We believe it would be impractical to allocate Soft Dollar benefits to client accounts proportionately to the Soft Dollar credits the accounts generate.

### **Item 13 – Review of Accounts**

Investment advice and management of portfolios is provided by Douglas C. Lane, Ned Dewees, Sarat Sethi, John R. Sini, Jr., Matthew L. Vetto and Michael Razewski, each of whom is a portfolio manager and research analyst. Client accounts are reviewed on a continuous basis. Each time a transaction is done in an account, a memorandum summarizing the transaction is sent to the client, together with a year-to-date gain/loss report for taxable accounts.

When we meet with clients to review their accounts, a comprehensive report is presented showing, among other things, equity and total performance versus the S&P 500 Index, asset allocation, economic sector breakdowns for equity holdings, fixed-income maturity schedules and cash-flow summaries. These meetings usually occur where the clients prefer, be it their homes, offices, our office or a local restaurant.

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

DCLA receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through DCLA's participation in the Schwab Advisor Network<sup>®</sup> ("SAN"). SAN is designed by Schwab to help investors find Registered Investment Advisors. Schwab is a broker-dealer independent of and unaffiliated with DCLA. Schwab does not supervise DCLA and has no responsibility for DCLA's management of clients' portfolios or other advice or services DCLA may provide.

DCLA pays Schwab compensation related to clients obtained through SAN. DCLA's participation in SAN may raise potential conflicts of interest described below.

DCLA pays Schwab "Participation Fees" on all client accounts obtained through SAN [prior to January 1, 2007,] and custodied at Schwab. Participation Fees are generally 15% of our fee and are based on a percentage of the value of the assets in the client's account. Participation Fees are billed to DCLA quarterly and may be increased, decreased or waived by Schwab from time to time. Participation Fees are paid by DCLA and not by the client. DCLA clients referred through SAN do not pay higher fees than non-referred clients.

DCLA generally pays Schwab a Non-Schwab Custody Fee if a client account obtained through SAN is transferred from Schwab. This fee is paid by DCLA not the client. The Non-Schwab Custody Fee is a one-time payment equal to 75 basis points of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees DCLA generally would pay in a single year. Thus, DCLA will have an incentive to recommend that client accounts referred through SAN be held in custody at Schwab.

For accounts referred by SAN after January 1, 2007, DCLA pays Schwab a Participation Fee on a graduated scale. Schwab households clients' accounts in order to give them the most favorable rate. Clients referred by Schwab do not pay higher fees to DCLA than anyone else does by reason of the referral.

The Participation Fee schedule for client accounts is based on the average daily total assets during the quarter in all client accounts of a household maintained at Schwab. The fee is calculated by Schwab and paid quarterly based on the following fee schedule:

.25% on the first	\$ 2 million
.20% on the next	\$ 3 million
.15% on the next	\$ 5 million
.10% on amounts over	\$10 million

DCLA also participates in the Fidelity Wealth Advisor Solutions Program ("WAS"), through which DCLA receives referrals from Strategic Advisers, Inc. ("SAI"), a registered investment adviser and subsidiary of FMR LLC, the parent company of Fidelity Investments. DCLA is independent and not affiliated with SAI or FMR LLC. SAI does not supervise or control DCLA, and SAI has no responsibility or oversight for DCLA's provision of investment management or other advisory services.

Under WAS, SAI acts as a solicitor for DCLA and DCLA pays referral fees to SAI for each referral received, based on DCLA's assets under management attributable to each client referred by SAI or members of each client's household. WAS is designed to help investors find an

independent investment advisor, and any referral from SAI to DCLA does not constitute a recommendation or endorsement by SAI of DCLA's particular investment management services or strategies. DCLA pays the following amounts to SAI for referrals: for a period of seven years from the date that a client funds any client account(s) with DCLA, DCLA shall pay SAI an amount equal to an annual percentage of 0.20% of any and all assets in such client accounts, with such amount to be billed and collected in arrears on a quarterly basis, based on the average daily balance of assets held in such accounts during the relevant quarter. These referral fees are paid by DCLA and not the client.

To receive referrals from WAS, DCLA must meet certain minimum participation criteria, but DCLA may have been selected for participation in WAS as a result of its other business relationships with SAI and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result of its participation in WAS, DCLA may have a potential conflict of interest with respect to its decision to use certain affiliates of SAI, including FBS, for execution, custody and clearing for certain client accounts, and DCLA may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to DCLA as part of WAS. Under an agreement with SAI, DCLA has agreed to not charge clients more than the standard advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to SAI as part of WAS. Pursuant to these arrangements, DCLA has agreed not to solicit clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other custodians for referred clients other than when DCLA fiduciary duties would so require; therefore, DCLA may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of SAI. However, participation in WAS does not limit DCLA's duty to select brokers on the basis of best execution.

DCLA has entered into a written solicitation agreement with Maxa Partners Inc. ("Maxa") (formerly MSL Business Solutions, Inc.), a certified public accountant unaffiliated with DCLA under which Maxa has agreed to introduce prospective clients to DCLA. In the event that a person referred by Maxa becomes a client of DCLA, Maxa is entitled to receive a referral fee equal to 25 basis points per annum of the assets under management in the account of the solicited client. These referral fees are payable out of the fees paid to DCLA by the referred clients, and are payable to Maxa only to the extent that DCLA has received payment of fees from such clients. Although the referral fees are paid to Maxa by DCLA and out of DCLA's advisory fee, the referral fees are a factor in DCLA's determination of the advisory fees to be charged by DCLA to solicited clients. Prior to entering into an advisory relationship with DCLA, each prospective client is given a copy of Part 2 of DCLA's Form ADV, as well as a written disclosure statement by Maxa, including disclosure of the advisory fee differential between a client who is referred by Maxa and one who is not so referred. Each prospective client's written acknowledgement of receipt of these disclosure documents is obtained by Maxa and provided to DCLA at or before the time DCLA enters into an advisory relationship with the client.

DCLA has entered into a written solicitation agreement with Cornerstone Financial Consultants, Ltd. ("Cornerstone"), a registered investment advisor unaffiliated with DCLA, under which Cornerstone has agreed to introduce prospective clients to DCLA. In the event that a person referred by Cornerstone becomes a client of DCLA, Cornerstone is entitled to receive a referral fee equal to 20 basis points per annum of the assets under management in the account of the solicited client. These referral fees are payable out of the fees paid to DCLA by the referred clients, and are payable to Cornerstone only to the extent that DCLA has received payment of fees from such clients. Prior to entering into an advisory relationship with DCLA, each prospective client is given a copy of DCLA's Form ADV Part 2, as well as a written disclosure statement by Cornerstone. Each prospective client's written acknowledgement of receipt of these disclosure documents is obtained by Cornerstone and provided to DCLA at or before the time DCLA enters into an advisory relationship with the client.

DCLA is a participating investment advisor in the Wells Fargo Advisors Private Advisor Network ("Private Advisor Network"). Pursuant to this program, clients pay Wells Fargo, as the sponsoring broker, a minimum fee of \$375/quarter. DCLA's fee for investment advisory services is a negotiated fee and is based on an annual percentage of assets under management; this fee is paid by the client. DCLA's advisory fee is separate from the fee charged by the Private Advisor Network and is paid by the client.

DCLA is a manager within the UBS Managed Account Consulting (MAC) program, a dual-contract, managed account program. DCLA's fee for investment advisory services is a negotiated fee and is based on an annual percentage of assets under management; this fee is paid by the client. DCLA's advisory fee is separate from the fee charged to the client by UBS.

DCLA is a participating investment advisor in the Deutsche Bank Consulting Direct Program. Pursuant to this program, clients pay Deutsche Bank a minimum annual fee for consulting services. DCLA's fee for investment advisory services is a negotiated fee and is based on an annual percentage of assets under management; this fee is paid by the client. DCLA's advisory fee is separate from Deutsche Bank's fee.

Periodically Focus Financial Partners, LLC ("Focus"), our parent company, holds partnership meetings and other industry and best-practices conferences, which typically include Focus firm and external attendees. These meetings provide sponsorship opportunities for asset managers, asset custodians, vendors and other third party service providers. Sponsorship fees allow these companies to advertise their products and services to Focus firms, including DCLA, and facilitate access to our advisors and employees to discuss ideas, products and services. This could be deemed a conflict: the marketing and education activities conducted, and the access granted, at such meetings and conferences may lead advisors to focus on those conference

sponsors in the course of their duties. Focus attempts to mitigate any such conflict by having the fees only go towards defraying the cost of such meeting or future meetings and not as revenue for itself or any affiliate. Conference sponsorship fees are not dependent on assets placed with any specific provider, or the revenue generated by asset placement.

## **Item 15 – Custody**

DCLA does not generally custody any client funds. Our general policy and practice is that all funds, securities, and other assets of our clients are maintained in the name of the client and held for safekeeping at a bank, broker/dealer, or other qualified custodian within the meaning of Investment Advisor Rule 206(4)-2 of the client's choice. DCLA will not intentionally take custody of client cash or securities.

DCLA believes that all qualified custodians selected by our clients send monthly account statements to the client. For tax and other purposes, the custodial statement is the official record of our clients' accounts.

DCLA has custody of certain accounts when a DCLA principal serves as Trustee to those accounts. In light of this determination, DCLA has engaged an independent public accountant to perform an annual surprise audit of those accounts of which we are deemed to have custody.

## **Item 16 – Investment Discretion**

Accounts at DCLA are managed on a discretionary, restricted-discretionary or non-discretionary basis. The vast majority of our accounts are managed as discretionary accounts. Non-discretionary accounts are only accepted to accommodate existing family-relationships or mandates. Prior to assuming discretionary authority, clients are provided our Investment Advisory Agreement along with our Form ADV Part 2. A "Client Investment Objectives and Restrictions" Annex is included with our Advisory Agreement, and this Annex directs us as to a client's asset allocation and investment objectives, along with any account restrictions the client may impose. The most common restrictions prohibit us from buying or selling a specific stock or stocks within specific economic or industrial sectors.

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

As a general rule, DCLA does not vote proxies on behalf of its advisory clients. Clients receive their proxies and other solicitations directly from their custodian. In rare instances where proxy voting is mandated by the client, DCLA has retained Institutional Shareholder Services ("ISS")

to act as the voting agent. Generally, proxies are voted in accordance with ISS guidelines. However, at any time, DCLA can recommend our own vote should we disagree with ISS guidelines. A copy of proxy-voting history as well as our proxy voting policy is available upon request. If clients have any questions concerning proxies, they may contact us at (212) 262-7670.

## **Item 18 – Financial Information**

Not Applicable.

## **Item 19 – Requirements for State-Registered Advisors**

Not Applicable.