



**FAMILY
MANAGEMENT
CORPORATION**

Disclosure Brochure

Part 2A of Form ADV: Uniform Application for Investment Advisor Registration

August 23, 2021

Family Management Corporation

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This brochure provides information about the qualification and business practices of Family Management Corporation. If you have any questions about the contents of this brochure, please contact us at (212) 872-9600 or by email at clientservice@familymanage.com. 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.

Family Management Corporation is an SEC Registered Investment Adviser; however registration does not imply a certain level of skill or training.

Additional information about Family Management Corporation is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

This disclosure brochure, dated August 23, 2021, replaces the brochure filed on March 30, 2021, which was our last annual amendment. Updates to the following sections have been made since our last annual amendment.

- Fees and Compensation. Updates have been made regarding the FDIC Insured Cash Sweep Program, including how clients can opt-out of participating in the program and FMC's practices for selecting the program.
- Custody. Updates have been made regarding third-party standing letters of authorization.

Further, Family Management Corporation will provide clients with a new brochure, as needed, based on changes or new information, at any time, without charge.

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Advisory Business

Firm Description

Family Management Corporation (“FMC”), established in 1989 by principals Seymour Zises and Andrea Tessler, is a New York-based SEC registered investment advisor serving high net worth individuals, families, and not-for-profit organizations. Together with our affiliates, Family Management Securities, LLC (“FMS”), a FINRA-registered broker-dealer, and Forest Hill Capital Corporation (“FHCC”), a New York State licensed insurance agent, we operate as a full-service wealth management firm providing our clients with highly personalized and comprehensive financial services.

We recognize that financial needs vary and that there is no "one-size-fits-all" approach to financial advice. Rather, we provide each of our clients with a blend of customized services and an array of products tailored to their specific needs and goals. Clients may hire us to provide discretionary investment management services; clients may hire us because of our relationship with certain Third-Party Managers (defined herein); clients may even have their own managers or investments that they want us to monitor. In addition to our advisory services, we also provide our clients with traditional brokerage services (through FMS) and complete life insurance solutions (through FHCC). We coordinate and evaluate our clients' investments, their performance, and work to ensure that everything remains focused on their goals.

FMC's service to our client families goes beyond traditional investment advice. We take a deep, personal interest in our clients' financial health and regularly work with non-affiliated banking, legal, tax and insurance specialists to create individualized solutions to meet our clients' specific needs.

Assets Under Management

As of December 31, 2020, FMC was actively managing \$2,627,201,313 in client assets. This total includes \$2,561,457,247 of client assets managed on a discretionary basis plus \$65,744,066 of client assets managed on a non-discretionary basis.

Tailored Client Relationships

Our client relationships begin with a discovery process that includes an in-depth dialogue to identify all the factors surrounding and defining our client's wealth. Information is gathered regarding the client's short and long-term goals, commitments, and concerns; the structure and amount of all the client's holdings; the client's exposure to, and tolerance for, risk; and an understanding of the client's life and disability coverage.

We then work with the client to construct and implement a long-term asset allocation and investment strategy. We engage in an ongoing conversation with the client in the development

of the asset allocation and investment strategy. This strategy will often involve a Third-Party Manager and their investment vehicle as well as FMC's discretionary investment management services.

Once our recommendation of a long-term asset allocation and investment strategy is agreed upon by the client, we begin the management process. We review the client's overall portfolio on a continuous basis using market analysis tools and financial data and evaluate and consider adjustments in response to economic changes, market trends, and/or client needs.

In addition to investment advice, our wealth management advisors may work closely with our client's other specialist advisors, or we may suggest new third-party providers, for estate and income tax planning, tax effective wealth management, loans and mortgages, liability monitoring, personal concierge services, and philanthropic planning.

Types of Advisory Services

FMC advisory services may take different forms, depending on the needs of the client.

- **Discretionary and Non-Discretionary Accounts:** A client may hire FMC to provide discretionary investment management services. In these instances, the client generally opens a brokerage account with FMS for the purchase and sale of securities (e.g., stocks, bonds, mutual-funds, etc.) which is done on a discretionary basis pursuant to an advisory agreement and any restrictions placed on the account by the client. In certain instances, advisory services may be provided by FMC in an account at other custodians/broker-dealers, such as Charles Schwab Corporation ("Schwab"). We may also enter into a non-discretionary agreement with a client on a negotiated basis.
- **In-house Investment Model Strategies:** FMC manages several in-house investment allocation models based on investment strategy risk tolerances.
- **Third-Party Managers:** In addition to managing the purchase and sale of securities in-house on a discretionary basis, we may recommend that the client engage a third-party to provide certain specialized asset management services ("Third-Party Manager") or to invest in a Third-Party Manager's investment vehicle. FMC requires client authorization prior to investing with a Third-Party Manager.
- **Turn-key Asset Manager Programs:** In order to invest with certain asset managers, FMC utilizes Turn-key Asset Manager Programs available through Lockwood / Pershing and Envestnet (referred to collectively as "TAMPs", singularly as a "TAMP") and may recommend client participation in one or more of the asset managers available through the TAMPs. FMC provides portfolio management services within the TAMPs by selecting asset managers available through the TAMPs for allocation of client assets. FMC requires client authorization prior to investing with a TAMP.

- **Family Management Funds (“FM Funds”):** FMC serves as the General Partner, and/or investment manager of funds, known collectively as the FM Funds, which may be available to FMC clients. Specifically, FM Fifth Avenue Fund, LP (“FM Fifth LP”) and FM Fifth Avenue Fund, Ltd. (FM Fifth Ltd.), (collectively “FM Fifth”) are hedge fund-of-funds. The purpose of the funds is to invest in private investment funds.
- **Class Actions:** FMC engages Battea - Class Actions Services, LLC (“Battea”) to file and administer class action claims on behalf of the firm’s clients, to the extent securities held in the accounts of clients become the subject of class action lawsuits. Battea actively seeks out any open and eligible class action lawsuits and files, monitors and expedites the distribution of settlement proceeds. Clients are automatically included in this service but may opt-out by submitting an opt-out request in writing to FMC. If a client opts-out, FMC and Battea will not monitor class action filings for that client. FMC does not engage Battea to monitor class action filings for assets managed by Third-Party Managers, held in TAMPs or maintained by an outside custodian.
- **Proxy Voting:** FMC provides proxy voting services to our advisory clients who utilize Pershing LLC or Charles Schwab Corporation as their custodian. Securities held by Third-Party Managers or in TAMPs are not voted by FMC.

Termination of an Advisory Relationship

A client agreement may be cancelled at any time, by either party, for any reason upon 7 days written notice. Upon the termination of the agreement, FMC will not be under any obligation to recommend any action with regard to, or to liquidate, the assets in the account covered by the agreement. FMC retains the right, however, to complete any transactions open as of the termination date and to retain amounts in the account sufficient to affect such completion. Upon termination, it will be client’s exclusive responsibility to issue written instructions regarding any assets held in the account.

Clients with agreements dated after December 31, 2003, that terminate their client agreement but wish to retain their positions in Third-Party Manager(s) that have been selected and maintained by FMC, are required to pay an ongoing annual management fee of 1% to FMC after the termination of the advisory agreement. This fee is in respect of FMC’s introduction of the client to the Third-Party Manager(s) and covers our initial and continuing due diligence of the Third-Party Manager(s) and our negotiation with the Third-Party Manager(s) on the client's behalf. The fee is payable until the client liquidates the position(s) or until FMC ceases performing ongoing due diligence of the Third-Party Manager(s), whichever occurs sooner. The annual management fee can be higher or lower than the annual advisory fee, and is waived while the advisory agreement is in place.

Clients investing in FM Fifth LP and FM Fifth Ltd. are subject to lock-up periods described in the offering documents for each fund. Generally, new clients investing in the FM Funds will be

required to provide 100 days prior written notice of their intention to redeem capital from their investment and redemptions are limited to 5% of the total net asset value of their investment as of the initial redemption date, so a full redemption may only be accomplished over a 5 year period. Clients investing in the FM Funds prior to October 1, 2020 are generally subject to a one-year lock-up on their initial investment, after which a client is required to provide 100 days prior written notice of their intention to withdraw capital from or terminate their investment. Withdrawals from FM Fifth LP and FM Fifth Ltd. are available on March 31st, June 30th, September 30th, and December 31st of any given calendar year. Additional information on the liquidation of investments from the FM Funds can be found in the offering documents for each fund.

Fees and Compensation

Description of Fees

Clients pay an advisory fee to FMC for our wealth management services based upon assets under management. Client assets that are managed by a Third-Party Manager (or its investment vehicle or within a TAMP) are included in a Client's assets under management when calculating a Client's FMC advisory fee, as are assets managed by a Third-Party Manager wrapped inside a private placement variable life insurance contract or annuity contract. Clients also pay fees directly to the Third-Party Managers and/or their investment vehicles and/or their TAMPs. Other fees and commissions apply relating to our affiliate companies and non-affiliated providers.

FMC Advisory Fees

Non-Retirement Plan Account ("Investment Account") Fees

FMC will charge either a percentage of Assets Under Management ("AUM") which will not exceed 2% or will charge different advisory fee levels based on asset classes under management, as follows:

- For common stocks, convertible preferred shares, Third-Party Managers and TAMPs, and all other equity-type assets managed by FMC, the annual asset advisory fee (which is payable quarterly) is:

Assets	Annual Fee
Under \$1,000,000	2.0%
\$1,000,000 - \$5,000,000	1.5%
Over \$5,000,000	1.0%

- For bonds, cash (including money markets funds or bank deposit accounts), and other fixed income securities, the annual asset advisory fee (which is payable quarterly) is:

Assets	Annual Fee
Under \$1,000,000	1.00%
\$1,000,000 - \$5,000,000	0.75%
\$5,000,000 - \$10,000,000	0.50%
Over \$10,000,000	0.40%

- For purposes of calculating our annual asset advisory fees, FMC categorizes certain investment strategies as a single asset class, and investment company securities (mutual funds) as either equity or fixed income based upon the mutual fund's investment objective.

The annual advisory fee and commission/fee schedules may differ among Investment Account clients depending upon the date of commencement of a client's account, the size or type of a client's account, any related-party accounts, and certain other variables. Although FMC has established the fee schedule(s), FMC may, at its discretion, negotiate alternative fees on a client-by-client basis. The combination of the annual FMC advisory fee and FMS commission/fee schedules can be higher than those available for similar combinations of services from other advisers and broker-dealers. Further, employee and related accounts of FMC are generally not subject to the FMC fees noted herein.

The value of any policies, contracts, or other products issued by insurance companies (including premiums paid) for which principals of FMC may act as agents (through FHCC) are not subject to FMC advisory fees, excluding private placement variable life insurance and variable annuity products. Brokerage commissions/fees (including those paid to FMS) and insurance commissions/fees (paid to FHCC) are in addition to amounts payable to FMC by a client pursuant to the fees set forth above.

ERISA Plan and IRA Account ("Retirement Plan Account") Fees

FMC charges a level advisory fee of 1% for all Retirement Plan Account assets, whether managed by FMC or a Third-Party Manager or in TAMPs. Such fees cover FMC's advisory services and the related brokerage services provided by FMS. Clients pay custodial and other unaffiliated third-party fees, charges and expenses separately.

Retirement Plan Accounts for FMC or FMS employees, and certain of their family members, will not pay an Advisory Fee to FMC. These employee accounts will be charged for the direct expenses incurred by FMC and FMS in the performance of services, including, but not limited to, custody, clearing and exchange fees.

Computation of Advisory Fees for All Account Types

A client's FMC advisory fee is generally due and payable at the end of each calendar quarter in arrears based on the market value of the client's accounts on the last business day of March, June, September and December (the "Computation Date"). At each Computation Date, each client's

accounts are billed the applicable annual advisory fee rate for the quarterly period ended. For calculating the annual advisory fee, the first quarter will commence during the first calendar quarter in which the client's advisory agreement becomes effective. Fees on additions and withdrawals to a client's accounts within a quarter are not pro-rated, except that fees for partial quarters at the commencement or termination of a client's advisory agreement are prorated (in the case of termination, such pro-ratio is based on the most recent quarterly period that has ended). FMC utilizes trade date (not settlement date) for calculating its fees.

In general, the market value of a client's accounts is computed by valuing a security listed on a national exchange at the closing sale price on the Computation Date. Client assets that are managed by Third-Party Managers are valued according to the net asset value (or estimate) provided by the Third-Party Manager or their administrator. For individual bonds, the value of the bond will include accrued interest. Investments in mutual funds are valued at the net asset value determined on the Computation Date. For certain real estate investments or private placements, FMC will value the investment as of the most recent value provided in the financial statements provided by the Third-Party Manager. At times, the most recent financial statements may be from the previous billing period. FMC reconciles the valuations received for the current billing period to the amount that was used for billing purposes. FMC may use independent outside pricing services to value securities.

Third-Party Manager Fees (including Envestnet/TAMP)

FMC advisory fees are charged on client assets in Third-Party Manager accounts and Envestnet/TAMP accounts. Third-Party Manager or Envestnet/TAMP manager fees are separate from and in addition to FMC's advisory fee. These fees may be asset based, performance based or commission based. FMC does not control the fees or the billing arrangements of any selected Third-Party Manager. For a complete description of the fee arrangements, including billing practices, minimum account requirements and account termination provisions, clients should review the Third-Party Manager's adviser brochure and/or other disclosure documents.

Lockwood / Pershing TAMP Fees

FMC advisory fees for the Lockwood / Pershing TAMP are charged within the TAMP quarterly in advance, based on the market value of the client's TAMP account on the first business day of April, July, October and January. FMC's advisory fees are collected within a lump sum charge to the account which also includes, the FMS service fee, the TAMP Manager's fees and the sponsor/platform fees. Fees for partial quarters at the commencement or termination of a TAMP are prorated.

FM Fund Fees

Client assets in the FM Funds are not charged FMC advisory fees. For FM Fifth LP and FM Fifth Ltd., FMC receives a quarterly management fee, payable in advance, computed at a rate of

1% per annum of the net value of the fund assets on the first business day of such quarter. Employees and certain of their family members will not pay a management fee to FMC.

FMS Brokerage Fees and Commissions

Under FMC's standard advisory agreement for Investment Accounts, unless a client gives FMC specific directions to the contrary, a client directs FMC to affect all securities transactions for the client's account (except assets managed by Third-Party Managers or maintained in a wrap fee program) through FMS, an affiliate of FMC, under a fee and/or commission/fee schedule attached to and made a part of the client's advisory agreement. Accounts subject to active trading will be assigned to an asset based commission. This relationship creates a conflict of interest between a client and FMC, because FMC has an incentive to recommend investment products based on the compensation received, rather than on a client's needs. As a fiduciary, FMC has a duty to seek best execution for a client's securities transactions. FMC has established a Best Execution Committee that meets quarterly to review its best execution practices and FMC conducts periodic reviews of its equity and fixed income trading for best execution. Clients may direct us not to execute securities transactions through FMS. We may also accept instructions from a client to direct specific amounts of brokerage to a particular broker-dealer other than FMS. The commissions paid by clients of FMC are in addition to amounts payable to FMC by the client under the advisory agreement. Item 12 further describes the factors that FMC considers in selecting or recommending broker-dealers for client transactions and determining the fairness and reasonableness of commissions and service charges.

Non-Retirement Plan Account Commissions

Depending on the Investment Account type, FMS will charge either a monthly asset-based fee or a commission per executed trade, as follows:

- (a) Asset-Based Fee Schedule: For actively traded accounts, FMS will charge 0.25% per annum, on total account assets, paid monthly in arrears.
- (b) Commission Accounts: For less actively traded accounts, FMS will charge a trade commission, as follows:

Common and Preferred Stock	
Number of Shares	Commission
1 to 299	\$50.00 flat
300-999	\$50.00 plus \$0.12 per share
1000 - 1999	\$50.00 plus \$0.10 per share
2000 or greater	\$50.00 plus \$0.08 per share

Low Priced Securities (\$ 5.00 & under)	
Number of Shares	Commission
1 to 1999	\$50.00 flat

2000 or greater	\$0.05 per share
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Debt Securities (Per \$1,000 Principal Amount)	
Maturity/Probable Call Date Rate	Per \$1,000 Principal Amount
Up to 1 Year	\$50.00 flat
1 - 2 Years	\$1.00 - \$2.00
2 - 3 Years	\$2.25 - \$3.00
3 - 4 Years	\$3.25 - \$4.00
4 - 5 Years	\$4.25 - \$4.75
5 Years and more	\$5.00
There is a minimum charge of \$50 for debt securities regardless of principal amount and maturity.	

Mutual Funds	
Amount	Per Trade Fee
\$25,000 or less	\$30.00
Above \$25,000	\$60.00
Exchanges	\$10.00 per exchange

Fixed Income Exchange Traded Funds (ETFs)	
Amount	Per Trade Fee
\$25,000 or less	\$25.00
Above \$25,000	\$50.00

Options
\$12.00 base fee plus \$2.00 per option contract

Lockwood / Pershing TAMP
0.25% per annum on assets payable quarterly in advance

Commission paid may differ from the above schedule, and may differ among clients, depending upon the date of commencement of a client's account, the size of a client's account, any related-party accounts, and certain other variables.

Although FMS has established the aforementioned fee schedule(s), FMS may, at its discretion, negotiate alternative rates on a client-by-client basis. The combination of the annual FMC advisory fee and the FMS fee/commission schedule can be higher than those available for similar combinations of services from other advisers and broker-dealers.

Retirement Plan Accounts

Retirement Plan Accounts and certain other accounts will not pay fees or commission charges to FMS but will pay clearing fees and service charges to Pershing LLC as follows:

- (a) **Asset-Based Fee Schedule:** For actively traded accounts, FMS will charge 0.05% per annum, on total account assets, paid monthly in arrears. These fees are then paid to Pershing LLC by FMS.
- (b) **Transaction Based Fees:** For less actively traded accounts, equity, mutual fund and option transactions will be assessed \$10 per trade a trade plus a \$2 service charge; fixed income transactions will be assessed \$19 per trade a trade plus a \$2 service charge. These fees are charged by FMS and then paid to Pershing LLC.

Other Fees and Compensation

- **Mutual Funds:** FMC buys mutual funds at Net Asset Value (“NAV”) or “no load”. Clients that invest in a mutual fund pay an indirect management fee to the adviser of the mutual fund, in addition to the mutual fund's other fees and expenses. Neither FMC nor FMS receive any service fees (“12b-1 fees”) from mutual funds in which FMC has invested a client’s assets or in which a client has invested based upon FMC’s recommendation.
- **Custodial Fees:** Client brokerage accounts are subject to fees imposed by FMS’s custodian, Pershing LLC, and/or other custodians used by the client, such as Charles Schwab, including IRA maintenance and termination fees, margin interest, exchange fees, alternative asset fees, and currency wire fees. For fees imposed by Pershing LLC, these fees are charged by FMS and then paid to Pershing LLC. For a complete list of fees charged by your custodian, please call Philip T. Frank at 212-872-9637 or by writing to FMC at 485 Madison Avenue, 19th Floor, New York, NY 10022.
- **Insurance Products:** Principals of FMC receive commissions or other compensation through FHCC on the sale of an insurance product (including variable life or annuity policies) to a client. Insurance compensation is not received for Retirement Plan Accounts that pay a level 1% management fee.
- **Referral Fees:** FHCC or FMS receive commissions or fees for client introductions to retirement plan platforms. FMC does not receive any fee or commission for the referral of clients that pay FMC a management fee. In addition, FMS will, on occasion, receive fees for introducing capital to investment banking transactions.
- **Estates and Trusts:** Principals of FMC can receive fees when acting as an executor to an estate, or trustee of a trust.

- FDIC-Insured Sweep Program:** FMS currently offers an FDIC-insured cash sweep program run by Reich & Tang, and administered by Pershing, LLC. The program provides clients with up to \$2.5 million in FDIC insurance on cash balances held in their brokerage accounts overnight. Cash is deposited at numerous FDIC-insured program banks to achieve the FDIC insurance. In addition, clients receive overnight interest on their balances, and daily liquidity. Yields on deposits vary based upon the aggregate amount of client asset introduced by FMS to Pershing. Client balances are aggregated across accounts by social security number and receive higher yields as the amount invested in the product increases. FMS will receive a percentage of this yield; the amount paid to FMS will vary based upon the aggregate amount of clients' assets held at Pershing. This arrangement creates a conflict of interest between a client and FMC, because FMC has an incentive to recommend that client assets are held at Pershing and utilize the cash sweep program. FMC has reviewed and periodically reviews Pershing and believes that the use of Pershing is in the best interest of clients. FMC seeks the cash sweep program that is in the best interest of the client, considering interest rate received, risk of loss and amount insured. FMC selects the Reich & Tang cash sweep program that pays the highest yield on clients' cash from differing tiers. In addition, FMC has an incentive to maintain larger cash balances in client accounts held at Pershing. As a fiduciary, FMC has a duty to make recommendations that are in the best interest of the client. FMS does not receive payments related to client Retirement Plan Accounts. In Pershing's New Account Agreement, Clients may elect to opt-out of participating in the cash sweep program. If a client elects to opt-out of participating in the cash sweep program, cash will be held in the account and interest will not be earned.
- Money-Market Funds:** While not currently utilized by FMS, in prior years, client liquid assets have been invested in money-market funds through Pershing, LLC. For these Funds, Pershing pays FMS up to 0.4% (depending on the fund) on the aggregate amount of client assets held in money-market funds. This arrangement creates a conflict of interest between a client and FMC, because FMC has an incentive to recommend that client liquid assets are invested in money-market funds through Pershing, LLC. FMC recommends the money-market fund that FMC believes is in the best interest of the client. FMC's decision to invest client assets in a money-market fund and to move client assets among money-market funds, which may occur from time to time, is based on many factors, including, but not limited to, market issues, defensive reasons, and liquidity concerns. FMS does not receive payments related to client Retirement Plan Accounts.
- Non-Purpose Loan Accounts:** FMC receives up to 0.5% per annum for client funds held by its clearing firm, Pershing LLC, as collateral for Non-Purpose Loan Accounts. This arrangement creates a conflict of interest between a client and FMC, because FMC has an incentive to recommend that clients open a Non-Purpose Loan Account at Pershing. FMC has reviewed and periodically reviews Pershing and believes that the use of Pershing is in the best interest of clients.

- **Credit Lines & Mortgages:** In 2015, FMC entered into an agreement with BNY Mellon wherein FMC may refer clients to BNY Mellon for mortgage loans and investment credit lines. FMC does not currently receive any compensation from BNY Mellon, or any other party, for the referrals.
- **Asset Allocator Agreements:** FMC has entered into two Asset Allocator Agreements: one with Lombard International, formerly AGL Life Assurance Company and one with Investors Preferred Life Insurance Company, previously Acadia Life Limited, (collectively the “Companies”). Under these agreements, FMC receives a fee from the Companies for clients that invest in accounts of privately placed variable annuity and life insurance contracts (“Contracts”) underwritten by them. The fee is disclosed in the companies’ private offering memorandum to the client, and is in addition to any fee paid by clients of FMC to it and its affiliates as described herein. This relationship creates a conflict of interest between a client and FMC, because FMC has an incentive to recommend Contracts underwritten by the Companies. FMC only recommends Contracts underwritten by the Companies when FMC believes the recommendation is in a client’s best interest. FMC does not invest Retirement Plan Accounts assets in these Contracts.
- **Class Action Filings:** Battea's filing fee is contingent upon the successful completion and distribution of the settlement proceeds from a class action lawsuit. In recognition of Battea’s services, Battea receives a 15% of our clients’ share of the settlement distribution. FMC does not receive any compensation related to this service.

Performance-Based Fees & Side-by-Side Management

Sharing of Capital Gains or Capital Appreciation

FMC does not receive performance based compensation on any investments or client accounts.

Types of Clients

Description

FMC generally provides investment advice to individuals, families, private funds, pension and profit sharing plans, trusts, estates, or charitable organizations and corporations or business entities.

Account Minimums

There are no minimum investment requirements to open an advisory account with FMC; however, the type of investments utilized may differ depending on the size of a client's portfolio.

As the general partner and/or investment manager of the FM Funds, FMC imposes a minimum initial subscription of \$250,000. Subsequent investments must be in the amount of at least \$50,000. Both the initial and subsequent investment minimums are subject to modification and/or waiver at FMC's discretion.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

FMC's security analysis methods predominantly include macro-economic, fundamental, technical and cyclical analysis. The information used by FMC includes individual company filings, company investor presentations, sell-side research, financial media and subscriptions, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission and company press releases. FMC also utilizes data from sources such as Bloomberg which provides access to macro-economic data, company financials, fixed income securities, and other information on single securities, asset classes, and broad market data. Various data is analyzed in Excel models via proprietary FMC models. Additionally, FMC will perform due diligence of Third-Party Managers and TAMPs including discussions with company management and visits to company offices.

Investment Strategies

Clients may hire FMC to provide discretionary investment management services. FMC will invest for a client on a discretionary basis pursuant an advisory agreement. During the management of clients' assets, FMC typically offers advice on, but is not limited to: stocks, bonds, mutual-funds, exchange-traded funds, closed end funds, options, limited partnership interests in real estate, oil and gas interests, private placement variable life and annuity policies, private equity and pooled investment vehicles (hedge funds).

Investment strategies for discretionary accounts typically include long term purchases (securities intended to be held at least a year), short term purchases (securities intended to be sold within a year), and trading (securities intended to be sold within 30 days). In certain circumstances they may include short sales, margin transactions and option writing, including covered options, uncovered options or spreading strategies.

In addition to managing the purchase and sale of securities on a discretionary basis, FMC may recommend a Third-Party Manager or TAMP. These investments are entered into upon client's authorization and a client will enter into a separate agreement with the Third-Party Manager or TAMP (see "**Types of Advisory Services**"). The investment strategies of Third-Party Managers or TAMP are not controlled by FMC.

In addition to allocating funds to Third-Party Managers or TAMPs, FMC may recommend an allocation to an affiliated fund where FMC acts as the General Partner and/or investment manager as follows:

FM Fifth LP and FM Fifth Ltd. - The purpose of each fund is to invest in various private investment funds. Since their inception, FM Fifth LP has been invested in Millennium USA LP and FM Fifth Ltd. has been invested in Millennium International, Ltd. (collectively the “Millennium Funds”). FMC has full discretion to invest the assets of the FM Fifth LP and FM Fifth Ltd. FMC may in the future withdraw a portion, or all, of its assets from the Millennium Funds and invest directly in other securities, including, without limitation, investment funds (including investment funds that invest in other funds), corporations, limited partnerships, joint ventures, offshore companies and similar entities and accounts. In the event that it does so, FMC will provide notice of such change to fund investors and offer them the opportunity to withdraw from the relevant fund prior to such change being implemented.

Risk of Loss

FMC may invest for a client on a discretionary basis pursuant an advisory agreement. In regard to securities purchased, these are not guaranteed and it is possible that clients may lose money on their investments.

Where FMC serves as the General Partner, and/or investment manager of the FM Funds, there are no assurances that the FM Funds’ initial investment objective will be achieved. The strategies employed by these funds and their advisers involve a high degree of risk.

FMC performs initial and ongoing due diligence on TAMPs and/or Third-Party Managers which it recommends to clients’ accounts. FMC’s due diligence process applies **only** to TAMPs, Third-Party Managers and Third-Party Investment Vehicles that FMC has specifically recommended, but **does not** include performing due diligence on any underlying funds, securities, accounts or investments selected or recommended by the TAMPs or Third-Party Manager. FMC **does not** perform due diligence on any client investment (whether a fund, security, account, stock, or bond) that was not recommended by FMC, even though FMC’s services may include consolidated reporting that includes information about these investments.

FMC’s due diligence includes the following:

- **TAMPs** – FMC may recommend an allocation to third-party platforms that offer access to multiple managers who offer different investment products, styles and risk. FMC initially evaluates the TAMP sponsors with respect to platform management, investment manager selection, and due diligence procedures. FMC also reviews and meets with asset managers as part of our selection process. On an ongoing basis, FMC also reviews, conducts meetings with, and selects/deselects the recommended asset managers within a platform.

- **Third-Party Managers** – Prior to recommending a Third-Party Manager, FMC will conduct due diligence on the Manager and/or the Fund or Investment Vehicle, as applicable:
 - Conduct a background check on the principals of each Third-Party Manager
 - Review the Third-Party Manager and/or its recommended investment vehicle’s investment strategies, risk controls, use of leverage, transparency, performance, performance distributions, risk/reward ratios, and drawdowns;
 - Confirm the investment vehicles’ auditors, accountants, prime-brokers and administrators, as applicable
 - Review each Third-Party Manager’s back office operations and compliance systems;
 - Confirm the stated assets under management (“AUM”) by comparing recommended investment vehicles’ audited financial statements to administrator reported AUM where available, and as applicable;
 - Engage in periodic reviews and discussions with the management of recommended Third-Party Managers regarding investment performance and market conditions.

Further, FMC does not supervise the assets that a client invests with a Third-Party Manager (or its investment vehicle) or Third-Party Manager Program other than to attempt to monitor performance and determine whether the allocation remains appropriate for the client.

FMC conducts its own due diligence on the Third-Party Manager (and its investment vehicle) or TAMP, but FMC must rely on information that it receives from the Third-Party Manager or TAMP. FMC cannot make any representation as to the accuracy, timeliness or completeness of any information provided by the Third-Party Manager or TAMP. Moreover, FMC does not conduct due diligence on any underlying investments or securities held by Third-Party Managers or TAMP.

While FMC will attempt to monitor the performance of the Third-Party Manager and its investment vehicle, as noted, FMC must ultimately rely on the Third-Party Manager to operate in accordance with its investment strategy or guidelines and on the accuracy of the information provided by the Third-Party Manager.

If a Third-Party Manager (or its investment vehicle) or TAMP do not operate in accordance with its investment strategy or guidelines, or if the information furnished by a Third-Party Manager or TAMP is not accurate, a client’s investment with a Third-Party Manager and its investment vehicle or TAMP may sustain losses. Moreover, FMC does not have any control over the decisions made by the Third-Party Manager or TAMP and FMC will not have any control over

the institutions selected by the Third-Party Manager or TAMP for brokerage, clearing, custody or other services related to its investment vehicle. Bankruptcy or fraud at one of these institutions could result in substantial losses to a client as there is always the risk that a Third-Party Manager or TAMP (or their service providers) could mishandle or convert the assets under their control. FMC has discussions and reviews with the Third-Party Managers or TAMPs in connection with our clients' asset allocations and investment strategies. And, as part of our services, we advise our clients about increasing, decreasing or terminating any such relationships.

Types of Investments and Risks

Equity Securities - Regardless of any one company's particular prospects, a declining stock market may produce a decline in prices for all equity securities. The prices of equity securities may fluctuate based on overall market and economic conditions. In addition, individual securities rise and fall based on changes in the issuer's financial condition. As a result, equity investments risk a loss of all or a substantial portion of the investment. Small capitalization stocks generally involve higher risks in some respects than do investments in stocks of larger companies and may be more volatile.

Mutual Funds - An investment in a mutual fund involves risk, including the loss of principal. Mutual fund shareholders are subject to the risks stemming from the individual issues of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Fixed Income Securities - Investments in fixed income securities are subject to credit, liquidity, prepayment, and interest rate risks, any of which may adversely impact the price of the security and result in a loss. The municipal market can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities.

Exchange-Traded Funds (ETFs) - An ETF is an investment fund traded on stock exchanges, similar to stocks, and their price can fluctuate during the day. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. The returns on ETFs can be reduced by the costs to manage the funds. During time of extreme market volatility ETF pricing may lag vs. the actual underlying asset values. This lag usually resolves itself in a short period of time (usually less than one day) however there is no guarantee this relationship will always occur.

Real Estate Funds (including REITs) - REITs face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in

performance. Revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.

Alternative Investments - Alternative investments, such as hedge funds and private equity/venture capital funds are speculative and involve a high degree of risk. There is no secondary market for alternative investments and there may be significant restrictions or limitations on withdrawing from or transferring these types of investments. Private equity funds generally require an investor to make and fund a commitment over several years. Alternative investments generally have higher fees (including both management and performance based fees) and expenses that offset returns. Alternative investments are generally subject to less regulation than publicly traded investments.

Disciplinary Information

FMC is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

FMC and our management personnel have no disciplinary events to report. FMC, and certain of its management personnel, have been subject to civil litigation; however, since FMC deems these events as immaterial to its advisory business, they have not been disclosed in this section.

Other Financial Industry Activities and Affiliations

Affiliated Entities

FMS is registered with the SEC as a broker-dealer under the Securities Exchange Act of 1934, as amended, and is a member firm of the Financial Industry Regulatory Authority ("FINRA") and the Municipal Securities Rulemaking Board ("MSRB"). Certain management personnel of FMC are separately licensed as registered representatives of FMS. FMC directs most trades on behalf of its clients through FMS. This relationship creates a conflict of interest between a client and FMC, because FMC has an incentive to recommend investment products based on the compensation received, rather than on a client's needs. As a fiduciary, FMC has a duty to seek

best execution for a client's securities transactions. FMC has established a Best Execution Committee that meets quarterly to review its best execution practices and FMC conducts periodic reviews of its equity and fixed income trading for best execution.

FHCC is registered as a New York State Insurance Agent and is utilized in connection with the sale of life insurance products.

FM Fifth Avenue (GP) LLC, which is under common control with FMC, serves as General Partner of FM Fifth LP and certain related person(s) serve as director(s) for FM Fifth Ltd.

FMC also serves as the General Partner of FM Multi-Strategy Investment Fund, L.P. and FM Low Volatility Fund, L.P. These funds are currently in liquidation and will subsequently be dissolved.

The FM Funds are not registered as investment companies with the SEC under the Investment Company Act of 1940, as amended, and interests in the FM Funds are not registered as securities with the SEC under the Securities Act of 1933, as amended. FMC may serve as a general partner to other investment funds from time to time.

All the above entities are under common control and share many of the same personnel. The principal office and place of business for all the above listed entities is 485 Madison Avenue, 19th Floor, New York, N.Y. 10022.

Commodity Pool Operator

FMC, as the general partner and/or investment manager of FM Fifth, LP and FM Fifth, Ltd., registered as a Commodity Pool Operator (“CPO”) with the Commodities Futures Trading Commission (“CFTC”) effective January 1, 2013 and will operate pursuant to an exemption under CFTC Rule 4.7 that will relieve FMC of certain disclosure, recordkeeping and reporting requirements. Prior to January 1, 2013, FMC operated pursuant to an exemption from registration as a CPO set forth in Section 4.13(a)(4) of the CFTC’s regulations. This exemption was repealed effective as of December 31, 2012.

Material Relationships or Arrangements with Financial Industry

1. FMC entered into an agreement with Lombard International (“Lombard”), formerly AGL Life Assurance Company, to provide asset allocation services and alternative investment account management for certain private placement variable life and annuity policies underwritten by Lombard. Under this agreement, FMC receives a fee from Lombard for clients that invest in accounts of privately placed variable annuity and life insurance contracts underwritten by Lombard. This relationship creates a conflict of interest between a client and FMC, because FMC has an incentive to recommend privately placed variable annuity and life insurance contracts underwritten by Lombard. FMC only recommends such products when FMC believes the recommendation is in a client’s best interest. FMC

allocates assets to Millennium Global Estate or other investment vehicles. The fee is disclosed in the Lombard private offering memorandum to the client, and is in addition to any fee paid by clients of FMC to it and its affiliates as described herein. Fees paid by Lombard are 0.05% calculated as an annual percentage of the average net assets of the investment account value of the contracts as determined by averaging the previous quarter's month-ending values, and are collected quarterly in arrears.

2. FMC entered into an agreement with MAS Advisors to provide asset allocation services and alternative investment account management for certain private placement variable life and annuity policies underwritten by Investors Preferred Life Insurance Company ("Investors Life"). Under this agreement, FMC receives a fee from Investors Life for clients that invest in accounts of privately placed variable annuity and life insurance contracts. This relationship creates a conflict of interest between a client and FMC, because FMC has an incentive to recommend privately placed variable annuity and life insurance contracts underwritten by Investors Life. FMC only recommends such products when FMC believes the recommendation is in a client's best interest. FMC allocates assets to Millennium Global Estate or other investment vehicles including an Alternative Investment account managed by FMC. The fees are disclosed in the Investors Life private offering memorandum to the client, and are in addition to any fee paid by clients of FMC to it and its affiliates as described herein. Fees paid by Investors Life are 0.05% per annum for individual investment vehicles or 0.5% per annum for the FMC Alternative Investment Account, calculated on a prorated basis and based upon the monthly net asset value of the investment accounts, and collected quarterly in arrears.

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

Code of Ethics

FMC has adopted a Code of Ethics with which all FMC personnel are required to comply. The Code of Ethics is designed to cover, but is not limited to: personal securities transactions, reporting and pre-clearance obligations relating to personal securities transactions, avoidance of conflicts of interest, prohibitions against disclosure of non-public information relating to clients and client transactions, and rules governing and penalties for violations of provisions of the Code of Ethics.

The Code of Ethics requires all employees to notify and obtain consent from FMC prior to opening a securities account or from placing self-directed orders with a broker or dealer for their own account or for a related account, subject to certain exceptions. Employees are also required to arrange for duplicate monthly account statements and confirmations to be sent to FMC's Chief

Compliance Officer with respect to such accounts. The Code of Ethics also provides that each security purchased by an employee must be held for thirty (30) days, subject to certain exceptions and those that may be granted from time to time.

The Code of Ethics prohibits employees from investing “side-by-side” with any client of FMC unless the employee executes the trade through FMS and received the same average price as the client. Trades for employees done away from FMS are made after all client trades in the security are completed.

The Code of Ethics prohibits employees from acting upon material non-public information, from purchasing securities of companies in which principals of FMC have access to material non-public information, or from otherwise purchasing securities of any company that is on a restricted list maintained by FMC, which is updated periodically. In compliance with the Insider Trading and Securities Fraud Enforcement Act of 1998, FMC, through its affiliation with FMS, has established, maintains, and enforces written policies reasonably designed to prevent the misuse of material, non-public information by FMC, or any persons employed by FMC.

A full copy of FMC's Code of Ethics is available without cost by calling Philip T. Frank at 212-872-9637 or by writing to FMC at 485 Madison Avenue, 19th Floor, New York, NY 10022.

Recommend Securities with Material Financial or Other Interest

FMC may recommend allocations across different asset classes with differing fees schedules. FMC has a conflict of interest with its clients in connection with these recommendations since FMC may receive higher fees from investments in certain asset classes versus others. This disclosure does not apply to Retirement Plan Accounts as they are subject to a level fee.

Brokerage commissions/fees for FMS and insurance commission/fees of FHCC are in addition to amounts payable to FMC. Each of these creates a conflict of interest between FMC and its clients.

Further, FMC may recommend allocating a portion of a client's assets to Third-Party Managers and their investment vehicles to TAMPs. Although there is no understanding to the effect, Third-Party Managers or TAMPs may place trades through FMS. This can present a conflict between a client and FMC in that FMS may receive commissions from Third-Party Managers or TAMPs.

Principals of FMC may recommend that certain clients purchase interests in the FM Funds. Principals of FMC own interests in these funds also.

Invest in Same Securities Recommended to Clients

From time to time, employees of FMC purchase or sell the same securities as are purchased or sold for, or recommended to, a client. FMC has adopted restrictions applicable to all of its personnel with respect to transactions in securities that are purchased or sold for a client's

account or recommended to a client. These policies apply to transactions in any account in which the employee has a direct or indirect beneficial interest, unless the employee has no direct or indirect influence or control over the account.

Personal Trading Policies

FMC employees who seek to purchase or sell securities for their own account must maintain a brokerage account with FMS or with another broker-dealer that is disclosed to FMC. Subject to certain exceptions, FMC employees must obtain pre-clearance prior to executing self-directed transactions. Subject to certain exceptions, FMC employees do not need to obtain pre-clearance for transactions executed in accounts managed by FMC or unrelated third-party manager on a discretionary basis. All employees must provide FMC with periodic reports of their personal securities transactions in accordance with the requirements of the Investment Advisers Act of 1940, as amended, and the rules thereunder.

If an employee of FMC who maintains a brokerage account with FMS purchases or sells a security on the same day that FMC exercises its discretion to engage in the same transaction with respect to the same security on behalf of one or more of its clients, that employee will not be permitted to obtain a more favorable price than a client. Rather, the employee (as well as each affected client) will receive the "average price" of such security, based on all transactions in such security executed through FMS on such day by FMC on behalf of clients and by FMC employees. Inclusion of FMC's employees in the aggregated order could adversely affect the price at which client's trades are executed.

In general, bunched trades are allocated pro-rata in accordance with relative holdings in the particular security (subject to rounding). When partial fills occur, FMC has an obligation to fill the clients' allocations prior to those of employees.

Employees of FMC are prohibited from purchasing or selling a security (other than through a brokerage account with FMS as set forth above) on the same day that FMC exercises its discretion to purchase or sell the same security on behalf of one or more of its clients subject to certain exceptions that may be granted from time to time.

While FMC employees may engage in transactions for personal accounts that are similar to those of FMC clients, employees may also take positions that are different from, and possibly inconsistent with, client transactions or recommendations. For example, an employee may have a more aggressive strategy for personal investments than is generally used for clients, or may for personal reasons determine to sell a security that is generally being purchased for, or recommended for purchase by, clients.

Principals and employees of FMC may invest alongside clients with Third-Party Managers or in TAMPs. Further, principals and employees of FMC may also invest in products offered by Third-Party Managers that are not offered to clients or are otherwise unsuitable for some clients.

The investment returns received by principals and employees on Third-Party Manager products not offered to clients may be greater than the returns received by clients invested in other products offered by the Third-Party Manager.

In addition, Third-Party Managers or Third-Party Manager Programs and their principals and employees may utilize the services of FMC.

Brokerage Practices

Selecting Brokerage Firms

Clients generally direct FMC to execute all securities transactions for their accounts through FMS under a commission/fee schedule attached to and made a part of the clients' advisory agreement. This relationship creates a conflict of interest between a client and FMC, because FMS receives compensation for the transactions. Clients may direct us not to execute securities transactions through FMS. We may also accept instructions from a client to direct specific amounts of brokerage to a particular broker-dealer other than FMS. FMS does not receive commissions for executing transactions for Retirement Plan Accounts.

As a fiduciary, FMC has a duty to seek best execution for a client's securities transactions. This duty requires FMC to execute securities transactions for clients so that the total cost or proceeds in each transaction are the most favorable under the circumstances. Best price, giving effect to commissions and commission equivalents, if any, and other transaction costs, is an important factor in the decision-making process for best execution. The decision-making process also takes into account the quality of brokerage services, including, but not limited to, such factors as execution capability, speed of execution, anonymity of the parties that enter transactions, opportunities for price improvements, willingness to commit capital, creditworthiness and financial stability, and clearance and settlement capability. Accordingly, transactions will not always be executed at the lowest available price or commission.

Securities transactions (including debt securities) executed by FMS are affected on an agency basis. The total cost to a client reflects the price charged on the exchange or by the market maker, plus FMS' commission/fees. This practice can result in a higher total cost to a client than if the client had purchased the security directly from the market maker (reflecting an additional markup, but no broker commission).

FMC believes that the combination of the price available through FMS, plus FMS' commission/fees, will be in the range of the total cost if the security had been purchased by clients directly from the market maker and included the markup. FMC has established a Best Execution Committee that meets quarterly to review its best execution practices and FMC conducts periodic reviews of its equity and fixed income trading for best execution.

FMS receives commissions/fees for executing trades on behalf of FMC's clients. FMS and FMC are under common control and share many of the same personnel. Accordingly, the commissions paid by clients of FMC are in addition to amounts payable to FMC by the client under the advisory agreement. No payment is made to principals of FMC on trades executed through any other broker-dealer.

In their capacity as representatives of FMS, principals of FMC may act as broker for individuals who are not advisory clients of FMC. In doing so, FMC's principals may provide investment advice that is solely incidental to FMS' broker-dealer services; neither FMC, FMS, nor their principals receive special compensation for this incidental advice.

In certain circumstances, FMC may accept direction to use Schwab as custodian. FMC is independently owned and operated and is not affiliated with Schwab. Schwab makes available to FMC other products and services that benefit FMC (e.g. facilitating payment of FMC's fees from client accounts). Such benefits create a conflict of interest and clients should consider this conflict of interest when selecting a custodian.

For clients' accounts that Schwab maintains, Schwab generally does not charge clients separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into the client's Schwab account. Certain trades (for example, U.S. equities and ETFs) do not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in a client's account in Schwab's Cash Features Program. For some accounts, Schwab charges a percentage of the dollar amount of assets in the account in lieu of commissions. FMC and its affiliates do not receive any portion of commissions or other compensation received by Schwab.

Directed Brokerage

Transactions for clients with directed brokerage arrangements other than with FMS or Schwab generally will be executed through the broker-dealer selected by the client unless FMC reasonably believes that effecting the transaction through the directed broker may result in a breach of FMC's duties as a fiduciary.

If a client directs FMC to use a particular broker or dealer other than FMS or Schwab, trades for that client's account will generally be placed by FMC after trades for other clients in similar securities have been executed through FMS and Schwab. This order of execution can significantly affect the price that the client may obtain for such transactions. FMC has no obligation to renegotiate commission rates with such brokers or dealers, and directed brokerage arrangements may result in the client's account paying higher brokerage commissions or receiving less favorable prices than might otherwise be possible.

Research and Soft Dollars

FMC does not use soft dollars (client commissions) to pay for (i) computer hardware or software, or other electronic communication facilities; (ii) publications, both paper based or electronic that are available to the general public, and/or (iii) third-party research services. If FMC determines to purchase such services, FMC pays for them using its own resources.

Order Aggregation

In certain instances, orders for publicly traded securities will be combined, or "bunched," for purposes of execution among various accounts. FMC believes that larger orders generally receive greater attention from traders and should, on average, slightly reduce execution costs. FMC will generally seek to aggregate orders to ensure equitable treatment among clients and/or when FMC believes such aggregation may result in better execution (including better execution prices) for clients.

Bunched purchases are generally allocated among client accounts pro-rata in accordance with relative net assets under our management or on another equitable basis. Exceptions include, but are not limited to, situations where: (i) the client already holds a position in a particular security, and FMC does not believe it is appropriate to add to that position; (ii) the client has investment restrictions that prohibit the purchase/sale of a particular type of investment; (iii) the client's cash position is disproportionately small, so that assets available for investing are limited, or disproportionately large, so that it is appropriate to take large positions. In the case of less liquid securities, where FMC is unable to allocate on a pro rata basis, the allocation will be performed on a set basis (i.e. first-in-first-out). Under this method, employees of FMC will not receive an allocation until all client allocations are completed.

In general, bunched trades are allocated pro-rata in accordance with relative holdings in the particular security, except where tax considerations for a particular account dictate that the account participate to a greater or lesser extent. In the case of partial fills, the allocation amount is based upon a client's investment objectives and/or tax considerations.

Although FMC clients receive an average execution price on bunched trades, commissions/fees on bunched trades are individually assessed based on the commission/fee schedule agreed upon by the client and attached to the client's advisory agreement. Consequently, FMC clients may pay disparate commissions for bunched trades. Further, transactions for Retirement Plan Accounts, which pay execution fees, may be aggregated with orders for Investment Accounts that are charged commissions/fees.

Trading Errors

While managing client accounts, trading errors occur from time to time. FMC has adopted a policy and procedures for trade errors. If FMC causes the trade error, the policy is designed to place an FMC client in the same position it would have been had there been no error. The

procedures call for trade errors to be corrected as soon as reasonably practicable after discovery, using an error account. For instance, when a security is erroneously purchased for a client account, the error is to be corrected by transferring the security from the client's account to the error account. When a security is erroneously sold from a client's account, the transaction is to be resolved in the error account and the client is made whole.

Review of Accounts

Periodic Reviews

Account reviews are generally conducted quarterly or more frequently if requested by a client or if FMC believes market values indicate. Seymour Zises, Andrea Tessler, the CIO or an appropriate delegate of FMC conducts the account review. Account reviews are performed to ascertain that the securities in an account are consistent with the investment strategy selected by the client, client instructions, and that the investment strategy and asset allocation are suitable for the client.

Regular Reports

Quarterly reports regarding holdings, deposits and withdrawals, purchases, sales and general account performance are provided to clients by hardcopy or electronically through a secure portal. FMC may also provide additional information or reports to clients on a more frequent basis upon request. The limited partners of private investment funds of which FMC is the general partner will receive unaudited capital account valuations monthly and audited year-end financial statements as well as necessary information for K-1 tax returns. Any funds currently in liquidation will receive liquidation and distribution notices and Schedule K-1s.

Client Referrals and Other Compensation

Third-Party Solicitors

FMC has entered into agreements that compensate persons for referring a client to FMC in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended. These persons include FMC employees who receive a portion of the advisory fees paid by the referred client in addition to other compensation.

As a matter of policy, the advisory fees paid to FMC by clients referred by solicitors are not increased as a result of any referral.

Custody

Account Statements

FMC directly debits advisory fees from client accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact FMC directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, FMC also sends quarterly account statements directly to our clients which contains information regarding the calculation of the management fee. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Since affiliates of FMC serve as general partner to the FM Funds, and due to the fact that certain related persons may serve as trustee to client trust accounts and standing letters of authorization (“SLOA”) are in place from clients that allow FMC to direct the custodian to send client funds to designated third parties based on the SLOA, FMC is deemed to have custody of client assets. Given this fact, we are required under the Investment Advisors Act of 1940, to retain a PCAOB registered accounting firm to perform a surprise independent audit of FMC. Once performed, the results of the surprise audit are available on the SEC’s public disclosure website at www.adviserinfo.sec.gov. In addition, FMC has entered into a written agreement with an independent public accountant to provide audited financial statements to the FM Funds’ investors within 180 days following the FM Funds’ fiscal year end.

Investment Discretion

Discretionary Authority for Trading

Clients may hire us to provide discretionary asset management services. For these services we place trades in a client's account without contacting the client for permission prior to each trade.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell;
- determine the amount of the security to buy or sell; and/or
- determine the timing of the transaction.

Clients give us discretionary authority when they sign an advisory agreement with our firm and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by providing us with written instructions.

Although we may recommend Third-Party Managers or a TAMP to a client, we do not have the authority to engage the Third-Party Manager or TAMP on behalf of the client. The client enters in to a separate management agreement with the Third-Party Manager and authorizes investments within TAMPs.

Voting Client Securities

Proxy Voting

In carrying out its proxy voting responsibilities, FMC has contracted with an independent third-party (Glass Lewis & Co (“Third-Party Administrator”)) to provide issue analysis and vote recommendations. It is important to note that the policy employed by the Third-Party Administrator does not address all proxy proposals, but rather focuses on particular matters and is intended to give a general indication of how proxies will be voted.

The Third-Party Administrator offers a U.S. policy, an International policy, a Canadian policy, specialty policies (such as a Socially Responsible policy), a Faith-Based policy, a Taft-Hartley policy and a Public Fund policy, along with custom policies defined by its clients. FMC utilizes the U.S. Policy. A copy of all policies can be found at www.glasslewis.com. Each year, the Third-Party Administrator updates their policies that inform clients of its proxy voting recommendations. The Third-Party Administrator has a bottom-up policy formulation process that collects feedback from a diverse range of market participants through multiple channels: an annual Policy Survey of institutional investors and corporate issuers, roundtables with industry groups, and ongoing feedback during proxy season. The Third-Party Administrator uses this input to develop draft policy updates on important governance issues, which are then published for open review and comment.

While it is FMC's policy to follow the voting recommendations of the Third-Party Administrator, FMC retains the authority to vote differently than the recommendation on any proxy proposal. Such a decision, however, is subject to a review and approval process, which includes determining that the decision is not influenced by any conflicts of interest. In addition, in each and every instance in which FMC favors voting in a manner that is inconsistent with the vote recommendation of the Third-Party Administrator, FMC shall disclose to its clients conflicts of interest information and obtain client consent prior to the vote.

Because the Third-Party Administrator makes recommendations based on its independent, objective analysis of the economic interests of shareholders, the proxy voting process is designed so that FMC votes proxies in the best interests of its clients and insulates FMC's voting decision from any potential conflicts of interest. In instances in which the Third-Party Administrator is

unable to make a proxy vote recommendation, FMC's Proxy Voting Committee will, based on such advice as it deems necessary, determine the manner in which to vote such proxy. Such instances do not require disclosure or client consent. FMC may abstain from voting a proxy on behalf of its clients' accounts under certain circumstances.

If a client's securities are not custodied at Pershing LLC or Charles Schwab Corporation, FMC does not vote proxies. However, the client's custodian will send proxies and related materials to the client, and the client may, at its option, inquire about FMC's position concerning a proxy issue. Further, FMC does not vote proxies for assets managed by a Third-Party Manager or held in a TAMP.

Each client may obtain information about how FMC voted their proxies and/or request a copy of the Proxy Voting Policy, without cost, by calling 212-872-9637 or by writing to FMC at 485 Madison Avenue, 19th Floor, New York, NY 10022.

Financial Information

FMC is required to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to you and we have not been the subject of a bankruptcy proceeding.