



## Part 2A: Firm Brochure

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This brochure provides information about the qualification and business practices of Metropolitan Capital Strategies, LLC. If you have any questions about the contents of this brochure, please contact us at 703-251-4536 or by email at [info@mcsmgr.com](mailto:info@mcsmgr.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.

Additional information about Metropolitan Capital Strategies, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

March 28, 2014

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# Material Changes

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There have been no material changes since our last Brochure dated March 28, 2013.

# Business

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## Firm Description

Metropolitan Capital Strategies (“MCS” or “Firm”) is a limited liability corporation founded in April 2007. The firm is certified as a Woman-owned Business Enterprise in Virginia. Sharon Snow and David Schombert are the principal owners and have worked as a team for 10 years, originally at Citigroup Smith Barney and now at MCS. MCS is located in Reston, Virginia. The firm currently has 5 full-time employees.

## Assets Under Management

As of December 31, 2012, MCS has \$93,460,134 million in assets under management, \$63,969,666 million of assets under discretionary management and \$29,490,468 million of non-discretionary assets.

## Types of Advisory Services

- 1.) Discretionary Management Services - The majority of the firm’s business is providing discretionary (sub-advisory) investment management services to HNW individuals and businesses, foundations and endowments, defined as the giving of continuous advice to clients about the investment of funds on the basis of each client’s individual needs and objectives. MCS’s standard services are tailored to our client’s investment objectives. Clients cannot impose restrictions on investing in certain securities or types of securities. Metropolitan Capital Strategies has sub-advisory agreements to which MCS provides investment advisory services for the management of certain accounts. Clients cannot impose restrictions for these types of relationships. Separate fees have been negotiated for sub-advisory arrangements. MCS does not select other advisory firms.

## Wrap Fee Program

MCS participates as a sub-advisor in certain programs where a client enters into an agreement with MCS and a registered broker/dealer. The client is charged a combined fee by the broker/dealer (referred to as a wrap fee) based upon a percentage of the market value of the account, which could cover services for:

- selection of program;
- the investment advisers’ fee to manage the client’s portfolio on a fully discretionary basis;

- brokerage commissions and, in some instances, dealer mark-ups or mark-downs for the execution of trades by the designated broker;
- acting as custodian for the assets in the client's portfolio which also includes providing the client with regular reporting, i.e. monthly or quarterly statements;
- provides settlement of purchases and sales;
- insurance coverage such as SIPC; and
- continuing consultations on investment objectives.

MCS receives a portion of the wrap fee for providing investment supervisory services. Wrap accounts are managed the same as all accounts managed by MCS.

- 2.) Advisory/Consulting Services - MCS also provides advisory and/or consulting services whereby we shall: (1) be responsible for the review of Client's present financial situation; (2) assist Client with the selection of certain Custodian(s) to manage the investment of Client's cash, Investments and other property in the Account based on Client's individual goals and investment objectives as presented by Client to MCS; and (3) provide ongoing monitoring and reviewing of account performance and client's investment objectives. Client will receive (non-discretionary) advisory and administrative services from MCS, custodial and reporting services, for a single specified fee.
- 3.) Model Portfolios/Unified Managed Accounts (UMA) - The firm also runs model portfolios for FOLIOfn, Enventnet, and Argentus. For these accounts, MCS will invest clients' assets in one model portfolio that MCS creates and trades through an online platform operated by FOLIOfn, Envestnet, or Argentus. FOLIOfn, Envestnet, and Argentus are not affiliated with MCS.
- 4.) The Fund - MCS is engaged as investment advisor for the S Squared Capital LP ("Fund"). The General Partner to the Fund is S Squared Capital GP LLC, which is owned by Sharon Snow and David Schombert. The Fund is an absolute return fund with goals extremely similar to the Tactical Growth SMA strategy. Current and prospective clients of MCS can be solicited to invest in the fund if they meet the accreditation requirements.
- 5.) 401(k) Services - MCS offers discretionary money management services to participants in certain 401(k) and similar retirement plans. MCS's Retirement Account Management services are offered as follows:
  - a. Through relationships directly with employers and plan sponsors certain sponsors of 401(k) and similar retirement plans may make MCS services available to participants in their plans. In these cases, participants may also engage MCS to manage their personal 401(k) or similar accounts by entering into a MCS advisory agreement.

- b. Direct to employees of certain employers. In certain cases, MCS may enter into an agreement with a participant in a plan to manage the plan participant's account even though MCS does not have an arrangement in place with the plan or the plan sponsor.

# Fees and Compensation

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## Discretionary Money Management Fee (sub-advisory)

MCS's annual fee schedule is as follows for all managed products:

<u>Assets under Company Management</u>	<u>Annual Fee</u>
Less than \$500,000 of Assets.....	2.2% of Assets (.550% quarterly)
At least \$500,000 but less than \$3 million.....	2.0% of Assets (.500% quarterly)
At least \$3 million but less than \$10 million.....	1.9% of Assets (.475% quarterly)
More than \$10 million.....	1.8% of Assets (.450% quarterly)

Sub-advisory fees may be negotiated

## Advisory and Consulting Services Fee

MCS's annual fee schedule for advisory clients is as follows:

<u>Account Asset Value</u>	<u>Annual Fee</u>
Up to \$10,000,000.....	0.90%
Greater than \$10,000,000.....	0.50%

Fees may vary from applicable schedule above due to the particular circumstances of the client or as otherwise negotiated with particular clients. Fees for sub-advisory and institutional relationships are negotiated separately. Model portfolios are negotiated with the platform provider. There is no minimum fee; however fees may be waived for family accounts. Fees are billed quarterly in advance. The applicable percentage used to calculate the fees is based upon the aggregate market value of the assets in a client's account or accounts on the last business day of the previous calendar quarter. Each client's related accounts will be combined to generate a lower aggregate management fee, as applicable. Related accounts may include the separate accounts of spouses, children, and parents, trusts of which any of these persons are the beneficiaries, as well as individual retirement accounts and other retirement



plans. The initial fee is prorated based upon the date the account is opened and the number of days remaining in the quarterly billing period. No adjustments are made to any fees for appreciation or depreciation in the market value of securities held in a client's account.

## The Fund (Hedge Fund)

MCS charges an annual management fee of 1% for the investors of the Fund. The management fee shall be calculated and payable to MCS quarterly, in advance, as of the first day of each Fiscal Quarter. A pro-rata management fee shall be charged to Limited Partners of the Fund on any amounts accepted by the General Partner during a fiscal quarter. No part of the management fee shall be refunded in the event that a Limited Partner withdraws, whether voluntarily or involuntarily, all or any of the value in such Limited Partner's Capital Account during any fiscal quarter. MCS may waive or reduce the management fee with respect to one or more Limited Partners (for any period of time, or agree to apply a different management fee for any Limited Partner. If the Investment Manager waives the management fee, it may effectuate such waiver by directly rebating amounts to certain Limited Partners, by appropriate accounting adjustments, or by such other methods, as it deems reasonable and fair.

## Termination of Account

Discretionary Management Fees (sub-advisory) fees will not be refunded if the relationship between MCS and a client is terminated prior to the end of a calendar quarter. The Discretionary Management (sub-advisory) relationship between MCS and each of its clients may be terminated by either party upon written notice. If the Consulting/Advisory relationship between MCS and a client is terminated prior to the end of a calendar quarter, a prorated refund will be given for the days remaining in the quarter. The Consulting/Advisory relationship between MCS and each of its clients may be terminated by either party upon written notice.

## Direct Debit of Fees

A qualified independent custodian has custody of MCS clients' accounts. The custodian deducts the management fees directly from the client's liquid account balance on a quarterly basis and pays such fees to MCS. Clients cannot elect to be billed separately. Quarterly fee amounts are sent to the custodian within the first ten business days after the end of the quarter. Fee amounts are reviewed and verified and signed by either the CEO or CIO prior to sending to the custodian who then debits the client accounts accordingly.

## Other Fees

In connection with MCS's services, clients may incur and are responsible for the fees charged separately by their custodian and/or broker-dealer. These fees may include, but are not limited to, custodial fees, transaction costs, fees for duplicate statements and transaction confirmations, brokerage commissions, annual fund expenses and fees for electronic data feeds and reports. Fees may be equal or higher than industry norms if one is in mutual funds or other funds where fees may not be transparent. Similar Services may be available for a lower fee. See the Brokerage Practices section for more information.

Fund investors should refer to each Fund's Confidential Offering Memorandum, Fund Agreement, Subscription Agreements and other offering documents for additional/supplementary information regarding the Funds as well as the fees and expenses paid by the Funds.

# Hedge Fund Performance-Based Fees

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The General Partner to the Fund does receive performance-based fees. Because MCS is compensated, in part, based on capital appreciation, there may be an incentive for MCS to make investments that are riskier or more speculative than would be the case in the absence of such a compensation framework. The hedge fund fees are calculated as such: 1% fee to an 8% hurdle, then a 20% performance fee. The fees are calculated by the administrator. The performance fee is not negotiable or refundable should an investor withdraw from the fund since an investor only has option to withdraw at quarter-end. Only clients that meet the definition of a "qualified client" are charged performance-based fees.

High-net-worth and affluent clients and prospect who qualify as "accredited investors" under the Securities Act of 1933, and/or "qualified purchasers" under the Investment Company Act of 1940, may be solicited for the pooled investment vehicle, S Squared Capital LP. S Squared Capital Partners GP was formed in 2013 and MCS is the subadvisor of the fund. The General Partner is wholly owned by Sharon Snow and David Schombert who receive the 1 percent management fee up to the 8 percent hurdle, as well as 20 percent of the profits over the hurdle rate as an incentive fee. This could create a conflicts of interest, which are addressed in the following ways. SMA Tactical Growth composite and the pooled investment vehicle are managed in a very similar manner. The pooled investment vehicle will be solicited

to Family Offices, RIAs, Consultants of Foundations Endowments and Trusts, Institutions, Pensions, Broker/dealers and others that meet the definitions of accreditation, while the SMA composite is appropriate for investors that do not meet these requirements or prefer to have their assets in a separate account. MCS has a code of ethics that states we rotate trading of the custodians to eliminate any firm receiving preferential trading. Please refer to the Brokerage Practices section for additional information on how MCS mitigates such presented conflicts by aggregating orders.

## Types of Clients

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### Description

MCS currently provides investment management services to high net worth individuals, trusts, retirement plans and pooled investment vehicles.

Metropolitan Capital Strategies, LLC also provides investment services to clients via its participation in Wrap Fee Programs at the following investment firms:

- Charles Schwab
- Envestnet
- Fidelity
- Morgan Stanley Smith Barney
- Royal Bank of Canada Wealth Management
- TD Ameritrade
- UBS
- Wells Fargo Advisors

### Account Minimums for Discretionary Management (Sub-Advisory) Accounts

The minimum amount of capital required of an investor for the S Squared Capital Fund is \$250,000.

The minimum amount to open an account for each product is as follows:

Product	Account Minimum
Tactical Growth	\$250,000

Tactical Moderate	\$100,000
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# Discretionary Management (Sub-Advisory) Accounts Methods of Analysis, Investment Strategies and Risk of Loss

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## Methods of Analysis

Our philosophy and approach to investing is unique compared to traditional money managers. At MCS we strive for a double digit annualized rate of return over a five year time frame or investment cycle. While we compare our returns with the MSCI World Index and the HFRX, we are not focused on outperforming those benchmarks, but rather we are focused on our goal – achieving a double digit long term annualized return, however, MCS may not always be able to achieve this goal of a double digit annualized rate of return. The MCS approach is tactical, allowing us the flexibility to go anywhere in the global markets when we determine the risk is low, and our confidence in achieving the returns is high – 90% or greater. Our investment process allows us to identify the likelihood of 10+% upward market move, giving us the opportunity to earn money in “steps” of 10 to 20+%.

Our portfolios only have one of two profiles: Either we are fully invested in tactical investments when we have a 90%+ confidence factor of achieving at least a 10% return, or we are fully invested in the lowest risk asset class, low risk bonds and/or cash equivalents. We also have the unique ability to invest in any investable segment- market, region, sector, capitalization, or asset class at any point in time. Unique, is defined in Websters as being one of a kind of, special, unparalleled. Most money managers’ 95% or greater as defined in the Major US Databases in the US to include Morningstar, PSN Informa, and Evestment Alliance have money managers that manage one asset class. As such the managers are

segregated by Large Cap, Large Cap Value, Small Cap, Emerging Markets, High-Yield Bonds, etc. MCS can go to any of these asset classes if they meet our risk/reward criteria. Thus we believe tactical management with a focus on loss avoidance is unique. Our strategy is designed to avoid bear markets, which is another unique feature since most other managers must be exposed to risk at all times and ride the market down. MCS has the ability to hold a 100% low risk asset, such as short term bond funds in the portfolio. This flexibility is a key asset to the MCS investment strategy.

MCS can use the entire Exchange Traded Fund (ETF) universe. This includes any market capitalization, country, sector, commodity, currency or fixed income ETF to achieve our goal. We do not limit ourselves to only ETFs. We can use individual stocks, bonds or other investments, but this would be very rare due to our risk adverse criteria.

Typically, at least 50% of the portfolio is invested in broad based indices such as the Midcap 400 or Emerging Markets; however 100% of the portfolio may be invested in money market funds. Fundamental and technical analysis, and our evaluation of economic indicators, must align for a tactical investment to be made.

We have a three step process. MCS starts with the charts and technical indicators for confirmation of inflection points and/or oversold indicators. If there is an area that looks interesting, MCS then proceeds to the fundamentals. There are 26 fundamental indicators that are the core of the MCS algorithms. The weightings of each of these indicators can be changed depending on the current circumstances. Once an ETF is identified, we evaluate the top 15 and bottom 15 constituents to confirm the breadth within the ETF. If the fundamental algorithm is positive, we then move to the economic influences that are relevant and most likely to impact the ETF we have chosen for investment. We then affirm or re-weight the algorithm and run the formula for risk assessment. If everything is positive with a 90% or higher confidence factor, we make a decision to invest consistent with those risk rankings.

We use economic indicators such as Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Producer Price Index ("PPI"), employment etc. to determine the economic environments that would be most favorable for a high confidence/low investment risk investment, but that is just a starting point. The indicators are factored into our evaluation of each particular ETF that is a potential tactical investment. The algorithms produce a mathematical calculation indicative of a confidence level of 1 to 100 that helps us assimilate large amounts of data and compare the risk of one investment to another on a level playing field. We believe we can identify profitable entry levels and exit points at certain points in the cycles. We

look for a 90% or greater confidence factor for a 10% to 20+% upward movements to make a tactical investment at any point in time.

Since the MCS strategy is implemented primarily using broad based indices, we do not have security specific due diligence that we perform as would typically be conducted by a manager investing in individual stocks or bonds. MCS invests in broad-based ETFs that have high liquidity. Historically, over the last five years, we have used broad based ETFs like the Midcap 400, S&P 500 and Emerging Market Indexes. ETFs are transparent and provide the opportunity to take advantage of real time market prices that are beneficial in using an inherently diversified product. A typical holding period for an ETF is 7 weeks to four months.

Generally there are 6-14 opportunities in a number of broad based indexes that occur in rolling five year periods. From these 6-14 opportunities there are about 5-8 that carry acceptable risk (a confidence factor of at least 90%). If we cannot find investments that meet both criteria, we invest in the lowest risk asset class. Historically, our lowest risk asset class has been bonds or money markets but, moving forward, we could use other investment classes such as currencies or commodities.

MCS adheres strictly to the guidelines that there must be a 90% confidence level in an achieving a 10+% return prior to investing. Once this appreciation is achieved and confidence in a continued rise falls below 90%, we move to the lowest risk asset class to protect the gains in the portfolio. As a result, portfolio turnover can be 100%+.

The sell decision is the inverse of the buy decision and includes the technicals forming a top, relative strength deteriorating, or nearing the end of the earning's season. We exit the market if there is an unexpected negative material event regardless of the return.

MCS provides two services while most investment managers provide only one service. Most managers make money when their respective asset class makes money, but they do not have an avenue to protect that money. The MCS strategy is allowed to go to 100% cash and provide protection of profits. This protection is key to the success of the strategy.

Pivotal to our success are four essential attributes:

1. Flexibility to invest anywhere in the world, in any asset class.
2. Wisdom to identify investments likely to increase significantly in value over the near term.

3. Patience to wait for 90% confidence for this appreciation.

4. Motivation to truly protect the gains that we achieve, therefore consistently driving the portfolio's value higher.

## Investment Strategies

We offer two absolute return Global Tactical Asset Allocation investment strategies, Tactical Growth and Tactical Moderate. Tactical asset allocation is an active management portfolio strategy that rebalances the percentage of assets held in various categories in order to take advantage of market pricing anomalies or strong market sectors. These two strategies are similar because both are tactical strategies that employ ETFs and cash equivalents to generate absolute return. The Tactical Growth also uses an option writing strategy to augment our cash equivalent returns. Tactical Moderate does not use options, making it appropriate for retirement accounts. MCS offers modified versions of these strategies as a sub-advisor. The firm began managing these strategies May 1, 2007, which is the inception of the firm. The inception of the strategy, which includes the portable track record, dates back to October 1, 2005.

## Risk of Loss

Although Metropolitan Capital Strategies, LLC makes every effort to preserve each client's capital and achieve real growth of wealth, investing in the stock markets involves risk of loss that each client should be prepared to bear. Investing in foreign stock markets involves additional risks including political, economic and currency risks and differences in accounting methods. Financial derivatives, or option contracts, allow clients to generate income, increase account value, and limit downside potential in a specific underlying investment. There are special risks associated with uncovered option writing, which expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all customers approved for options transactions.

- 1) The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in a risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price.
- 2) As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.
- 3) Uncovered option writing is suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements.

ETF's, like stocks, generally fluctuate in value more than bonds and may decline significantly over short time periods. There is the chance that prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of an ETF may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry. Perhaps the most significant risk associated with ETFs is market risk. This risk is defined by the day to day fluctuations associated with any portfolio and defined by the perception of investors. Market risks include, but are not limited to: fiscal and monetary policy decisions, general economic conditions, geopolitical uncertainty, inflation or deflation concerns, commodity price fluctuations, and currency valuations

## Disciplinary Information

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### Legal and Disciplinary

Neither the firm nor any management person has been involved in any legal or disciplinary action.

## Other Financial Industry Activities and Affiliations

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The principal owners of MCS are also the managing members to the General Partner of the Fund. This could create a conflict of interest. We address this conflict of interest in a number of ways. The pooled investment vehicle will be solicited to Family Offices, RIAs, Consultants of Foundations Endowments and Trusts, Institutions, Pensions, Broker/dealers and others that meet the definitions of accreditation, while the SMA composite is appropriate for investors that do not meet these requirements or prefer to have their assets in a separate account. Fourth we have a code of ethics that states we rotate trading of the custodians to eliminate any firm receiving preferential trading. Please refer to the Brokerage Practices section for additional information on how MCS mitigates such presented conflicts by aggregating orders.



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

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## Code of Ethics

MCS has adopted a Code of Ethics in reference to the firm's controls over personal trading. The code sets forth the governing ethical standards and principles of MCS and its personnel. It also describes MCS's policies regarding the protection of confidential information, including the review of the personal securities accounts of certain personnel of MCS for evidence of manipulative trading, trading ahead of clients, insider trading, trading restrictions, training of personnel and recordkeeping.

Please email [info@mcsmgr.com](mailto:info@mcsmgr.com) to request a copy of MCS's Code of Ethics or phone our Chief Compliance Officer, Sharon Snow at 703-251-4536.

## Participation or Interest in Client Transactions

MCS or its related persons may buy or sell for themselves investment products or securities recommended to clients. This may present a conflict of interest; however, MCS client transactions are block traded along with MCS employee accounts and related persons whenever possible to ensure the best price and execution are procured for MCS clients. In the event they are not blocked, then MCS employee accounts are traded after MCS client accounts.

## Personal Trading

MCS requires that all Access Persons strictly comply with the Firm's policies and procedures regarding Personal Trading. An Access Person is a supervised person who has access to nonpublic information regarding any clients' purchase or sale of securities, is involved in making securities recommendations to clients or who has access to such recommendations that are nonpublic. A supervised person who has access to nonpublic information regarding the portfolio holdings of affiliated mutual funds is also an Access Person. Access Persons include portfolio management personnel and, in some organizations, client service representatives who communicate investment advice to clients. Access persons also include administrative, technical, and clerical personnel if their functions or duties give them access to nonpublic information.

Those employees found to be out of compliance are subject to disciplinary action. The Firm requires that all Access Persons receive prior approval from the Chief Compliance Officer (“CCO”) prior to opening a securities account with a financial institution. If the account is approved, duplicate account statements will be sent to MCS. Approval by CCO is needed prior to investing in an initial public offering (“IPO”) or Private Placement. Trades in investment opportunities that are appropriate for the strategies offered by MCS will always be made in the MCS client accounts first, before Access Person individual accounts. Access Person accounts that are managed by MCS will be block traded together with all other client accounts.

No later than 30 calendar days after the end of each calendar quarter, each Access Person must report to the CCO information with respect to any transaction during the quarter in a Security in which the Access Person had any direct or indirect beneficial ownership. Additionally, Access Persons are required to submit a report of all securities annually. All personal trading reports are reviewed by the CCO for adherence to the firm’s Code of Ethics.

# Brokerage Practices

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## Selecting Brokerage Firms and Best Execution

Securities transactions are placed by MCS with registered broker-dealers for execution. MCS may at times negotiate commission rates with specific broker-dealers consistent with its duty to seek best execution. In determining broker-dealers to be used, MCS considers a number of factors including, but not limited to:

- the price per unit of the security;
- the broker’s execution capabilities;
- the commissions charged;
- the broker’s reliability for prompt,
- accurate confirmations and on-time delivery of securities; and
- the broker-dealers financial condition.

MCS is responsible for determining that the level of commissions paid for each trade is reasonable in light of the executions received. At times, MCS may negotiate commissions on behalf of clients, taking into

account the difficulty involved in execution, the extent of the broker's commitment, if any, of its own capital and the amount of capital involved in a transaction.

MCS recommends Fidelity as a custodian to any Advisory clients who sign the MCS Consulting Agreement.

## Directed Brokerage

A client may select a broker-dealer other than the one selected by MCS and negotiate commission rates with that broker-dealer directly. In the event a client chooses to direct transactions to a specific broker-dealer or a particular broker-dealer refers a client to MCS for the management of part or all of a client's investment assets without brokerage discretion, that client may not realize the benefit of participation in bunched transactions. For these accounts, it may not be possible for MCS to obtain the lower commission rates and therefore the most favorable execution, which might be attainable if MCS had full discretion in the selection of the executing firm. MCS acknowledges that there is a potential conflict between the interest of referred clients in obtaining best execution and MCS's stake in receiving future referrals.

When clients designate specific brokers-dealers through which transactions are to be effected, orders for such directed brokerage clients will be rotated with clients that leave the selection of brokers to the discretion of MCS. From time to time, MCS may determine that stepping out a trade may be prudent and necessary in order to fulfill MCS's fiduciary duty to achieve best execution and this may mean a slight additional cost to the client for trading. The client shall promptly inform MCS in writing if the client desires that MCS cease executing transactions with or through any particular broker.

## Soft Dollars

MCS does not have any soft dollar relationships.

## Order Aggregation

MCS will aggregate transaction orders ("block trades") only if it believes that the aggregation is consistent with the Firm's duty to seek best execution for customer trades and is consistent with the terms of the investment advisory agreement with each customer whose trades are being aggregated. MCS seeks to obtain quality execution at favorable security prices, through responsible brokers and dealers. No advisory account is favored over any other account. It is not the policy of MCS to seek the lowest available commission rate when it is believed that a broker or dealer charging a higher commission rate would offer greater reliability or provide better price or execution.

MCS may aggregate purchase and sale orders of investments held by the Fund with similar orders being made simultaneously for other accounts if, in MCS's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the Fund based on an evaluation that the Fund will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of investments for the Fund will be effected simultaneously with the purchase or sale of like investments for other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of investments purchased or sold. In such event, the average price of all investments purchased or sold in such transactions may be determined, at MCS's sole discretion, and the Fund may be charged or credited, as the case may be, with the average transaction price.

## Trade Allocation and Rotation

MCS's trade allocation policy dictates that all allocations are conducted in such a way that client accounts are treated fairly and equitably under all circumstances. All trade allocations are made by the close of business on trade date. Any circumstance which renders same day allocation impossible is documented and approved by MCS management. All orders are submitted according to trade order documentation procedures under which portfolio managers contact traders with orders between SMA and Hedge Fund accounts on a rotational basis. Block trades are utilized whenever possible, and when the order is filled in its entirety it is allocated among all participating accounts. Trader enters orders to each custodian on a documented rotation schedule. Once order is executed and attested, trader provides pro-rata allocations of securities and transaction costs among clients. In the event there are partial fills a partial allocation will be determined. All trades are reviewed by supervisory persons.

## Trade Errors

MCS will always consider the best interest of the client first and foremost, and it will endeavor to promptly make the client "whole." The Firm also recognizes not all trade errors result in a loss to the client. The Firm has instituted safeguards in order to prevent such errors; however, the realization of "human error" is always present.

# Review of Accounts

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## Periodic Reviews

All accounts are reconciled daily against custodial data received via electronic feeds. The Chief Compliance Officer or a designated employee reviews all client account restrictions before any trading is

done for the account. Once an account is approved for trading, it is included in the daily reconciliation. All accounts are reviewed by the Chief Compliance Officer or the company's President and Chief Investment Officer on a monthly basis for any differences in performance and dispersion, investment objectives, time horizon for the clients, and any other material changes that might affect their investment objectives.

## Regular Reports

Clients receive account statements from their custodian at least quarterly. MCS provides reports only when requested by clients. Clients are urged to compare information with what they have received from their custodian.

# Client Referrals and Other Compensation

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## Incoming Referrals

MCS compensates independent sales and marketing representative for referring clients to MCS. These independent representatives have no relationship with MCS other than a separate written marketing agreement covering the solicitation for business on MCS's behalf. Independent sales and marketing representatives must sign this marketing agreement acknowledging, among other things their responsibility for registration requirements and regulatory compliance for themselves and their employees who solicit clients on behalf of MCS. Marketing representatives deliver to each client or prospective client a current copy of MCS's Form ADV Part 2A: Firm Brochure and a solicitor disclosure statement known as a Disclosure Document, required by Rule 206(4)-3 promulgated under the Advisers Act, at such times as required by the Investment Advisers Act. The Disclosure Document describes the terms of the solicitation arrangement between MCS and the marketing representative.

MCS currently has solicitation agreements with multiple sales and marketing representatives. The referral fee represents a portion of MCS's investment advisory fee paid by the referred client. No

additional amount is added to MCS's client investment advisory fee as a result of the solicitation arrangement.

# Custody

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## Account Statements

MCS does not have physical custody of any client's assets. However, in our ability to have fees directly debited from client accounts, MCS is considered to have limited custody of client assets due to this ability to deduct fees. All client assets are held at various qualified custodians. Clients are provided a brokerage statement directly from the custodial broker at least quarterly. These statements should be reviewed carefully as they are the official records for the account. These statements also show the amount of the management fee deducted from the account by the custodial broker. Many custodians also provide on line access for clients.

MCS is also considered to have custody given that the owners of MCS are also the owners of the General Partner to the Fund managed by MCS. We do not have physical custody of the assets of the fund. The assets of the fund are held at a qualified custodian and audited by an independent accountant who is both registered and subject to PCAOB inspection. In addition the investors of the fund are provided the audited financial stated within 120 days of the fund's fiscal year-end.

# Investment Discretion

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## Discretionary Authority for Trading

MCS obtains discretionary management authority upon execution of the Investment Management Agreement. Discretion is exercised in a manner consistent with the stated investment objectives of the client. Under the terms of the Discretionary Investment Management Agreement, MCS given full discretionary authority regarding specific security transactions including the quantity of securities to be bought or sold. In addition, MCS obtains full discretionary authority as to the broker dealer used for the purchase of the underlying security as well as the commission rates to be paid the broker dealers. Please refer to the Brokerage Practices section of this brochure for more information on how MCS selects broker dealers. MCS assumes all investment duties with respect to assets held and has complete discretionary authority with respect to those assets. MCS may take such actions with respect to the

management of the client's account as it deems in the client's best interest, provided that it may not withdraw money, securities or other property from a client's account. Sales may be made from the account without regard to the time held therein, the gain, or loss to be generated or the tax consequences to be derived from such a sale. As noted in the Types of Advisory Services of this brochure, clients cannot impose restrictions on investing in certain securities or types of securities, which would impose limitations on our discretionary authority.

## Voting Client Securities

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### Proxy Votes

Due to the nature of the investment strategy that MCS employs, it is our policy not to vote proxies or corporate actions relating to the Fund securities. MCS invests primarily in ETF's, and typically holds those ETF's for periods of time that are less than six months. This is not conducive to voting on the long term management strategies of individual corporations. Clients wishing have their proxies voted, must do so on their own accord. Clients will receive their proxies directly from the custodian. Clients may contact MCS if they questions on how to vote their proxies.

## Financial Information

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### Financial Condition

MCS does not accept fees more than 6 months in advance and therefore does not need to provide a balance sheet. The firm has not had any financial problems.

## Requirements for State-Registered Investment Advisors

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### Principal Executive Officers and Management Persons

Sharon Snow, Chief Executive Officer and Chief Compliance Officer

**Education Background:**

University of Maryland, B.S. Business Management Date: 2002

**Business Background:**

CEO, CCO, Metropolitan Capital Strategies LLC 06/2008 - Present

2nd Vice President and Wealth Manager, Citigroup Global Markets, Inc. 10/2002 – 06/2008

David Schombart, President and Chief Investment Officer

**Education Background:**

George Mason University, B.S. Finance Date: 1975

**Business Background:**

President and Chief Investment Officer, Metropolitan Capital Strategies LLC 04/2007 - Present

Vice President- Wealth Management, Citigroup Global Markets, Inc. 03/1996 – 03/2007

## Additional Businesses

Neither MCS nor any of its supervised persons are engaged in additional business activities other than giving investment advice through the services offered by MCS.

# Additional Information

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## Business Continuity Plan

The MCS Business Continuity Plan is a process intended to benefit and protect MCS clients and employees. All financial data is backed up daily off-site. Data is transferred through a secure and encrypted connection.

In case of emergency, all employees should contact the CEO, Sharon Snow. She will advise staff on implementing emergency plans. If a disaster occurs during the course of normal business hours, employees are aware of evacuation procedures if necessary. Each employee has a written copy of these procedures.



Employees will notify clients of the emergency by phone, fax, or mail and immediately restore data remotely. In the event the evacuation proves to be long term, MCS will continue to conduct business from either of the remote home offices. MCS does not possess client securities or funds; therefore, a natural disaster affecting MCS's facilities will not directly impact client assets. The business continuity plan is tested annually for effectiveness. A copy of the plan is available upon request.

## **Privacy Policy**

Metropolitan Capital Strategies, LLC has always been committed to maintaining the confidentiality, integrity and security of personal information about our current and prospective clients. We consider customer privacy to be fundamental to our relationship with clients. It is therefore our policy to respect the privacy of current and former clients and to protect personal information entrusted to us. This policy describes the steps we have taken to safeguard your information and what client information we may share with others. We are proud of our privacy practices and want you to know how we protect information used to provide you with service.

You do not have to contact us to benefit from our privacy protections; they apply automatically to all of our clients.

### **Information We Collect and Maintain**

We collect the following types of personal information about you:

- Information we receive from you to open an account (such as your home address, telephone number, Social Security or taxpayer identification number, e-mail address, age, marital status, assets, and income and financial information);
- Information that we generate to service your account (such as quarterly reports); or
- Information that we may receive from third parties with respect to your account (such as account statements).

### **Information We Disclose**

We will not disclose any Non-public Personal Information about you or your account(s) to anyone unless one of the following conditions is met:

- Firm receives your prior written consent;
- Firm discloses your Non-public Personal Information as necessary to effect or process a transaction in any account, or to maintain or service your account(s);
- Firm is required by law to disclose information to the recipient.

In all such situations, we stress the confidential nature of information being shared.

We may share your personal information with:

- Non-affiliated companies that provide processing, account maintenance and related services in connection with your investments and other transactions handled by us; and
- Non-affiliated companies and government agencies only to the extent permitted or required by law, for legal, regulatory or other purposes (for example, for tax purposes or for reporting suspicious transactions).

### **How We Protect Personal Information**

We maintain the confidentiality, security and integrity of your non-public personal information by maintaining physical electronic and procedural safeguards that meet or exceed federal and industry standards governing how Non-public Personal Information should be stored. We have not and will not sell your personal information to anyone, even if our formal client relationship ends.

### **Online Privacy**

Privacy, security and service in our online operations are just as critical as in the rest of our business. We therefore employ all of the safeguards described above.

### **Privacy Policy Update**

From time to time, we may amend our privacy policy. You will receive appropriate notice when our privacy policy changes.

### **How to Contact us with Privacy Questions**

Our relationship with you is one of our most vital assets. We recognize that you have entrusted us with your private financial information, and we will do our utmost to maintain this trust. For additional questions concerning our privacy policy, please contact us by phone at 703-251-4536.

The policies and practices listed above apply to both current and former clients.