

Part 2A of Form ADV: *Firm Brochure*

BMI Capital, LLC

570 Lexington Avenue, 12th Floor
New York, New York 10022
Tel: (212) 702-6500
Fax: (212) 702-6650
Email: laurie.skolnick@bmur.com
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This brochure provides information about the qualifications and business practices of BMI Capital, LLC (“BMI” or “We”). If you have any questions about the contents of this brochure, please contact us at 212-702-6500. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. BMI is registered with the SEC as an Investment Advisor; however, please note that such registration does not imply a certain level of skill or training.

Additional information about BMI is also available on the SEC’s website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as an IARD number. BMI’s IARD number is 105207.

The SEC’s website also provides information about persons affiliated with BMI, who are registered as investment advisory representatives of BMI.

Item 2 Material Changes

The SEC adopted "Amendments to Form ADV" in July 2010. This Firm Brochure, dated March 08, 2012, is our updated disclosure document prepared according to the SEC's new requirements and rules. This document is an update to the prior Firm Brochure dated 3/29/2011. There are no material changes to this brochure, other than the amount of assets under management which fluctuate from year to year.

Each year, and at any time that information in this brochure becomes materially inaccurate, this Item will be used to provide you with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of BMI's fiscal year. Furthermore, we will provide you with other interim disclosures about material change as necessary.

Currently, our brochure may be requested by contacting Laurie Skolnick at 212-702-6535 or via e-mail to laurie.skolnick@bmur.com.

Item 3 Table of Contents Page

Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	5
Item 6	Performance-Based Fees and Side-By-Side Management	7
Item 7	Types of Clients	7
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	7
Item 9	Disciplinary Information	9
Item 10	Other Financial Industry Activities and Affiliations	10
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	12
Item 12	Brokerage Practices	14
Item 13	Review of Accounts	16
Item 14	Client Referrals and Other Compensation	17
Item 15	Custody	17
Item 16	Investment Discretion	17
Item 17	Voting Client Securities	18
Item 18	Financial Information	18

Item 4 Advisory Business

BMI is a registered investment adviser based in New York, New York. We are organized as a limited liability company under the laws of the state of Delaware. We have been providing investment advisory services since 1980. BMI is wholly owned by BMUR Investment Holdings, LLC.

Services Provided

BMI provides investment advice to its clients based on the individual needs of each client. These individual needs are determined through personal discussions between a BMI Advisor and you. During our data-gathering process, we determine your individual and investment objectives, time horizons, risk tolerance, tax considerations, liquidity requirements and other financial needs. As appropriate, we also review and discuss your investment history, as well as family composition and background. Once an account is established, you should keep your BMI advisor apprised of any life changing events, or changes in your financial outlook.

The end result of this interaction is specific financial goals and objectives for you whereby BMI develops your personal investment strategy and creates and manages a portfolio to fulfill your needs.

You retain individual ownership of all securities in your account(s). This is not a pooled investment. Brokerage accounts are maintained at Penson Financial Services ("Penson"), an independent, third party clearing firm with no affiliation to BMI. Statements are mailed by Penson directly to you. Advisory accounts are managed on a discretionary basis, meaning the BMI advisor purchases and sell securities on your behalf. Supervision is guided by your established goals and objectives. You may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors, etc., with such restrictions being placed in writing.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the purchase or sale of said products or services. Portfolios are typically constructed of a combination of equities, cash, mutual funds and fixed income instruments including US Treasuries.

ASSETS MANAGED

As of December 31, 2011, BMI's assets under management were \$313,145,200.00. There were no assets on a non-discretionary basis.

Item 5 Fees and Compensation

INVESTMENT MANAGEMENT SERVICES

The fee for BMI's Investment Management Services typically ranges from 0.75% to 1% of your assets under management per annum. Fees may vary among BMI's portfolio managers. Additionally, fees may be discounted under certain circumstance at BMI's discretion. As a result of this practice, BMI may charge different fees to clients receiving the same or similar services.

Fees are charged quarterly, in advance, by applying one-fourth of the annual fee to the "net asset value" of your account at the end of the previous quarter. For purposes of this calculation, "net asset value" means the value of the account indicated on Penson's account statements. Notwithstanding the foregoing, fee calculations for accounts with margin balances may be based on the total account balance including investments on margin. Initial fees will be prorated to cover the period from the account opening date through the end of the first full quarter. An additional fee may be charged for assets added to an account during a billing period; such a fee would be computed, pro rata, based on the number of days remaining in the billing period. Fees will not be adjusted for future partial periods.

BMI sends invoices for its fees to you and to the account's custodian, Penson, who typically deducts the fee from your account and journals the fee to BMI. If you prefer to remit directly instead of having fees deducted from your account, please contact us.

The minimum account is typically \$100,000; however, this can be waived in certain circumstances. Your family or other related accounts may be grouped to achieve the minimum account size threshold.

Your advisory relationship with BMI may be canceled at any time, by either party, for any reason, upon written notice. Upon termination, any unearned, prepaid fees will be promptly refunded, and any earned unpaid fees will be immediately due and payable.

Please note that in addition to the advisory fees discussed in this section, you are also responsible for the costs of custody, and commissions, markups, markdowns and other sales charges resulting from transactions in their managed accounts. Furthermore, all fees paid to BMI for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and possible distribution fees. If the fund also imposed sales charges, you may pay an initial or deferred sales charge. You could invest in a mutual fund directly, without the services of BMI. In that case, you would not receive the services provided by BMI which are designed, among other things, to assist you in determining which mutual fund or funds are most appropriate to your financial condition, financial goals and objectives. You should review both the fees charged by

the funds and the fees charged by BMI to fully understand the total amount of fees payable to evaluate the advisory services being provided.

Item 6 Performance-Based Fees and Side-By-Side Management

BMI does not charge performance-based fees defined as fees based on the share of capital gains on or capital appreciation of the assets of a client.

Item 7 Types of Clients

BMI provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations, estates, trusts, and corporations or other business entities

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

BMI creates your portfolio consisting of one or more of the following: individual equities (domestic and international), bonds (domestic and international), other investment products, and no-load, load-waived, and front-load mutual funds. In general, portfolios will be primarily invested in common stocks. However, where your financial goals and objectives or market circumstances warrant, portfolios may hold large positions of cash, U.S. Treasury securities or similar investments.

The methods of analysis we use to manage accounts are primarily fundamental, technical and cyclical. In addition, and especially when researching micro or small capitalization companies, we meet or talk to the management of companies that may be considered as investments for your assets.

BMI investment strategies include long term purchases (securities held at least a year), and short-term purchase (securities held less than a year). When appropriate to your needs BMI may engage in trading (securities bought and sold within 30 days), short sales and margin transactions. Because these investment strategies involve certain additional degrees of risk, they will be used only when consistent with your stated tolerance for risk. For example, short-term transactions may result in increased transaction costs and short-term gains and losses for federal and state tax purposes. You should review the consequences of such trading with your tax adviser. BMI does not provide tax advice.

Risk of Loss: Investing in securities involves risk of loss that you should be prepared to bear. Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help determine and understand your tolerance for risk.

Item 9 Disciplinary Information

BMI and our advisors have no material, reportable disciplinary events to disclose.

Item 10 Other Financial Industry Activities and Affiliations

Advisory personnel of BMI are separately licensed as registered representatives of Brean Murray, Carret & Co., LLC ("Brean Murray"), an affiliated broker-dealer, a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). BMI advisory personnel, in their separate registered capacity, can affect securities transactions for their advisory clients through Brean Murray which they will receive separate, yet customary compensation.

While BMI and these advisory individuals endeavor at all times to put your interest first as part of their fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest for BMI.

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

BMI has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws, including those prohibiting the misuse of material non-public information. Any individual who fails to comply with the Code of Ethics may be subject to discipline.

BMI and our personnel owe a duty of loyalty, fairness and good faith to you, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code. Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's associated persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

BMI's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

You may request a copy of the firm's Code of Ethics by contacting Laurie Skolnick at (212)702-6535 or via email to laurie.skolnick@bmur.com .

We may aggregate our employee trades with your transactions where possible and when compliant with our duty to seek best execution for you. In these instances, you will receive an average share price and the transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases according to BMI's judgment of the best interests of each client, with each account paying the same average price. Our employee accounts will be excluded in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

- No employee of our firm may put his or her own interest above the interest of an advisory client.
- No employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
- It is the expressed policy of our firm that no person employed by us may purchase or sell any security for their personal portfolio(s) prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
- Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
- We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
- We have established procedures for the maintenance of all required books and records.
- All clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.
- Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
- All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- We require delivery and acknowledgement of the Code of Ethics by each employee of our firm annually, or as amended.
- We have established policies requiring the reporting of Code of Ethics violations to our senior management.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as registered representatives of a broker-dealer. Please

refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

Item 12 Brokerage Practices

As our firm does not have the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid, clients must direct BMI Capital, LLC as to the broker-dealer to be used.

BMI recommends that you direct us to place trades through Brean Murray. BMI has evaluated Brean Murray and believes that it will provide you with a blend of execution services, commission costs and professionalism that will assist BMI to meet our fiduciary obligations to you.

We reserve the right to decline acceptance of any client account for which the client directs the use of a broker other than Brean Murray if we believe that this choice would hinder our fiduciary duty and/or our ability to service the account. In directing the use of Brean Murray, it should be understood that BMI will not have authority to negotiate commissions or to necessarily obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients (who may direct the use of another broker).

Clients should note, while BMI has a reasonable belief that Brean Murray is able to obtain best execution and competitive prices, our firm will not be independently seeking best execution price capability through other brokers. Not all advisers require clients to direct it to use a particular broker-dealer.

For clients in need of brokerage or custodial services, and depending on client circumstances and needs, we may recommend the use of one of several brokers (including, but not limited to Brean Murray), provided that such recommendation is consistent with our firm's fiduciary duty to you. You must evaluate these brokers before opening an account. The factors considered by BMI when making these recommendations are the broker's ability to provide professional services, our experience with the broker, the broker's reputation, the broker's quality of execution services and costs of such services, among other factors. You are not under any obligation to effect trades through any recommended broker.

BMI will aggregate trades where possible and when advantageous to clients. This "blocking" of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. BMI will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the

order of brokers through which it places trades for clients on any particular day. BMI's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with BMI, or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable BMI to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.

- 8) BMI's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
- 9) Funds and securities for aggregated orders are clearly identified on BMI's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- 10) No client or account will be favored over another.

Item 13 Review of Accounts

While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are typically reviewed on a monthly basis by the members of BMI. Accounts are reviewed in the context of your stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as your individual circumstances, the market, political or economic environment.

Fred Ehrman, Alvin Silber, and Sandy Epstein are the account managers responsible for individual transaction decisions, and are also directly responsible for the review of all client accounts.

You will receive account statements and confirmations of transactions directly from Penson, the account custodian. At the client's direction, BMI will provide clients with quarterly, monthly, or other written reports.

Item 14 Client Referrals and Other Compensation

It is BMI's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is also BMI's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to you.

Item 15 Custody

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that advisory fees are directly debited from your account by Penson. As part of this billing process, Penson is advised of the amount of the fee to be deducted from your account. Because Penson does not calculate the amount of the fee to be deducted, it is important for you to carefully review your custodial statements to verify the accuracy of the calculation, among other things. You should contact us directly if you believe that there may be an error in their statement.

Penson is required to send you a statement showing all transactions within the account during the reporting period on no less than a quarterly basis.

BMI does not have actual or constructive custody of your account. All accounts are maintained by the custodian, Penson.

Item 16 Investment Discretion

You may hire BMI to provide discretionary asset management services, in which case we place trades in your account without contacting you prior to each trade to obtain permission.

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

- determine the security to buy or sell; and/or
- determine the number of shares or amount of the security to buy or sell

You give us discretionary authority when you sign a discretionary agreement with BMI, and you may limit this authority by giving us specific written instructions. You may change or amend such limitations at any time by providing us with written instructions.

Item 17 Voting Client Securities

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although BMI may provide investment advisory services relative to your investment assets, you maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to your investment assets. You are responsible for instructing each custodian of the assets, to forward you copies of all proxies and shareholder communications relating to your investment assets. We may provide you with assistance regarding proxy issues if you contact us.

Item 18 Financial Information

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for your accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. BMI has no additional financial circumstances to report.

BMI has not been the subject of a bankruptcy petition at any time, ever.