

WEDBUSH

ASSET MANAGEMENT

Wedbush Asset Management, LLC

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This brochure provides information about the qualifications and business practices of Wedbush Asset Management, LLC (“WAM”). If you have any questions about the contents of this brochure, please contact Daniel Simon, Chief Compliance Officer at 213-688-8018 and/or daniel.simon@wedbush.com. The information in this brochure has not been approved or verified by the US Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Wedbush Asset Management is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This Item discusses only specific material changes that are made to the Brochure and provides clients with a summary of such changes. Material changes from WAM's September 26, 2012 brochure include:

- 1) Wedbush Quantitative Strategies I, L.P., a public equity fund advised by Wedbush Equity Management, LLC ("relying adviser"), has no limited partners, no capital and is not being marketed to investors. Therefore, it is excluded from this brochure.
- 2) Wedbush Equity Management, LLC has withdrawn as the General Partner and investment adviser to Wedbush Technology Fund, L.P., transferring those responsibilities to Brian Alger, CFA who has served as the Managing Director of the General Partner since the fund's inception.
- 3) WAM no longer uses Wedbush Bank as its primary bank custodian of client funds.
- 4) WAM has entered into a Sub-Advisory Agreement with Wedbush Securities (WS) to provide discretionary and non-discretionary investment management services to WS fee-based clients and their accounts.
- 5) WAM has entered into a Services Agreement with WS to provide general investment services such as consulting; research and business development; operations services; and access to software contracted by WAM for WS fee-based clients and their accounts.

WAM recommends that all new and existing clients read this new brochure in its entirety. We will provide you with a new Brochure at any time, without charge. A copy of our Brochure may be requested by contacting Dan Simon at 213-688-8018.

Additional information about WAM is also available via the SEC's website www.adviserinfo.sec.gov.

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Item 4: Advisory Business

WAM is a Delaware limited liability company formed on January 10, 2012. Other entities under common control with WAM are identified as “relying advisers” in Part 1 of WAM’s Form ADV (the “relying advisers”) and described further in Item 10 below. These entities serve as a general partner or investment adviser of various public equity funds and private equity funds. References to WAM in this brochure include, as the context requires, such other entities through which investment advisory services are provided or that act in any capacity referenced in the previous sentence.

WAM is a wholly-owned subsidiary of WEDBUSH, Inc., of which Edward Wedbush is a 25% or greater shareholder. WEDBUSH, Inc. also owns various other companies including its wholly-owned subsidiaries, Wedbush Securities Inc., a registered-broker dealer and SEC-registered investment adviser (“Wedbush Securities” or “WS”), Wedbush Bank and Lime Brokerage, LLC and a minority investment in Van Hulzen Asset Management, LLC.

WAM and the related advisers provide investment advice and management services to investment limited partnerships that invest all or a significant portion of their assets in privately traded companies (the “Private Equity Funds”) and that invest all or a significant portion of their assets in publicly traded companies (the “Public Equity Funds”).

WAM also provides sub-advisory services to a portion of Wedbush Securities (WS) fee-based accounts. WAM’s sub-advisory services include various model portfolio strategies (please refer to the WRAP Program section below).

WAM provides general investment services and advice to WS and clients such as consulting, research, advisory representative education, business development and other professional services. WAM also provides operational services to WS including the review of fee-based account paperwork and opening, closing, and liquidating accounts held at Wedbush; entering trades as directed by WS or sub-advisors; and providing access to wealth management software contracted by WAM. WS advisory representatives may use WAM advice to make non-discretionary investment suggestions to, or discretionary investment selections on behalf of, the client.

WAM manages Private Equity Fund and Public Equity Fund investments in accordance with the investment objectives and strategies set forth in each fund’s offering document. Such investments are tailored to each fund’s particular needs, but are not tailored to the individual needs of any particular Private Equity Fund or Public Equity Fund investor (limited partner). WAM manages separate accounts in conformity with a client’s chosen strategy and clients have a limited ability to tailor such strategies or restrict certain securities. There can be no assurance that the investment objectives of the Funds or separate accounts will be achieved and investment results may vary substantially.

There may be differences between how WAM manages the assets with respect to a client to WS and how it manages the Private Equity Funds and Public Equity Funds. WS' management services, WAM's Private Equity Fund management services and WAM's Public Equity Fund management services are typically provided by separate management teams. Some individuals oversee all WAM's assets under management at an executive level, but typically do not make day-to-day investment decisions across all the strategies.

WAM currently provides investment advisory services to the following funds:

- **Wedbush Capital Partners, L.P.**, a Delaware limited partnership whose investment objective is to make equity-related investments in a diversified portfolio of historically profitable and growing lower middle-market companies located primarily in the Western United States. The majority of these investments will be made into private, non-public companies.
- **Wedbush Capital Partners III, L.P.**, a Delaware limited partnership whose investment objective is to make equity-related investments in a diversified portfolio of historically profitable and growing lower middle-market companies located primarily in the Western United States. The majority of these investments will be made into private, non-public companies.
- **Wedbush Opportunity Partners, L.P.**, a Delaware limited partnership whose investment objective is to make value-oriented investments, primarily in the equity securities of publicly traded, small- and micro-cap companies, which are generally defined to include companies with market capitalizations of \$500 million or less. The fund seeks attractive long-term returns primarily by investing in companies with share prices that are believed to be significantly below the estimate of their intrinsic value.
- **Wedbush Hedged Dividend Fund, L.P.**, a Delaware limited partnership whose investment objective is to produce high levels of income and potentially capital gains while minimizing downside risk through hedging (primarily through short sales) and through disciplined management of the partnership's portfolio. The fund invests principally, but not solely, in U.S. and non-U.S. income producing equity securities and generally expects to buy and hold rather than trade actively. The fund attempts to short leveraged ETFs when practicable as part of its investment strategy to attempt to profit from the decay inherent in those securities. The fund also expects to invest when appropriate in convertible securities, warrants, rights, options (including covered and uncovered puts and calls and over-the-counter options), swaps and other derivative instruments, bonds and other fixed income securities, non-U.S. currencies, futures, options on futures, other commodity interests, private securities, money market instruments, cash and cash equivalents. The fund also engages in margin trading, enters into securities lending, repurchase and reverse repurchase agreements and employs other investment strategies.
- **Wedbush Partner Fund, L.P.**, a Delaware limited partnership whose investment objective is to outperform the market, on a long-term basis, while minimizing downside risk through the disciplined management of a long/short equity portfolio.

The fund seeks capital appreciation in both bull and bear markets through active portfolio management and actionable investment opportunities driven by identifiable catalysis. Current income is not an objective. The fund invests principally, but not solely, of U.S. and non-U.S. equity securities. The fund also expects to invest when appropriate in ETFs, convertible securities, warrants, rights, options (including covered and uncovered puts and calls and over-the-counter options), swaps and other derivative instruments, bonds and other fixed income securities, non-U.S. currencies, futures, options on futures, other commodity interests, private securities, money market instruments, cash and cash equivalents. The fund also engages in margin trading, enters into securities lending, repurchase and reverse repurchase agreements and employs other investment strategies.

- **Wedbush Quantitative Strategies II, L.P.**, a Delaware limited partnership whose investment objective seeks capital appreciation through investments consisting principally, but not solely, of ETFs that are traded in the U.S. markets. The partnership also may invest when appropriate in equities, stock warrants and rights, when issued and forward commitment securities, preferred stocks, swaps and other derivative instruments, options on individual securities and indices (including covered and uncovered puts and calls and over-the-counter options), securities of financially distressed companies, convertible securities, non-U.S. currencies, futures, options on futures, other commodity interests, private and otherwise restricted securities, money market instruments, cash and cash equivalents. The partnership has the ability to employ leverage (through margin trading, options, futures, swaps or other instruments) and also engages in short selling, hedging and other investment strategies.

Assets Under Management

As of August 31, 2013, WAM had approximately \$223,453,485 of assets under management in its Private Equity Funds and Public Equity Funds, all of which are managed on a discretionary basis. WAM also manages approximately \$5,800,000 on a discretionary basis under its recently implemented sub-advisory agreement with WS.

Wrap Program

WAM provides investment management services to a wrap program that is under the name of Wedbush Securities Discretionary Managed Accounts (DMA) Program. Under this wrap program, the sponsor charges the client one fee (“wrap fee”) for a bundle of services which may include management fees, custodial fees, trading expenses, reporting and administrative costs. As the investment manager, WAM receives a portion of the management fees paid by the client to the program sponsor. For a complete description of the wrap program, the wrap fee and what services are included in the wrap fee, refer to Form ADV Part 2A Appendix 1 (Wrap Fee Program Brochure), which may be obtained from the wrap program sponsor, Wedbush Securities, Inc.

Item 5: Fees and Compensation

WAM receives compensation through its investment advisory services and management services provided to the Public Equity Funds and Private Equity Funds, sub-advisory services to WS fee-based accounts, and other services provided to WS fee-based accounts, each of which are described further, and separately, below.

Public Equity Funds:

WAM's and each relying adviser's compensation is negotiable and varies, but typically includes an annual management fee ranging from 1.5% to 2.0% of assets under management, payable in monthly or quarterly installments at the beginning or end of each calendar quarter based on the net market value of each limited partner's capital account on the date the fee accrues and becomes payable. WAM or one of its affiliates also typically is allocated from each limited partner in a Public Equity Fund a performance allocation ranging from zero to 20% of net profits (including both realized and unrealized gains and losses) otherwise allocable to such limited partner. Performance allocations and fees are assessed in arrears on a monthly, quarterly, or annual basis, and are only applied to the portion of profits that exceed the cumulative losses previously allocated to or incurred by limited partners. The terms described above vary depending on the provisions of each Public Equity Fund's partnership agreement. WAM complies with Rule 205-3 under the Investment Advisers Act of 1940, to the extent required by applicable law. Performance allocations and fees may create an incentive for WAM to make more risky and speculative investments than it would otherwise make.

WAM and its affiliates typically deduct management fees and performance allocations directly from the Public Equity Funds.

Relationships with WAM's Public Equity Funds are terminable on expiration of the applicable Public Equity Fund's term or dissolution of the Public Equity Fund. Each limited partner of a Public Equity Fund may withdraw on specified prior written notice, on the last day of any period, including calendar months, quarters, or years, depending on the provisions of each client's partnership agreement.

In all cases, expenses, the pro rata portion of the management fee and the performance allocation or fee through the date of termination are charged to the account. All prepaid but unearned advisory fees are refunded on termination of a client's account. An investor who withdraws from a Public Equity Fund on a date other than the last day of a quarter or other appropriate period, however, does not receive a refund of the management fee previously paid.

Each Public Equity Fund is responsible for its own costs and expenses incidental to its organization and ongoing operation, including trading costs and expenses (such as brokerage commissions, expenses related to short sales, and clearing and settlement charges), ongoing legal, accounting and bookkeeping fees and expenses, and the fees and expenses charged by any fund administrator for its accounting, bookkeeping and other services. Each Public Equity

Fund's partnership agreement details these expenses. WAM bears its own operating, general, administrative and overhead costs and expenses, other than the expenses described above. All or part of these costs and expenses may be paid, however, by securities brokerage firms and futures commission merchants that execute clients' securities trades, as discussed in Item 12 below.

Private Equity Funds:

WAM's and its affiliates' compensation is negotiable and varies, but typically, it charges (a) during the "Commitment Period" (typically five years from final closing), 2.0% per year of the total capital commitments and (b) after the Commitment Period, 2.0% of the "Fee Base" (capital contributions attributable to unrealized investments less any write downs with respect to those investments). Fees are payable in at least semi-annual installments at the beginning of each period based on the Fee Base. WAM or one of its affiliates also typically receives a "Carried Interest" with respect to each Private Equity Fund. The Carried Interest is structured to grant WAM or its affiliates 20% of distributions from the Private Equity Fund that exceed the sum of (a) the limited partners' capital contributions and pro rata share of any net unrealized losses on writedowns of the fund's investments and (b) if necessary, a "preferred return" such that the cumulative distributions to limited partners represent an 8% annual rate of return on the cumulative distributions pursuant to clause (a). WAM complies with Rule 205-3 under the Investment Advisers Act of 1940, to the extent required by applicable law. The Carried Interest may create an incentive for WAM to make more risky and speculative investments than it would otherwise make.

WAM and its affiliates typically deduct management fees and the Carried Interest directly from the Private Equity Funds.

Relationships with WAM's Private Equity Funds are terminable on expiration of the Private Equity Fund's term or dissolution of the partnership. The Private Equity Funds are considered closed end limited partnerships and do not provide for withdrawal prior to the termination of the partnership. Those limited partners who do not meet their capital contribution requirements can be placed in default, which provides the Private Equity Fund with numerous available remedies, some of which would be highly punitive to the limited partner.

In all cases, the Carried Interest, expenses and the pro rata portion of the management fee through the date of termination are charged to the limited partners.

WAM may receive origination, placement, commitment, closing or investment banking, retainer, financial advisory or other fees ("Transaction Fees") from the Private Equity Fund's investments. WAM could be perceived to have a conflict of interest in receiving these fees. To address this conflict, 50% - 80% (depending on each Private Equity Fund's partnership agreement) of all Transaction Fees will be applied to reduce the management fee paid by the Private Equity Fund, net of any un-recouped expenses which WAM has elected to pay on behalf of the Private Equity Fund.

Each Private Equity Fund is responsible for its own costs and expenses, including (1) those associated with the organization of the Partnership and General Partner such as legal and accounting fees, printing costs, travel and out-of-pocket expenses; (2) those incurred in the offering of partnership interests, up to a maximum amount specified in the partnership agreement; and (3) all expenses relating to its own operations, including fees, costs and expenses directly related to the purchase and sale of securities, expenses of custodians, counsel and accountants, and administrative costs. Each Private Equity Fund's partnership agreement details these expenses. WAM bears its own operating, general, administrative and overhead costs and expenses, other than the expenses described above.

Sub-Advisory Services to Wedbush Securities, Inc.

In exchange for the advisory services provided, WAM receives a quarterly fee, in advance, equal to one-fourth of the amount computed by applying the applicable annual rate to each amount in which advisory services are provided. WAM is authorized to receive payment for fees directly from the primary custodial (or designated) account upon presentation of the quarterly statement. The annual rate is detailed in the fee tables below.

WAM TACTICAL ALLOCATION PROGRAM	
<u>Assets</u>	<u>Annual Fee</u>
First \$500,000	.25%
Next \$500,000	.20 %
Over \$1.0 million	.15%
<i>\$250 per year minimum fee</i>	

WAM BOND PORTFOLIO PROGRAM	
<u>Assets</u>	<u>Annual Fee</u>
First \$500,000	.35%
Next \$500,000	.30%
Next \$4.0 million	.25%
Over \$5.0 million	.20%
<i>\$1,000 per year minimum fee</i>	

WAM EQUITIES PROGRAM	
<u>Assets</u>	<u>Annual Fee</u>
First \$500,000	.50%
Next \$500,000	.45%
Next \$4.0 million	.40%
Over \$5.0 million	.35%
<i>\$1,000 per year minimum fee</i>	

WAM COVERED CALL PROGRAM	
<u>Assets</u>	<u>Annual Fee</u>
First \$500,000	.60%
Next \$500,000	.55%
Next \$4.0 million	.50%
Over \$5.0 million	.45%
<i>\$1,500 per year minimum fee</i>	

Exceptions to the fee schedules above may be made at Wedbush Asset Management's discretion.

The sub-advisory agreement may be terminated upon 90 days written notice by either party. Any fees collected in advance, but not earned, will be refunded to the client.

Services Agreement with Wedbush Securities

In exchange for the general investment and operations services provided by WAM, WS pays WAM a base fee for such services each month. WS also has agreed to pay WAM a monthly “Platform Fee” in return for accessing the investment management software used by WAM. This fee includes implementing, licensing and usage, and operating costs incurred by WAM to service WS clients.

General Disclosures

To the extent that the Public Equity Funds, Private Equity Funds, or other client accounts invest in mutual funds (including ETFs), those accounts also pay, indirectly, investment advisory fees to the managers of those funds.

WAM believes that its fees are competitive with fees charged by other investment advisers for comparable services. Comparable services may be available, however, from other sources for lower fees.

The disclosure in this Item 5, together with the disclosure in Item 12, allow a plan that is subject to the Employee Retirement Income Security Act of 1974 and that invests in an investment limited partnership of which WAM or any of its affiliates is general partner, to use the “alternative reporting option” to report WAM’s and its affiliates’ compensation as “eligible indirect compensation” on the Schedule C of the plan’s Form 5500 Annual Return/Report of Employee Benefit Plan.

Item 6: Performance Fees and Side-by-Side Management

WAM manages accounts that pay performance-based compensation as described in Item 5, as well as other accounts that do not pay performance-based compensation. Typically, an account that does not pay performance-based compensation pays a higher asset-based fee or a flat fee. Regardless, WAM has a conflict of interest if, in any time period, one fee structure would cause higher fees to WAM than the other fee structure, because WAM would have an incentive to favor the account that would pay the higher fees. Additionally, WAM may have proprietary investments in certain accounts or portfolio managers have personal investments in certain accounts creating a conflict because the portfolio manager may have an incentive to favor these accounts over others. To address these conflicts, WAM typically allocates all investment opportunities within each strategy on a pro rata basis, based on each account’s assets. In addition, WAM has policies and procedures to review client account investment allocations on a regular basis. Also, WAM generally addresses this conflict by having different individuals responsible for performance based fee accounts (such as Private Equity Funds and Public Equity Funds) and non-performance fee based accounts (such as clients of WS).

WAM’s fiduciary obligations apply to all of its clients, including those who pay WAM a performance-based fee and those who do not. WAM’s internal controls seek to manage all

client accounts in a fair and equitable manner. WAM strives to conduct its advisory activities in a manner that no client of WAM receives preferential treatment over any other.

Item 7: Types of Clients

WAM provides investment advice to investment funds, such as the Private Equity Funds and the Public Equity Funds. WAM also provides investment advisory services to Wedbush Securities fee-based client accounts. . Those clients include individuals, high net worth individuals, trusts, pooled investment vehicles, pension and profit sharing plans, charitable organizations, and corporations.

The minimum requirements for investing in a fund or opening or maintaining an account vary, as follows:

- **Wedbush Capital Partners, L.P.** is a closed-end private equity fund that no longer accepts new investors. Limited partners must continue to meet capital commitments as requested by the fund, until the fund is either terminated or the maximum contractual capital commitment amount has been reached.
- **Wedbush Capital Partners III, L.P.** is a closed-end private equity fund. The minimum capital commitment for a limited partner is \$500,000 for individuals and \$5,000,000 for institutions. Commitments of lesser amounts may be accepted at the discretion of the fund's general partner. Limited partners must continue to meet contractual capital commitments as requested by the fund, up until the fund is either terminated or the maximum contractual capital commitment amount has been reached.
- **Wedbush Opportunity Partners, L.P.** is a public equity fund. The minimum initial investment for a limited partner is \$250,000 for individuals and \$1,000,000 for institutions. Investments of lesser amounts may be accepted at the discretion of the fund's general partner. Once a limited partner has been accepted, there are no minimum requirements for maintaining the investment.
- **Wedbush Hedged Dividend Fund, L.P.** is a public equity fund. The minimum initial investment for a limited partner is \$100,000 for individuals and institutions. Investments of lesser amounts may be accepted at the discretion of the fund's general partner. Once a limited partner has been accepted, there are no minimum requirements for maintaining the investment.
- **Wedbush Partner Fund, L.P.** is a public equity fund. The minimum initial investment for a limited partner is \$100,000 for individuals and institutions. Investments of lesser amounts may be accepted at the discretion of the fund's general partner. Once a limited partner has been accepted, there are no minimum requirements for maintaining the investment.
- **Wedbush Quantitative Strategies II, L.P.** is a public equity fund. The minimum initial investment for a limited partner is \$100,000 for individuals and institutions. Investments of lesser amounts may be accepted at the discretion of the fund's general

partner. Once a limited partner has been accepted, there are no minimum requirements for maintaining the investment.

- The minimum amount that Wedbush Securities requires for opening an account ranges from \$25,000 to \$100,000; however, exceptions can be made to accept a lower investment amount. (Please refer to Wedbush Securities' Brochure for more details on these activities.) WAM charges a minimum annual fee for the four programs offered to WS clients as described in Item 5.

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

WAM relies primarily on its own proprietary models and research in identifying investment opportunities and in structuring positions for its Public Equity Funds and Private Equity Funds.

Security selection for the model portfolios offered to WS clients is based on one of more of the following methods of analysis:

- Fundamental: Analysis of a company's financial statements and health, its management and competitive advantages, and its competitors and markets.
- Technical: Forecast the direction of prices through the study of past market data, primarily price and volume.
- Cyclical: Statistical analysis of specific events occurring at a sufficient number of regular intervals that they can be forecasted into the future.
- Charting: Seek to identify price patterns and market trends in financial markets and attempt to exploit those patterns. Investment Strategies

Wedbush Capital Partners LP and Wedbush Capital Partners III, LP: To achieve long-term capital appreciation through equity and equity-related investments primarily in companies headquartered in the Western United States with revenues between \$10 million and \$70 million. The Private Equity Funds will generally acquire either majority ownership or a minority position with significant control rights in these companies via management led buyouts, recapitalizations and/or growth financings. Investments will primarily be in the form of common and preferred securities, but the Partners may utilize a variety of creative financing structures to minimize risk and enhance the probability of success for each investment.

Wedbush Opportunity Partners, LP: To make value oriented investments, primarily in the equity securities of publicly traded, small- and micro-cap companies, which are generally defined to include companies with market capitalizations of \$500 million or less. WAM seeks to benefit from its affiliation with WEDBUSH, Inc. and its group of companies. This proprietary resource provides the Fund with both deal flow and due diligence support. The partnership will seek to preserve capital and mitigate risk through limited diversification and adherence to a "value" oriented investment philosophy. The partnership intends to employ

leverage and can invest in other types of securities, such as options, preferred securities, convertible securities, warrants and fixed income securities.

Wedbush Hedged Dividend Fund, LP: The partnership invests principally, but not solely, in U.S. and non-U.S. income producing equity securities and generally expects to buy and hold rather than trade actively. The partnership attempts to short leveraged ETFs when practicable as part of its investment strategy to attempt to profit from the decay inherent in those securities. The partnership also expects to invest when appropriate in convertible securities, warrants, rights, options (including covered and uncovered puts and calls and over-the-counter options), swaps and other derivative instruments, bonds and other fixed income securities, non-U.S. currencies, futures, options on futures, other commodity interests, private securities, money market instruments, cash and cash equivalents. The partnership also engages in margin trading, enters into securities lending, repurchase and reverse repurchase agreements and employs other investment strategies.

Wedbush Partner Fund, LP: The fund seeks capital appreciation in both bull and bear markets through active portfolio management and actionable investment opportunities driven by identifiable catalysis. Current income is not an objective. The partnership invests principally, but not solely, in U.S. and non-U.S. equity securities. The partnership also expects to invest when appropriate in ETFs, convertible securities, warrants, rights, options (including covered and uncovered puts and calls and over-the-counter options), swaps and other derivative instruments, bonds and other fixed income securities, non-U.S. currencies, futures, options on futures, other commodity interests, private securities, money market instruments, cash and cash equivalents. The partnership also engages in margin trading, enters into securities lending, repurchase and reverse repurchase agreements and employs other investment strategies.

Wedbush Quantitative Strategies II, L.P.: The partnership seeks capital appreciation through investments consisting principally, but not solely, of ETFs that are traded in the U.S. markets. The partnership also may invest when appropriate in equities, stock warrants and rights, when issued and forward commitment securities, preferred stocks, swaps and other derivative instruments, options on individual securities and indices (including covered and uncovered puts and calls and over-the-counter options), securities of financially distressed companies, convertible securities, non-U.S. currencies, futures, options on futures, other commodity interests, private and otherwise restricted securities, money market instruments, cash and cash equivalents. The partnership has the ability to employ leverage (through margin trading, options, futures, swaps or other instruments) and also engage in short selling, hedging and other investment strategies.

Clients of Wedbush Securities: The investment strategy WAM will provide with respect to clients of Wedbush Securities, an affiliated broker-dealer and registered investment adviser, varies depending on the individual client's investment objectives, financial circumstances,

risk tolerance and financial needs. Such strategies typically include long term and short term purchase of securities and could also include ETFs, convertible securities, warrants, rights, options (including covered and uncovered puts and calls and over-the-counter options), swaps and other derivative instruments, bonds and other fixed income securities, non-U.S. currencies, futures, options on futures, other commodity interests, private securities, money market instruments, cash and cash equivalents, and margin trading.

The investment strategies summarized above represent WAM's current intentions, are general in nature and are not exhaustive. There are no limits on the types of securities in which WAM may take positions on behalf of its clients, the types of positions that it may take, the concentration of its investments or the amount of leverage that it may use. WAM may use any trading or investment techniques, whether or not contemplated by the expected investment strategies described above. In addition, there are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities and commodities markets and the economy generally, WAM may pursue any objectives or use any techniques that it considers appropriate and in clients' interest.

Risk Factors

Investing in securities involves risk of loss that clients should be prepared to bear. Below are some of the risks that investors should consider before investing in any account that WAM manages. Any or all of such risks could materially and adversely affect investment performance, the value of any account or any security held in an account, and could cause investors to lose substantial amounts of money. Below is only a brief summary of some of the risks that a client or an investor may encounter. Potential investors should review the applicable offering circular, private offering memorandum, prospectus or Form ADV carefully and in its entirety, and consult with their professional advisers before deciding whether to invest.

- Client accounts may not achieve their investment objectives. A strategy may not be successful and investors may lose some or all of their investment.
- Client accounts may be concentrated in securities of companies in specific sectors, many of which may have micro- to small-sized market capitalizations. Those securities involve substantially higher risks than do investments in securities of larger companies or companies in other sectors.
- Investor sentiment on the market, an industry or an individual stock, fixed income or other security is not predictable and can adversely affect an account's investments.
- An account may hold stocks that disappoint earnings expectations and decline, and may short stocks that beat earnings expectations and rise.
- WAM may not be able to obtain complete or accurate information about an investment and may misinterpret the information that it does receive. WAM also may receive

material, non-public information about an issuer that prevents it from trading securities of that issuer for a client when the client could make a profit or avoid losses.

- WAM may take positions in securities of small, unseasoned companies that are less actively traded and more volatile than those of larger companies.
- Portfolio companies may require substantial additional capital to support growth or maintain a competitive position. Such capital may not be available on attractive terms. Each fund will have limited capital and may not be able to protect its interests from dilution if a portfolio company raises additional capital.
- The Private Equity Funds' investment returns are dependent on portfolio companies engaging in a liquidity event (such as an initial public offering, merger or sale). There can be no assurance that a portfolio company will be able to consummate such a liquidity event at a proper time or favorable valuation.
- The secondary market for private equity investments is highly competitive. WAM may not be able to make investments for the Private Equity Funds on attractive terms or to invest all of any such fund's capital.
- WAM will establish reserves for its funds for follow-on investments in portfolio companies, operating expenses, contingencies, liabilities and other matters. Such reserves are difficult to estimate. WAM may not establish adequate reserves, which would have a material adverse effect on a fund's investment returns. In addition, investors may not withdraw or redeem assets covered by that reserve until it is lifted.
- Some of an account's positions may be or become illiquid, in which case WAM may not be able to sell such positions. In the case of Private Equity Funds, WAM expects that a substantial portion or all of such funds' investments will be illiquid.
- An account may invest in restricted securities that are subject to long holding periods or that is not traded in public markets. These securities are difficult or impossible to sell at prices comparable to the market prices of similar publicly-traded securities and may never become publicly traded.
- WAM may engage in hedging, which may reduce profits, increase expenses and cause losses. Price movement in a hedging instrument and the security hedged do not always correlate, resulting in losses on both the hedged security and the hedging instrument. WAM is not obligated to hedge a client's portfolio positions, and it frequently may not do so.
- An account may have higher portfolio turnover and transaction costs than a similar account managed by another investment adviser. These costs reduce investments and potential profit or increase loss.
- WAM sells securities short, resulting in a theoretically unlimited risk of loss if the prices of the securities sold short increase.
- Management and stockholders of an issuer may sue short sellers to prevent short sales of the issuer's securities. WAM could be subject to such actions, even if they are baseless, and clients could incur substantial costs defending them.

- WAM may use leverage by borrowing on margin, selling securities short and trading futures, other commodity interests and derivatives, which increases volatility and risk of loss. These instruments can be difficult to value. An incorrect valuation could result in losses.
- WAM may sell covered and uncovered options on securities. The sale of uncovered options could result in unlimited losses.
- Counterparties such as brokers, dealers, futures commission merchants, custodians and administrators with which WAM does business on behalf of clients may default on their obligations. For example, a client may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt.
- A fund may suffer losses due to fraudulent activities or misrepresentations of others, including issuers of securities and counterparties.
- WAM may cause a client to enter into repurchase agreements or reverse repurchase agreements. These instruments can have effects similar to margin trading and leveraging strategies.
- WAM may cause clients to invest in securities of non-U.S. private and government issuers. The risks of these investments include: political risks; economic conditions of the country in which the issuer is located; limitations on foreign investment in any such country; currency exchange risks; withholding taxes; limited information about the issuer; limited liquidity; and limited regulatory oversight.
- Changes in economic conditions can adversely affect investment performance. At times, economic conditions in the U.S. and elsewhere have deteriorated significantly, resulting in volatile securities markets and large investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to investors.
- WAM may acquire for a client a large position in an issuer's securities but the client nevertheless is unlikely to have any control over the issuer's management. In addition, if WAM holds a large position in an issuer's securities, it could depress the market for those securities.
- WAM also may cause a fund to acquire a large position in an issuer's securities that prevents it from trading securities of that issuer for a client when the client could make a profit or avoid losses.
- An account's investments may not be diversified. Therefore, a loss in any one position, industry or sector in which a fund has invested may cause significant losses.
- WAM determines the value of securities and commodities held in client accounts, whether or not a public market exists for such instruments. If WAM's valuation is inaccurate, it might receive more compensation than that to which it is entitled, a new investor in a fund might receive an interest that is worth less than the investor paid and an investor that is withdrawing assets might receive more than the amount to which the investor is entitled, to the detriment of other investors.
- The client, and not WAM, is responsible for any trade errors that WAM makes in a Public Equity Fund account, even when the error hurts the client.

- WAM and its affiliates and agents generally are not responsible to any client or investor for losses incurred in an account unless the conduct resulting in such loss breached WAM's fiduciary duty to the client or investor.
- There is not and will not be an active market for fund interests. It may be impossible to transfer any such interests, even in an emergency.
- A fund may not be able to generate cash necessary to satisfy investor withdrawals and redemptions. Substantial withdrawals and redemptions in a short period could force WAM to liquidate investments too rapidly, and may so reduce the size of a fund that it cannot generate returns or reduce losses.
- A fund may limit or suspend withdrawals or redemptions of an investor's assets from the fund.
- If the assets that WAM and its affiliates manage grow too large, it may adversely affect performance, because it is more difficult for WAM to find attractive investments as the amount of assets that it must invest increases.
- No client or investor is represented by separate counsel. The attorneys who represent WAM or its manager do not represent clients or investors. Clients and investors must hire their own counsel for legal advice and representation.
- A fund may dissolve or expel any investor at any time, even if such actions adversely affect one or more investors.
- WAM, an administrator or any government agency may freeze assets that any of them believes a client holds in violation of anti-money laundering laws or rules or on behalf of a suspected terrorist, and may transfer such assets to a government agency. None of WAM, a fund or an administrator will be liable for losses related to actions taken in an effort to comply with anti-money laundering regulations.
- The Public Equity Funds do not intend to make distributions, but intend instead to reinvest substantially all income and gain. Therefore, an investor may have taxable income from a fund without a cash distribution to pay the related taxes.
- Federal, state and international governments may increase regulation of investment advisers, private investment funds and derivative securities, which may increase the time and resources that WAM must devote to regulatory compliance, to the detriment of investment activities.
- WAM is not registered with the SEC as a broker-dealer or with the Commodity Futures Trading Commission as a commodity pool operator. The equity interests in the funds are not registered under the Securities Act of 1933, and the funds are not registered investment companies under the Investment Company Act of 1940. WAM believes that none of these registrations is required because exemptions are available under applicable law. If a regulatory authority deems that any of these registrations is required, WAM and any fund could be subject to expensive legal action and potential termination. In addition, investors in the funds do not have certain regulatory protection that they would have if these registrations were in place.
- WAM's activities could cause adverse tax consequences to clients and investors, including liability for interest and penalties.

- WAM's activities may cause an account that is subject to the Employee Retirement Income Security Act of 1974 to engage in a prohibited transaction under that Act.
- If a limited partnership client becomes insolvent, investors may be required to return with interest any distributions and forfeit any undistributed profits.
- WAM and its affiliates may spend time on activities that compete with a fund without accountability to investors, including investing for other clients and their own accounts. If WAM receives better compensation and other benefits from managing other assets or client accounts compared to managing a fund, it has incentive to allocate more time to those other activities. These factors could influence WAM not to make investments on a fund's behalf even if such investments would benefit the fund.
- WAM may provide certain investors or clients more frequent or detailed reports, special compensation arrangements and withdrawal or redemption rights that it does not provide to other investors or clients.
- The performance of the funds depends heavily on the skills of WAM and certain key personnel of WAM in analyzing, selecting and managing the funds' investments.
- The investment strategy of the funds may depend on the ability of WAM to leverage the WEDBUSH, Inc. network and established brand to provide the funds with investment opportunities and access to WS' trading desk. If the association between WEDBUSH, WAM, WS, and the funds were to change, the funds might no longer be able to enjoy the benefits of the WEDBUSH affiliation. The funds' investment performance could be materially affected if WEDBUSH and its affiliates were to cease to provide such benefits to the funds.
- The Funds' investors will have no right to take part in the conduct, management, operation or control of the funds or the funds' business. In addition, Limited Partners will have extremely limited voting rights.
- Although WAM has experience individually in making private equity and public equity fund investments, WAM and the funds it advises are largely newly formed entities with little operating history upon which to evaluate potential performance. The past performance of the funds is not necessarily indicative of the results that will be achieved by the funds.

Item 9: Disciplinary Disclosures

WAM has not been directly subjected to any disciplinary action. As discussed below, one of WAM's advisory affiliates was the subject of a disciplinary action prior to his affiliation with WAM and another WAM affiliate is appealing a disciplinary action, as discussed below.

In January 2007, Pacific Growth Equities LLC ("PGE", an investment advisory firm), one of PGE's traders and one of PGE's employees, Mr. Stephen J. Massocca, entered into a settlement relating to an investigation by the Securities and Exchange Commission of some of PGE's brokerage commission practices. WS acquired most of the assets of PGE in 2009. As part of that acquisition, Mr. Massocca joined Wedbush Securities in 2009. Without admitting

or denying any allegations, PGE, the trader and Mr. Massocca, in connection with his role as the supervisor responsible for oversight of such practices, agreed to the entry of an order that, among other things, found that PGE had engaged in a practice of double-charging certain customers for securities transactions without adequately disclosing those charges, thereby violating, or aiding and abetting the violation of, certain securities laws and imposed fines against PGE, the trader and Mr. Massocca of \$425,000, \$20,000 and \$75,000, respectively, and censured each of them. PGE also agreed to revise certain systems and practices and to retain an independent consultant to review certain systems and practices for a period of 2 years. The settlement did not include the refund of any funds to PGE's customers nor did any customer at any time request the return of any funds.

Financial Industry Regulatory Authority, Inc. ("FINRA") alleges that Mr. Edward Wedbush, as President of Wedbush Securities, Inc. ("WS"), failed to establish and maintain a supervisory system and establish, maintain, and enforce WS' policies reasonably designed to achieve compliance with rules regarding regulatory filings. FINRA alleges that the firm had late and inaccurate filings of Forms RE-3/U4/U5 and FINRA alleges Mr. Wedbush was responsible even though many managers and their supervisors actually had the responsibility. On August 2, 2012, a FINRA extended hearing panel rendered a decision against Mr. Wedbush, wherein Mr. Wedbush is fined \$25,000 and suspended from association with any FINRA member for 31 days in any supervisory capacity, except that he is not suspended from any supervisory activities with respect to trading or order entry activities. Mr. Wedbush denies FINRA's allegations and an appeal was filed with the National Adjudicatory Council on August 3, 2012. The final outcome of this matter is still pending.

Information regarding these disclosures may be found at <http://brokercheck.finra.org>.

Item 10: Other Financial Industry Activities and Affiliations

WAM is a wholly-owned subsidiary of WEDBUSH, Inc., as is Wedbush Securities, Inc. ("WS"), a registered broker-dealer and a separately SEC-registered investment adviser.

As discussed in Item 4, WAM is ultimately controlled and managed by WEDBUSH, Inc., which also controls and manages WAM's related persons that are identified as "relying advisers" in Part 1 of WAM's Form ADV (the "relying advisers"). References to WAM in this brochure include, as the context requires, the relying advisers. These relying advisers are: Wedbush Capital Management, LLC, Wedbush Opportunity Capital, LLC and Wedbush Equity Management, LLC, all Delaware limited liability companies and wholly-owned subsidiaries of WAM.

Wedbush Capital Management, LLC is the investment adviser to the Private Equity Funds (Wedbush Capital Partners, L.P. and Wedbush Capital Partners III, L.P.). Wedbush Opportunity Capital, LLC is the investment adviser to one of the Public Equity Funds (Wedbush Opportunity Partners, L.P.). Wedbush Equity Management, LLC is the investment

adviser to the other Public Equity Funds (Wedbush Partner Fund, L.P., Wedbush Hedged Dividend Fund, L.P., L.P., and Wedbush Quantitative Strategies II, L.P.).

WAM uses WS as custodian for investments made by the Private Equity Funds and Public Equity Funds. WAM also has agreements with Wedbush Securities (WS) to provide discretionary and non-discretionary investment management and operational services to WS fee-based clients and their accounts.

WAM's relationship with WEDBUSH, Inc., WS, and their affiliates are broad and create some conflicts of interest, including those described below.

Wedbush Securities refers investors to the Public Equity Funds WAM or the applicable Public Equity Fund will pay Wedbush Securities an amount ranging from one-third to two-thirds of all management fees that WAM receives with respect to any investor that was referred by WS and WS may in the future receive a share of any performance-based compensation from the applicable Public Equity Fund, with respect to any such investor. Thus, Wedbush Securities and its registered representatives have an incentive to refer prospective investors to WAM's Public Equity Funds. WAM requires Wedbush Securities to disclose this arrangement in writing to any prospective investor referred by Wedbush Securities. To the extent that a Public Equity Fund is required to pay any such fee, WAM reviews such fees on a regular basis to determine that they are reasonable in light of industry practices.

In connection with its brokerage business, Wedbush Securities imposes limitations on investment and trading activities by its personnel. Under certain circumstances, WAM's relationship with Wedbush Securities and the funds could prevent the funds from buying or selling securities at times when Wedbush Securities is engaged in investment banking or financial consulting activities for those companies, including closing positions at times that it would otherwise do so. If Wedbush Securities is involved in a secondary offering as an underwriter, these limitations could also prevent the funds from participating in that offering as a selling shareholder.

WAM may cause a fund to invest in the securities of companies in which one of WAM's affiliates already has invested (or in other securities that are in some manner related to such prior investments). These earlier investments may have been made on substantially more favorable terms. Due to any such earlier investment, WAM has an incentive to cause a fund to make a subsequent investment to support the original investment. However, WAM will not cause a fund to make an investment unless WAM believes that such investment is an appropriate investment considered solely from the viewpoint of such fund.

WEDBUSH, Inc., its affiliates and some of their personnel may invest in a fund. These related persons may not be charged any management fee or performance-based compensation with respect to their investments in the funds. WAM discloses this potential conflict to investors in the funds. In addition, Mr. Massocca and other members of WAM's investment team, as employees of Wedbush Securities, may manage a portion of Wedbush Securities' proprietary capital using a similar investment strategy to that of the funds. Some of those persons will

therefore have better transparency regarding the funds' portfolios and may use that information to help them decide when to withdraw all or part of their investment. Other investors will not have the benefit of that enhanced transparency. In addition, some of those persons will not be charged any management fee or performance-based compensation with respect to their investments in the funds. WAM discloses this potential conflict to investors in the funds.

Wedbush Securities may extend credit to the funds under derivative instruments or otherwise. The interests of Wedbush Securities as creditor of the funds may conflict with those of the investors. With respect to any such extension of credit, Wedbush Securities will deal with WAM, acting on behalf of the funds, and will be entitled to exercise its rights as a creditor of the funds without regard to any potential effect on the interests of the funds' investors. WAM reviews the terms of such arrangements regularly to determine if they are reasonable given industry practice.

As part of their regular business, WEDBUSH, Inc. and its affiliates hold, purchase, sell and trade both for their own accounts and for the accounts of their clients, on a principal or agency basis, securities and other investments and financial instruments of all types including those of the type in which the funds are expected to invest. WEDBUSH, Inc. and its affiliates also provide commercial banking, investment banking, customer financing, asset based financing, corporate finance, commercial finance and investment advisory services, among other services, and engage in private equity investment activities. WEDBUSH, Inc. and its affiliates will not be restricted in their performance of any such services or in the types of debt or equity investments which they may make. In connection with such activities, WEDBUSH, Inc. and its affiliates may hold, purchase, sell or trade in Securities or investments of the type that may be suitable for the fund. WEDBUSH, Inc. and its affiliates may also take positions, give advice and provide recommendations contrary to those which may be taken by, given or provided to the funds and may hold interests potentially adverse to those of the fund. WEDBUSH, Inc. and its affiliates may (i) engage in transactions with, and may provide services to, WAM or the funds and (ii) provide services to and invest in, advise, sponsor or act as investment manager to other entities which may have investment objectives and policies similar to those of WAM or the funds and which may compete with such entities. The activities of WEDBUSH, Inc. and its affiliates could affect the prices of investments or the ability of the fund to dispose of such investments, any of which could have an adverse impact on the fund performance. In conducting such activities, WEDBUSH, Inc. and its affiliates will act for their own account or the account of their customers and will have no obligation to act in the interests of the fund.

WEDBUSH, Inc. and its affiliates in the ordinary course of their business may provide commercial banking, investment banking and other financial services to borrowers of loans, issuers of securities and derivative counterparties and other counterparties to funds in which the funds may invest, as well as to the creditors of such borrowers and issuers and other parties with dealings with such borrowers and issuers. The interests of one of these clients with respect to the borrower of a loan or the issuer of a security or a counterparty in which a

fund has an investment or position may be adverse to the interests of the fund. In conducting such activities, WEDBUSH, Inc. and its affiliates will have no obligation to act in the interests of the funds.

Wedbush Securities or its affiliates may perform investment banking and other financial services for the funds (most likely the Private Equity Funds), the funds' portfolio companies or other parties in connection with transactions related to portfolio investments or otherwise. Compensation payable by WAM or the funds for such services could include financial advisory fees or fees in connection with restructurings and mergers and acquisitions, as well as placement, financing, commitment, brokerage or other fees. In addition, following the consummation of a portfolio investment, Wedbush Securities or its affiliates may be paid fees by the portfolio company for ongoing financial advisory and other consulting services. Such fees will not be shared with the funds or their investors and may impact the ultimate cost of, or value realized from, portfolio investments. Further, since fees for many such engagements are contingent on the consummation of the transaction (such as the sale of the company), Wedbush Securities and its affiliates might have an interest in the completion of such a transaction, even if the terms of the transaction are not favorable to the fund or a portfolio company. To the extent that a fund is required to pay any such fee, this fact is disclosed to the fund's investors and WAM reviews such fees on a regular basis to determine that they are reasonable in light of industry practices.

WAM is compensated for its services as the investment adviser to the investment limited partnerships. WAM has an incentive to cause a client to invest in a limited partnership instead of an individually managed account because the reduced expenses and administrative burdens of managing a fund compared to an individually managed account, the performance-based allocations from a limited partnership to one of WAM's affiliates receives more favorable tax treatment than that from an individually managed account and limited partners have less transparency and liquidity than individual account clients. In addition, if a fund investor also has an individually managed account with WAM that uses an investment strategy that is similar to that of the fund, the investor may use knowledge of the other account's portfolio to decide if and when to make an additional investment or withdraw or redeem assets from the fund at times when other fund investors would have made similar decisions had they had similar transparency. WAM discloses these conflicts of interest to clients and investors.

In the case of all conflicts of interest, WAM's determination as to which factors are relevant, and the resolution of such conflicts, will be made using WAM's best judgment, but in its absolute discretion. In resolving conflicts, WAM may consider various factors, including the interests of the applicable clients with respect to the immediate issue and/or with respect to their longer term courses of dealing. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- WAM will not cause a client to make an investment unless WAM believes that such investment is an appropriate investment considered solely from the viewpoint of such client; and
- Certain conflicts of interest will generally be resolved by set procedures, restrictions or other provisions in WAM's Compliance Manual and/or the relevant offering and/or organizational documents for the funds.

WAM has a material relationship with Van Hulzen Asset Management, an SEC registered investment adviser with approximately \$230,000,000 assets under management. Van Hulzen Asset Management is partially owned by WEDBUSH, Inc. and provides consulting and advisory services to WAM.

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

WAM has adopted a Code of Ethics ("Code") in compliance with Rule 204A-1 under the Investment Advisers Act of 1940 that establishes the ethical obligations and standards of conduct for WAM's supervised persons. The Code includes general requirements that WAM's supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to comply with the personal trading restrictions described below and periodically to report their personal securities transactions and holdings to WAM's Compliance Officer, and requires the Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to the Compliance Officer. Each supervised person of WAM receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received those materials. Annually, each supervised person must certify that he or she complied with the Code of Ethics during the preceding year. Clients and prospective clients may obtain a copy of WAM's Code of Ethics by contacting the Compliance Officer at (213) 688-8018 or at daniel.simon@wedbush.com.

Participation or Other Interest in Client Transactions

WAM and its managers, members, employees and other supervised personnel may personally invest in securities of the same classes as WAM purchases for clients and may own securities of issuers whose securities that WAM subsequently purchases for clients. This practice creates a conflict of interest in that any of such persons can use his or her knowledge about actual or proposed securities transactions and recommendations for a client account to profit personally by the market effect of such transactions and recommendations. To address this conflict, except as described in Item 12 regarding aggregating securities transactions, if WAM purchases or sells a security for clients and any of WAM and its managers, members and employees on the same day, either the clients and WAM and its managers, members and employees pay or receive the same price, or the clients receive the more favorable price. WAM and its managers, members and employees typically must obtain pre-approval before (1)

engaging in transactions of securities included on a restricted or watch list and (2) purchasing private placement interests or securities offered via an Initial Public Offering (“IPO”). WAM and its managers, members and employees may also buy or sell specific securities for their own accounts based on personal investment considerations aside from company or industry fundamentals, which WAM does not believe appropriate to buy or sell for clients. The Private Equity Funds managed by WAM may have positions in companies the securities of which the Public Equity Funds may subsequently purchase. The Public Equity Funds managed by WAM may have positions in companies the securities of which the Private Equity Funds may subsequently purchase. WAM and its affiliates may co-invest with the Private Equity Funds in such securities or its affiliates may receive stock options from portfolio companies in exchange for acting as a director or providing consulting services (see below). WAM may recommend such securities to its clients after the initial purchase by the Private Equity Funds or WAM’s affiliates. In these and other situations, WAM or its affiliates may directly or indirectly benefit from the subsequent investment by a Public Equity Fund (for example, a subsequent purchase by a client of securities of a company may cause the price of such securities to rise, thereby benefiting the Private Equity Funds and WAM affiliates that own securities of that company at the time of the subsequent purchase).

Affiliates of WAM may serve on the board of directors of companies in which WAM’s clients invest (“portfolio companies”). In such cases, the portfolio companies may compensate WAM or its affiliates for such services by paying fees or providing options to purchase securities of such portfolio companies. WAM may have a conflict of interest to the extent that it has an incentive to invest client assets in portfolio companies that compensate WAM or its affiliates. In addition, because WAM and its affiliates serve on the boards of portfolio companies, they may obtain material, nonpublic information concerning those companies and other companies with which the portfolio companies do business. WAM may not be able to take action that would otherwise benefit a client due to information that it obtains or because one of its affiliates serves as a director of a portfolio company. WAM discloses this risk to investors in its funds.

Because WAM manages more than one account, there may be conflicts of interest over its time devoted to managing any one account and allocating investment opportunities among all accounts that it manages. For example, WAM selects investments for each client based solely on investment considerations for that client. Different clients may have differing investment strategies and expected levels of trading. WAM may buy or sell a security for one type of client but not for another, or may buy (or sell) a security for one type of client while simultaneously selling (or buying) the same security for another type of client. WAM attempts to resolve all such conflicts in a manner that is generally fair to all of its clients. WAM may give advice to, and take action on behalf of, any of its clients that differs from the advice that it gives or the timing or nature of action that it takes on behalf of any other client so long as it is WAM’s policy, to the extent practicable, to allocate investment opportunities to its clients fairly and equitably over time. WAM is not obligated to acquire for any account any security that WAM or its managers, members or employees may acquire for its or their own

accounts or for any other client, if in WAM's absolute discretion, it is not practical or desirable to acquire a position in such security for that account.

WAM may enter into side letter agreements with certain prospective or existing investors in the Private Equity Funds and Public Equity Funds whereby such investors may be subject to terms and conditions that are more favorable than those applicable to other investors in the Private Funds. For example, such terms and conditions may provide for special rights to make future investments; special redemption rights, relating to frequency or notice; a reduction or rebate in fees to be paid by the investor and/or other terms; rights to receive reports on a more frequent basis or that include information not provided to other investors and other rights that may be negotiated between such investors and WAM. Side letter agreements are solely at WAM's discretion and may, among other things, be based on the size of the limited partner's investment in a fund, an agreement by the investor to maintain such investment for a significant period of time, or other similar commitment by the investor. Any such arrangements are subject to WAM's fiduciary duties to its clients.

Item 12: Brokerage Practices

For the most part, WAM has complete discretion in selecting the broker or futures commission merchant that it uses for client transactions and the commission rates that clients pay such brokers and futures commission merchants. WAM expects to direct its clients' securities transactions to affiliated and unaffiliated brokers. In some instances, WAM may use an unaffiliated broker who pays WS for its clearance and settlement services, as well as the other goods and services that WS provides to WAM.

WAM's objective in selecting brokers and in effecting portfolio transactions is to seek the most favorable transaction terms available under the circumstances for its clients' account at the time of each trade. The best net price, taking into account brokerage commissions, spreads and other costs, is normally an important factor in this decision; however, best execution is not measured solely by the lowest commission rates. Paying a higher commission rate may be appropriate if the difference in cost is reasonably justified by the quality of the service offered.

WAM takes into account several factors in determining whether a particular broker is likely to provide best execution including:

- net price, clearance, settlement and reputation;
- financial strength and stability;
- research services, research conferences, general reports and consultations;
- economic and market information;
- portfolio strategy advice and recommendations;

- industry and company comments;
- technical data;
- performance measuring data;
- on-line pricing;
- special execution capabilities;
- block trading and block positioning capabilities;
- willingness to execute related or unrelated difficult transactions in the future;
- willingness to commit capital;
- knowledge of other buyers and sellers;
- order of call;
- efficiency of execution and error resolution;
- quotation services; and
- other matters involved in the receipt of brokerage services generally, as well as other brokerage and research goods and services that benefit WAM, its affiliates and its clients that are paid for or provided by these brokers and futures commission merchants.

WAM believes that WS and the selected unaffiliated brokers provide best execution based on the goods and services that those firms provide in exchange for the commissions paid directly and indirectly to those firms.

WAM may cause its clients to pay a brokerage commission (or prices on principal trades) in excess of that which another broker or futures commission merchant might charge for effecting the same transaction in recognition of the value of the research and brokerage goods and services that are provided by that broker or futures commission merchant. Accordingly, a client may be deemed to be paying for research and these other services with “soft” or commission dollars. Section 28(e) of the Securities Exchange Act of 1934 provides a “safe harbor” to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. WAM expects to conduct its brokerage activities within the safe harbor of section 28(e). WAM believes in good faith that such compensation is reasonable in relation to the value of such brokerage, research, other services and soft dollar relationships, in terms of either the specific transaction or WAM’s overall fiduciary duty to its clients. An account may, however, pay higher commissions and mark-ups than are otherwise available or may pay more

commissions or mark-ups based on account trading activity. The research and other benefits resulting from WAM's brokerage relationships benefit WAM's operations as a whole and all accounts that it manages, including those that do not generate the soft dollars that pay for such research and other benefits and accounts of clients that direct WAM to use a broker or futures commission merchant that does not provide WAM with soft dollar services. WAM does not allocate soft dollar benefits to client accounts proportionately to the soft dollar credits that the accounts generate.

WAM's relationships with brokers and futures commission merchants that provide soft dollar services influence WAM's judgment and create conflicts of interest in allocating brokerage business between firms that provide soft dollar services and firms that do not. WAM has an incentive to select or recommend a broker or futures commission merchant based on WAM's interest in receiving soft dollar services rather than clients' interest in receiving the most favorable execution. These conflicts of interest are particularly influential to the extent that WAM uses soft dollars to pay expenses it would otherwise be required to pay itself.

WAM addresses these conflicts of interest by annually evaluating the trade execution services that WAM receives from the brokers and futures commission merchants that it uses to execute trades for clients. Such evaluation includes comparing those services to the services available from other brokers and futures commission merchants. WAM considers, among other things, alternative market makers and market centers, the quality of execution services, the value of continuing with various soft dollar services and adding or removing brokers or futures commission merchants, increasing or decreasing targets for each broker or futures commission merchant and the appropriate level of commission rates.

WAM generally retains Wedbush Securities to serve as the prime broker for its clients. Some of the Public Equity Funds may also use Merlin Securities LLC as a prime broker. Wedbush Securities also may act as its clients' custodian. Merlin Securities clears through J.P. Morgan Clearing Corp., which also may act as a custodian for client assets.

The services that those firms provide as prime brokers and/or custodians may include custody, margin financing, clearing, settlement and stock borrowing in accordance with the terms of the agreements entered into between those firms and client. WAM and its affiliates also receive other services from those firms. These services may include, but are not limited to: technology services (such as internet access and IT support, Bloomberg connections, wireless networking, e-mail archiving and disaster recovery systems), capital introduction services, portfolio reporting and access to electronic communications networks. Although many prime brokers and custodians provide similar services to investment advisers in exchange for brokerage, custody and clearance fees and other charges, if WAM and its affiliates did not receive these services from those firms, they would be required to pay for all or some portion of them, and such goods and services could be deemed to be outside the Exchange Act section 28(e) safe harbor. None of WAM or its affiliates is required to continue to use any such firm as its clients' prime broker and custodian, but it has an incentive to do so based on their prior and continued services.

A client's obligations to those firms and any other prime broker and custodian are secured by a first priority perfected security interest over all of the client's assets held in custody by the applicable custodian. A custodian may transfer to itself all rights, title and interest in and to those assets as collateral and may deal with, lend, dispose of, pledge or otherwise use all such collateral for its own purposes. If any such transfer occurs, the client will rank as such custodian's (or affiliate's) unsecured creditor. If such custodian or affiliate becomes insolvent, the client may not be able to recover such equivalent securities in full. In addition, the client's cash held by a custodian may not be segregated from such custodian's own cash and, if not so segregated, may be used by such custodian or affiliate in the course of its business and the client will therefore rank as an unsecured creditor in relation thereto.

If any of a client's investments are registered in the name of a custodian or affiliate due to the nature of the law or market practice of a particular jurisdiction, such investments will not be segregated from the custodian's or affiliate's own investments and if such custodian or affiliate becomes insolvent, the client may not be able to recover such equivalent investments in full.

Client Directed Brokerage

WAM selects brokers for Private Equity Funds and Public Equity Funds transactions and in general, for sub-advisory accounts. However, there may be instances when separate account and sub-advisory clients direct WAM to use a particular broker-dealer to execute transactions. Any such requests to use a particular broker-dealer must be made in writing.

A client who limits WAM's discretion with respect to selecting brokers or directs WAM to execute its securities transactions through a specific broker may forego certain benefits and may result in WAM being unable to achieve best execution of a client's transactions. For instance, a client who directs WAM to use a specific broker may pay higher commissions on some transactions than might be otherwise attainable by WAM or may receive less favorable execution of some transactions than might be attainable by WAM. In addition, the client would not receive any benefits or savings in execution costs that WAM could obtain for its clients through negotiating volume discounts on aggregated transactions. A client directing brokerage may not be able to participate in an allocation of shares of a new issue (including IPOs) if those new issue shares are provided by another broker.

Trade Aggregation and Allocation

WAM makes investment decisions for each client based on the individual investment objectives, strategies and restrictions for each client, and in each client's best interest. However, in order to facilitate best execution and to reduce brokerage commissions or other costs, contemporaneous orders placed on behalf of eligible clients in the same security will generally be aggregated in a single order if the terms of the order are the same (e.g., orders at market price). This practice is commonly known as a block trade.

Conflicts of interest exist with respect to the aggregation and allocation of client transactions. For example, an adviser could be viewed as allocating securities that it

anticipates will increase in value to certain favored clients, especially those that pay a performance-based fee to that adviser.

WAM has implemented trade aggregation and allocation procedures designed to address these conflicts of interest. WAM aggregates transactions in a manner designed to ensure that no participating client is favored over any other client. When an aggregated order is filled in its entirety, each participating portfolio will receive the average share price for the aggregated order, and transaction costs will be shared proportionately based on each portfolio's participation in the aggregated order. When an aggregated order cannot be fully executed in a single day, the firm may use pro rata allocation. This means the partially filled order is generally allocated among the participating portfolios based on the size of each portfolio's original order, subject to rounding. However, other methods of allocation may be appropriate. For instance, WAM may increase or decrease the amount of securities allocated to each account participating in a block trade if necessary to avoid holding odd-lot or small numbers of shares for particular clients. Additionally, if WAM is unable to fully execute a block transaction and determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro rata basis, WAM may allocate such securities in a manner determined in good faith to be a fair allocation.

If WAM does not aggregate trades, it allocates trades among clients and other portfolios by methods that, under the circumstances, WAM believes to be reasonable, do not result in improper or undisclosed advantage or disadvantage to any portfolios, and result in fair and equitable access over time to trading opportunities for all portfolios.

Brokerage for Client Referrals

WAM does not direct client brokerage transactions to brokers and futures commission merchants who refer prospective clients and investors to WAM or its affiliates.

Principal and Cross Transactions

At times, WAM may enter into a "principal transaction" with a client. A "principal transaction" is a purchase from or sale to a client of a security by WAM or any of its affiliates. The partnership agreements for some of the Public Equity Funds generally authorize the fund's general partner to form a committee to consider and consent, on behalf of the limited partners, to the transactions to the extent that WAM deems necessary or appropriate under the Investment Advisers Act of 1940. For example, Wedbush Securities may make a market in or provide research on a company in which a client invests. Wedbush Securities also may act as an underwriter of an offering of securities in which a client may invest. The Public Equity Fund will submit any transactions the client effects with Wedbush Securities on a principal basis (for example, when it buys a security from or sells a security to Wedbush securities in Wedbush securities' role as market maker or underwriter), to review by the committee described above.

Under certain circumstances a broker that is affiliated with the WAM (such as Wedbush Securities) might act as a broker for both the client and a third person on the other side of a

trade, a so-called “agency cross transaction.” Such transactions present conflicts of interest because that broker would receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to the transaction. All such transactions will be disclosed to the client in accordance with the Advisers Act and that broker will prepare annual statements summarizing such transactions and the commissions paid to the broker for agency cross transactions. WAM will effect agency cross transactions only if: (1) WAM or the broker do not recommend the transaction to both the buyer and the seller; (2) WAM has an executed contract with the client specifically authorizing the adviser to effect agency cross transactions; (3) the client consent to agency cross transactions may be revoked at any time upon receipt of written notice to WAM; and (4) WAM will provide a written summary to clients no less than annually that identifies the total number of agency cross transactions since the last such statement.

Item 13: Review of Accounts

The Managing Directors of the Private Equity Funds and Public Equity Funds review the funds’ portfolios regularly. Those reviews take into account such matters as asset allocation, cash management, the prospects of individual securities, changes in issuer earnings, industry outlook, market outlook and price levels. Each investor receives a written quarterly letter stating performance for the quarter and an annual letter discussing annual performance and investment outlook.

Portfolio managers review the sub-advisory model portfolios on an ongoing basis. The reviewers evaluate individual holdings with respect to the portfolio’s investment objectives and policies, limitations on the types of instruments in which each portfolio may invest and concentration of investments in particular industries or types of issues, among other considerations. WAM may also review individual WS client portfolios and analyze security holdings at the request of WS representatives. In addition, WAM provides market commentaries to Wedbush Securities periodically.

WAM offers to WS representatives an inventory and appraisal of the securities in WS client accounts at the beginning of each quarterly period (“Performance Reports”). WS is responsible to deliver such Performance Reports to its clients, unless agreed upon separately with WAM. These reports are in addition to the reports sent to clients by the custodian.

Item 14: Client Referrals and Other Compensation (Solicitor Arrangements)

Wedbush Securities provides various investor relations and related servicing to WAM and the funds, including referring investors to, and servicing investors in, those funds. WAM or the applicable Public Equity Fund will pay Wedbush Securities an amount ranging from one-third to two-thirds of all management fees that WAM receives with respect to any investor that was referred by WS and may in the future receive a share of any performance-based compensation, from the applicable Public Equity Fund, with respect to any such investor.

Thus, Wedbush Securities and its registered representatives have an incentive to refer prospective investors to the funds.

WAM may engage other solicitors in the future and pay them cash or a portion of the advisory fees paid by clients referred to it by those solicitors. In such cases, this practice will be disclosed in writing to the client.

WAM complies with the requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, to the extent required by applicable law.

Item 15: Custody

Custody means holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them. Advisers with custody of clients' funds or securities must meet certain requirements concerning reports to clients (including underlying investors) and surprise examinations relating to such clients' funds or securities.

WAM is deemed to have custody because (1) affiliates serve as general partner of its Private Equity Funds and Public Equity Funds, and (2) an affiliated entity (Wedbush Securities, Inc.) act as the qualified custodians for certain client assets.

To meet regulatory custody requirements:

- Sub-advised managed account clients should receive at least quarterly statements directly from the broker-dealer, bank or other qualified custodian that holds and maintains the client's investment assets. WS may also send quarterly performance reports generated using the software contracted by WAM. WAM encourages clients to carefully review official custodial records and compare them with any performance reports received.
- For Public Equity Funds and Private Equity Funds, WAM sends each investor the fund's annual audited financial statements within 120 days of fiscal year-end or the adviser has a surprise custody examination by an independent public accountant to verify client assets.
- WAM annually obtains a written internal control report from Wedbush Securities prepared by an independent public accountant registered with PCAOB, stating: 1) the accountant's opinion as to whether controls in place at the Wedbush Securities are suitably designed to meet control objectives related to custodial services; and 2) the accountant verified the funds and securities are reconciled by Wedbush Securities to a custodian other than other than the adviser or its related person.

Item 16: Investment Discretion

Generally, WAM has discretionary authority to supervise and direct the investment of the assets under its management, without obtaining prior specific client consent for each transaction. This investment discretion is granted by written authority of the client in the

investment sub-advisory agreement between the client and WAM or the fund governing documents, and is subject to such limitations as a client may impose by notice in writing. Under its discretionary authority, WAM may make the following determinations in accordance with the client's investment objectives and limitations, client investment guidelines and restrictions, internal policies and applicable law and practice, without prior consultation or consent before a transaction is executed: (1) Which securities to buy or sell; (2) the total amount of securities to buy or sell; (3) the broker or dealer through whom securities are bought or sold; and/or (4) the prices and commission rates at which securities transactions for client accounts are executed.

WAM may also provide research and suggestions on investment ideas and products as requested by WS and its representatives. This may include mutual funds, separately managed accounts, and outside fund administrators, among others. Although WAM may provide research and suggestions to WS, these suggestions are considered non-discretionary. Any action taken based on these opinions or information is at the discretion of Wedbush and its representatives, and should be subject to specific suitability needs of its clients.

Item 17: Voting Client Securities

For sub-advisory accounts, WAM does not vote proxies or render any advice with respect to the voting of proxies solicited by or with respect to the issuers of securities in which assets of the account may be invested.

For the Private Equity Funds and Public Equity Funds, WAM has adopted and implemented written proxy voting policies and procedures reasonably designed to ensure that adviser votes fund securities in the best interests of clients and address how conflicts of interest will be handled.

WAM strives to vote proxies in a manner intended to maximize the value of client investments. In evaluating a particular proxy proposal, WAM takes into consideration, among other things:

- the proposal's economic effect on shareholder value;
- the threat that the proposal poses to existing rights of shareholders;
- the dilution of existing shares that would result from the proposal;
- the effect of the proposal on management or director accountability to shareholders; and
- if the proposal is a shareholder initiative, whether it wastes time and resources of the company or reflects the grievance of one individual.

WAM abstains from voting proxies when WAM believes that it is appropriate to do so.

If a material conflict of interest over proxy voting arises between WAM and a client, WAM will vote all proxies as described above. If WAM determines that this policy does not adequately address the conflict of interest, WAM will notify the client of the nature of the conflict and

request that the client consent to WAM's intended response to the proxy solicitation. If the client consents to WAM's intended response or fails to respond to the notice within a reasonable time specified in the notice, WAM will vote the proxy as described in the notice. If the client objects in writing to WAM's intended response, WAM will vote the proxy as the client directs.

WAM will provide a copy of WAM's Proxy Voting Policy upon request. In addition, any client may request information regarding how WAM voted its securities by contacting WAM.

Item 18: Financials Information

WAM does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

Item 19: Miscellaneous Disclosures

Privacy Policy

WAM and the investment limited partnerships for which it or one of its affiliates serves as general partner:

- collect non-public personal information about their clients and investors from the following sources:
 - information received from clients or investors on applications or other forms, and
 - information about clients' or investors' transactions with WAM, its affiliates or others;
- do not disclose any non-public personal information about their clients or investors or former clients or investors to anyone, except as permitted by law, or as follows:
 - restrict access to non-public personal information about their clients and investors to their employees who need to know that information to provide services to clients; and
 - maintain physical, electronic and procedural safeguards that comply with federal standards to guard clients' and investors' personal information.

On a confidential basis, we may share information we collect with companies, including WAM's affiliates, that perform services to maintain your account information on our behalf. For example, we share information with third parties that assist us with data processing, preparing monthly statements, or companies that help us service our products.