

## **Part 2A of Form ADV: Firm Brochure**

### **Item 1 Cover Page**

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**The date of this brochure is January 1, 2015**

**This brochure provides information about the qualifications and business practices of Swift Run Capital Management LLC (hereafter referred to as “SRCM” or “the firm”). If you have any questions about the contents of this brochure, please contact us at (434) 817-4234. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about SRCM is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Item 2 Material Changes

This is SRCM's 2015 annual amendment to its Disclosure Brochure. The following changes have been made to this Disclosure Brochure:

- Item 5 has been amended to reflect current fixed fee management rates.
- Item 6 has been amended to state that SRCM may purchase private investments for its private fund, SRC, without allocating any of those investments to Separate Accounts.
- Item 12 states that for accounts subject to directed brokerage arrangements, SRCM will not aggregate trades or seek better execution services or prices from other broker-dealers and SRCM will place trades on behalf of accounts subject to directed brokerage arrangements after trading on behalf of other accounts. When trading a particular security, SRCM shall place trades simultaneously or on a non-preferential rotating basis.
- Item 15 states that SRCM is deemed to have custody of assets in certain accounts controlled by Expedition Trust Company and those accounts are subject to annual surprise audits by an independent public accountant.

## Item 3 Table of Contents

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

**Item 4 Advisory Business**

Swift Run Capital Management LLC (“SRCM”) was established May 27, 2003. SRCM is a Delaware limited liability company based in Charlottesville, Virginia. Timothy Mullen is SRCM’s principal owner through his ownership interests in SRCM Holdings LLC, Mullen HoldCo LCC, and Mullen FamilyCo LLC.

SRCM currently provides discretionary investment advice to one private investment fund, Swift Run Capital, LP (“SRC”) and portfolio management services for “Qualified Clients” through separately managed accounts, hereinafter referred to as the “Separate Accounts”. SRC is an unregistered investment company in accordance with § 3(c)(1) of the Investment Company Act of 1940.

SRCM also offers portfolio management services for certain strategically important non-Qualified Clients in “Custom Accounts” that may be managed differently than the firm’s event-driven value investment strategy.

For purposes of this brochure the term “Client Accounts” refers to SRC, the Separate Accounts, and the Custom Accounts.

Qualified Clients are investors who at the time they enter into an investment management agreement with SRCM invest at least \$1,000,000 with SRCM or have a net worth of more than \$2,000,000 after deducting the value of their primary residence (which is the fair market value of a primary residence, subtracted by the amount of debt secured by the property up to its fair market value). (See Rule 205-3 of the Investment Advisers Act of 1940.)

SRCM generally only manages assets on a discretionary basis. SRCM utilizes an event-driven value investment strategy as its main product offering and does not rely on third-party managers. It invests in a wide variety of securities and financial instruments in both domestic and foreign markets and does so through securities exchanges, over-the-counter (OTC) transactions, and privately negotiated transactions. SRCM invests in common stocks (from micro-cap to mega-cap), preferred stocks, corporate bonds, bank loans and other debt securities, convertible securities, exchange-traded funds (ETFs), options, warrants, and cash and cash equivalents, and other financial instruments.

SRCM seeks superior absolute returns on an average annual basis over a long time horizon. SRCM seeks to achieve this objective primarily through capital appreciation. However, depending on the investment climate, at times the majority of our returns could come from income generation. SRCM uses a concentrated portfolio approach typically investing in no more than 20 positions. This approach allows us to focus on our best ideas. Additionally, we believe our experience and expertise in conducting fundamental analysis combined with our ability to identify catalysts gives us the potential to deliver our desired returns on a consistent basis.

We believe our absolute return investment approach is suitable in varying levels for all of our current and prospective clients.

SRCM does not permit investors in SRC to impose limitations on the investing activities described in SRC's offering documents. Under certain circumstances, SRCM will contract with a Separate Account client to adhere to limited risk and/or operating guidelines imposed by the client. In special situations, SRCM may contract with a strategic non-Qualified Client to provide customized investment management services that do not utilize the firm's event-driven value investment strategy. SRCM will negotiate all such arrangements on a case by case basis.

SRCM does not participate in any wrap-fee programs.

As of January 1, 2015, SRCM manages approximately \$279,000,000 on a discretionary basis.

## **Item 5 Fees and Compensation**

The fees and compensation to SRCM are described in the private placement memorandum and offering documents for SRC and in the investment management contracts for Separate Accounts. SRCM will only accept accredited investors for SRC and Qualified Clients for Separate Accounts, and therefore may charge clients both a management fee and a performance-based fee. SRCM, in its sole discretion, may negotiate its fees.

SRCM charges Clients with Separate Accounts a management fee based on an annual rate of 75 basis points (0.75%) of the assets under management, unless a different rate is negotiated. For Custom Accounts, SRCM will charge a negotiated fee that may be significantly greater than 75 basis points (0.75%) of the assets under management. SRCM charges Clients invested in SRC a management fee based on an annual rate of 50 basis points (0.50%). SRCM's management fees are generally charged quarterly in advance and deducted directly from Client Accounts. Clients may not elect to be billed for fees incurred, but in limited special situations SRCM may, at its sole discretion, bill clients for fees in lieu of deducting fees directly from Client Accounts.

SRCM also receives performance-based allocations from SRC on an annual basis in arrears and upon redemptions and withdrawals by investors in the SRC.

In accordance with Rule 205-3 under the Investment Advisers Act of 1940, SRCM may charge clients with Separate Accounts an annual incentive fee equal to 20% of clients' aggregate net profits as of the end of each calendar year, including unrealized gains, subject to a high watermark. (See Item 6 below). The incentive fee will be charged in arrears based on the net asset value of the clients' accounts on the last trading day of the calendar year.

SRC generally bears its own expenses, including the fees payable to SRCM, legal, audit, and accounting expenses, investment expenses such as commissions, research fees, and

other expenses, borrowing charges on securities sold short, custodial fees, administrator fees and expenses, and any other expenses reasonably related to the purchase, sale, or transmittal of SRC assets.

The expenses that are charged to the Separate Accounts include, but are not limited to:

- brokerage commissions and other transaction costs assessed by the custodian or brokerage firm,
- internal operating expenses at mutual funds or exchange-traded funds, and
- markups and markdowns (adjustments to price) charged by a broker-custodian on certain bond purchases and sales.

One of the conflicts that may arise in connection with management fee and incentive fee compensation calculation would be a conflict of interests relating to valuation. Valuation of clients' investments (which will indirectly determine the amount of the management and incentive fee) may involve uncertainties and judgmental determinations, and if such valuations should prove to be incorrect, clients could be adversely affected. Independent pricing information may not at times be available with respect to certain of clients' securities and other investments. Accordingly, while best efforts will be used to value all applicable investments in such client accounts fairly, certain investments may be difficult to value and may be subject to varying interpretations of value.

Upon a client's request, SRCM will refund any prepaid fees on a pro-rated basis to the date cancellation takes effect. However, SRCM will not refund prepaid fees with respect to client withdrawals of cash and/or securities.

To obtain a refund of any pre-paid advisory services fees clients must submit a written notice stating they wish to end SRCM's advisory services. If this date is prior to the quarter end, SRCM will calculate the refund using the days remaining in the quarter after SRCM ceases to supervise the client assets. SRCM prorates the fee by dividing the total fee by the number of days in the quarter and multiplying that rate by the remaining days in the quarter. The resulting figure will be the refund.

Clients understand and agree that the SRCM fee schedule in effect for any account shall continue until thirty (30) days after SRCM has notified the client in writing of any change in the fee schedule that may be applicable to the client's account(s), at which time the new schedule will become effective unless the client notifies SRCM that an account is not to be continued under the revised SRCM fee schedule.

SRCM is not compensated in the form of commissions for trades generated in Client Accounts (please see Item 12 for more information). Further, SRCM and its supervised person(s) do not otherwise accept sales commissions or similar compensation for the sale of securities or investment products.

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

### Performance-Based Fees

As stated in the Fees and Compensation section above, SRCM may charge performance based fees which are fees based on a share of capital appreciation of the client's assets.

SRCM generally receives annual performance-based allocations from SRC and intends to charge performance-based incentive fees on the Separate Accounts. These allocations and fees are based on a percentage of the capital appreciation of clients' assets, generally equal to twenty percent (20%) of such capital appreciation (including realized and unrealized gains), subject to a high watermark. For purposes of this brochure, those allocations and incentive fees are referred to as "Performance-Based Fees". Performance-Based Fees are in arrears and upon redemptions and withdrawals by investors in SRC and by clients in Separate Accounts.

The fact that SRCM may be compensated based on account performance may create an incentive for SRCM to select investments that may be riskier or more speculative than would be the case in the absence of such compensation. In addition, the Performance-Based Fee is based primarily on realized and unrealized gains and losses and interest and dividends. As a result, we may receive a Performance-Based Fee based on unrealized gains that clients may never realize.

Before entering into an advisory contract, SRCM discloses the following information to all clients or their respective independent agent:

1. The Performance-Based Fee arrangement may create an incentive for SRCM to make investments that are riskier or more speculative than would be the case in the absence of a Performance-Based Fee.
2. All Client Accounts are managed similarly and without regard for the fee arrangement.
3. SRCM may receive increased compensation with regard to unrealized appreciation as well as realized gains in the client account.
4. The time period for the measurement of SRCM Performance-Based Fees will be the latter of (i) January 1 of the calendar year or (ii) the account opening date, through the earlier of (a) the withdrawal date of account assets or (b) December 31 of that calendar year.
5. No index of any kind will be used as a comparative measure in the calculation of SRCM Performance-Based Fee. SRCM Performance-Based Fees are based purely on the absolute return, using annual calendar year beginning and ending account

portfolio values adjusted for incoming and outgoing cash flows as reflected by the custodian.

6. Where a SRCM Performance-Based Fee is based on the unrealized appreciation of securities for which market quotations are not readily available, SRCM will price those securities based on pricing indications from independent brokers, data services, and/or pricing services, and will disclose how the valuation was calculated upon a client's request.

### Side-By-Side Management

Although the performance based fees and allocations from the Client Accounts will be calculated by the same method, the specific terms applicable to performance-based fees and allocations may differ among the various Client Accounts. SRCM may in the future agree to performance based fees or allocations at different rates. This may result in a conflict of interest when SRCM allocates trade opportunities among these Client Accounts because SRCM may have an incentive to favor accounts that are more likely to be subject to higher performance-based fees and allocations. To avoid such a conflict of interest SRCM will follow documented procedures in allocating trades among such accounts, which will not take into account the performance-based fees and allocations to which such accounts are subject.

It is SRCM's basic policy that no Client Account shall receive preferential treatment over any other Client Account. Whenever practical, SRCM shall initiate trades for SRC and Separate Accounts simultaneously. In all other situations, SRCM will initiate trades on a rotating basis between SRC and Separate Accounts. In allocating securities among Client Accounts, it is SRCM's policy that all Client Accounts should be treated fairly and that, to the extent possible, all Client Accounts should receive equivalent treatment in the aggregate.

When allocating investment opportunities among the SRC and the Separate Accounts, SRCM will generally allocate investment opportunities so that each security held by the SRC and the Separate Accounts is held on a pari passu basis. In certain circumstances, SRCM may determine that it is not possible to allocate an investment opportunity on a pari passu basis. In such cases, SRCM will allocate such investment opportunities in a manner that it deems fair and equitable under the circumstances existing at such time.

The factors that SRCM may consider when determining which securities to allocate to each Client Account other than on a pari passu basis include, but are not limited to, applicable tax considerations; any restrictions placed on a Client Account by the client or by virtue of federal or state law (such as the Employee Retirement Income Security Act of 1974, as amended); the size of the Client Accounts; overall portfolio composition of the Client Accounts; relative capital available for investment in the applicable Client Account; the nature of the security to be allocated (including liquidity considerations); the size of the available position; the supply or demand for a security at a given price level; current market conditions; timing of cash flows and account liquidity; and any other information determined to be relevant to the fair allocation of securities.

### Allocation of New Issues and Small Lots

New issues (as defined by FINRA rule 5130) will be allocated to Client Accounts in accordance with the criteria set forth above. Transactions involving fewer than 10,000 shares will be allocated in any manner deemed appropriate by SRCM under the circumstances.

### Private Offerings

Occasionally SRCM identifies private investments that are suitable for its investment strategy but which are typically unable to be split across multiple client accounts. In those cases, SRCM may purchase a private investment for SRC without allocating any of the investment to Separate Accounts.

## **Item 7 Types of Clients**

SRCM currently provides investment advice to a private investment fund, SRC, and to high net worth private clients, endowments, and foundations, family offices, trusts and various other pools of public monies such as pension plans. SRCM's clients generally will be private funds or "Qualified Clients" as defined by Rule 205-3 of the Investment Advisers Act of 1940.

SRC has a stated minimum investment requirement of \$2 million. However, SRCM may reduce SRC's minimum investment requirement in its discretion.

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

SRCM employs a single investment strategy for both SRC and Separate Accounts, which is an event driven, value investing strategy. SRCM's investment process begins with bottom-up, company specific, fundamental research and analysis rather than with broad, macro-economic views. We actively seek to identify securities that have a limited downside and the potential for substantial upside, i.e., do not have far to fall in value but have a lot of opportunity to grow in value. We run concentrated portfolios. This approach may experience more volatile results than a more diversified portfolio, but in the longer term the return prospects should be more favorable. We believe that the ability to make large commitments to well-researched opportunities across the capital structure gives us a competitive advantage and provides for the potential for outsized returns.

SRCM obtains its analysis and research primarily from a combination of internal research analysts and information from company specific data (e.g. financial statements), industry analysts, industry research, general news, and news releases.



Investments are made in the undervalued securities of companies undergoing various types of corporate events, including, but not limited to: asset sales, refinancings, acquisitions, balance sheet restructurings, earnings, spin-off, and litigation.

The overriding principles guiding our portfolio management process are:

- We invest in undervalued securities where we believe there is an achievable structural fix to realize our estimate of intrinsic value and a catalyst exists to trigger the needed action
- The number of positions in the portfolio is limited, and those positions are held in meaningful concentrations
- There is limited use of borrowed funds
- We own only what we understand
- Securities are sold when the catalyst has taken place and the value is realized or there is an adverse and fundamental change in the situation
- Our focus is on multi-year, not monthly, returns
- Risk is mitigated by limiting industry allocations to no more than 40% of the portfolio and limiting security concentrations to no more than 10% of the portfolio at inclusion
- The allocation between investments in various aspects of the capital structure is governed by the attractiveness of the individual securities and not by a pre-determined allocation formula.

In our process, particular emphasis is placed on the presence and identification of a catalyst or pending event and the probability that the catalyst can help realize the estimated intrinsic value, typically within a two-year timeframe.

We next consider the potential for business specific issues to override an identified catalyst, such as the possibility that earnings erosion and poor business results could reduce the value of the investment before the catalyst occurs, or the role of government adversely affecting an industry or company before the business turns itself around.

We also take into consideration the prevalence of bearish perceptions about a company. When a company has met all of our criteria for investment we prefer there to be poor market perceptions about its business or industry, which has the effect of increasing the potential return opportunity.

Before an investment is made we take into account the experience and orientation of the company's management team. We prefer management to be a neutral-to-positive data point for us. If an appropriate catalyst has been identified, we are not over-reliant on company management having to perform spectacularly in order for us to profit from our investment. Management simply needs to create value by taking actions such as eliminating liabilities, increasing the value of their assets or settling a lawsuit.

We have found that opportunities for investment become available at discounted prices due to factors such as analyst downgrades, forced selling by hedge funds or other investment

institutions, media reports that cast the company in a negative light, points of maximum pessimism as defined by stocks hitting new 52-week lows with little buyer interest, changes in management or strategy, and disdain due to an industry crisis.

We do not run an aggressive short portfolio within this strategy and any short positions will generally be used to hedge against security specific or general market risk. However, we may establish short positions (or may create synthetic short positions through the use of options) in companies due to factors such as pending litigation, accounting irregularities, potential fraud, etc. We generally will not use excessive valuation as the sole criteria for a short position as it has been our experience that overvaluation can persist or substantially worsen over time.

The portfolio will typically hold approximately 20 investments. Our portfolio investments may range throughout the capital structure and vary in concentration and focus depending on the current and anticipated market conditions. We may employ leverage at modest levels through borrowed funds and also through the use of options or option-like securities such as long-dated options and warrants.

The portfolios our investment managers have managed can best be described as having the following characteristics:

- Our investment results have historically had a low correlation with the S&P 500 Index
- Benchmarks to which our portfolio could reasonably be compared to over time are the S&P 500 as well as the hedge fund indexes such as the HFR Equal Weighted Strategies Index
- Our portfolio tends to be tax-efficient for the individual investor, as most positions are held between 12 and 24 months
- The types of securities we own will change dramatically over time as the opportunities change
- The firm's assets under management are relatively small (compared to large, institutional managers) which makes the universe in which we can invest quite large
- We may invest across the capitalization spectrum from micro-cap to mega-cap
- Additionally, because the size of the positions we take are usually not so large as to alert the marketplace of our tactical intent, when we accumulate a holding it is easier for us to quietly build a position at favorable prices
- The majority of our returns over time are generated through capital gains – even in bonds – and most gains are long term in nature.

Within the strategy we will manage risk at the individual security level and at the portfolio level in a variety of ways including, but not limited to, the following:

- We will purchase each security at a significant discount to the estimated intrinsic value
- We will seek to identify a catalyst that should, in theory and in fact, eliminate some measure of market risk
- We will factor in a margin of error for each investment

- We will consistently review each business and their financial results to determine if our original investment thesis still holds true
- We will operate exclusively within our circle of competence and expertise
- We will maintain an acute awareness and analysis of position sizes and industry concentrations
- We are willing to hedge individual positions and/or the entire portfolio

***PLEASE NOTE THAT INVESTING IN SECURITIES INVOLVES RISKS OF LOSS THAT INVESTORS SHOULD BE PREPARED TO BEAR.***

SRCM seeks to manage investments so that risks are appropriate to the return potential. However, SRCM does not guarantee rates of return on investments for any period. All clients assume the risk that investment returns may be negative or below the rates of return of other investment advisers or products. Clients should understand that they could lose some or all of their investment.

Regardless of SRCM's efforts to address and limit each portfolio's exposure to risks, any investment in securities remains subject to risks at all times, including, but not limited to:

- The risk of permanent loss of capital (losing money)
- Purchasing power erosion
- Volatility (period-to-period swings in the market price of a security)
- Illiquidity (difficulty in purchasing or selling a security due to lack of market participants)

SRCM runs portfolios that are more concentrated than many traditional asset managers. This strategy may subject the portfolio to more volatility over the shorter term. Additionally, it increases the odds that a single security could skew the overall results (for good or bad) of the portfolio over time. As a result, SRCM portfolios are likely to have more individual security specific risk than a portfolio that more closely reflects the general market as measured by the S&P 500 or similar benchmark.

The following description of certain types of risk is not intended as a full and detailed discussion of all of the risks associated with SRCM's investment strategy.

Equity and Debt Securities: SRCM may hold long and short positions in common stocks, preferred stocks, and occasionally convertible securities. Equity securities fluctuate in value, often due to factors unrelated to the fundamental economic condition of the issuer of the securities, including general economic and market conditions. However, fundamental economic conditions of the issuer, such as credit risk and risks associated with competition, natural disasters, changed regulation, and overall and relative performance of the issuer, can also contribute to the fluctuation of equity securities prices. SRCM may also purchase debt securities that expose a portfolio to the risk that the issuers of such securities (including issuers of sovereign debt) will not be able to make principal and/or interest payments when due. Such securities also expose a portfolio to risks associated with changing interest rates.

Non-Investment Grade Securities: Non-investment grade securities and unrated securities are considered speculative by traditional investment standards. These obligations may be highly speculative, may have a higher chance of default and may have poor prospects for reaching investment grade standing. Non-investment grade securities are subject to the increased risk of an issuer's inability to meet principal and interest obligations and may be subject to greater price volatility due to such factors as specific corporate or municipal developments, interest rate sensitivity, negative perceptions of the "junk bond" markets generally and less secondary market liquidity. The secondary market for non-investment grade securities is concentrated in relatively few market makers and accordingly, is not as liquid as, and is more volatile than, the secondary market for higher-rated securities.

Options: SRCM may engage in the purchase, writing and trading of options, which is speculative and may involve substantial risk and be leveraged. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the market or strike price of the financial instrument underlying the option, which the writer must purchase or deliver upon exercise of the option, potentially causing significant losses to a portfolio in a short period of time.

Leverage: SRCM may employ leverage at modest levels, which ordinarily will not expose portfolios to any meaningful additional risk. Nonetheless, clients should be aware that all leverage has some inherent risks. SRCM could conceivably be forced to liquidate a portion of its positions for various reasons including changes in the value that a broker-dealer ascribes to a given position, the amount of margin required to support such position, and a broker-dealer's willingness to continue to provide credit. SRCM's portfolios could incur losses as a result of mandatory liquidation of positions at unfavorable prices.

Hedging: SRCM may hedge some or all of their assets or liabilities by taking long and short positions across a broad range of securities and derivative instruments in the fixed income, currency, commodity, and equity asset classes. SRCM also may utilize both over-the-counter and exchange-traded instruments (including derivative instruments such as total return, interest rate, credit, and other swaps and options, caps, and floors, and futures and forward contracts on equities, equity indices and currencies), both for investment and risk management purposes. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the value of such position or prevent losses if the value of such position declines. Rather, it establishes other positions designed to gain from such decline, thus seeking to moderate the decline in the value of the position for which such hedge was acquired. Consequently, such hedging transactions also limit the opportunity for gain if the value of the hedged position should increase. In the event of an imperfect hedge, the desired protection may not be achieved, and a portfolio may be exposed to risk of loss. In fact, it is not possible to hedge fully or perfectly against all risk, and hedging entails its own costs. SRCM may determine, in its sole discretion, not to hedge against certain risks, and certain risks may exist that cannot be hedged. Furthermore, SRCM may not anticipate a particular risk or may hedge the wrong risk so as to make the hedge ineffective.

**IPO - New Issue Securities:** SRCM may purchase securities during an initial public offering. Such new issue securities may have risks that include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of such securities available for trading in some initial public offerings may make it more difficult for an investment manager to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenue or operating income or the near-term prospects of achieving them.

**Illiquid Investments:** In addition to special situation and direct investments, SRCM also may invest in other thinly traded and illiquid securities, loans and derivatives. In the event of extreme market activity and dislocation (including volatility, widening of spreads and illiquidity), SRCM may not be able to promptly liquidate certain investments if the need should arise. In addition, SRCM's sales of thinly traded or illiquid investments could depress the market value of such investments and thereby reduce SRCM's profitability or increase its losses. Such circumstances or events could affect materially and adversely the amount of gain or loss a portfolio may realize. Moreover, the valuations of many illiquid positions may be uncertain and current carrying values may not accurately reflect the price at which such investments could be ultimately liquidated.

## **Item 9 Disciplinary Information**

SRCM has not been involved in any legal or disciplinary events that are material to a client or prospective client's evaluation of SRCM's business or the integrity of SRCM's management.

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

Neither SRCM nor any of its management is registered or has applied to register as a broker-dealer, futures commission merchant, commodity pool operator or commodity trading advisor.

SRCM has no other financial industry activities or affiliations except as general partner to SRC and its Chief Compliance Officer Philip Garland serves as the Sr. Fiduciary and Compliance Officer for an independent trust company, Expedition Trust Company. Though Mr. Garland does not manage client investment portfolios, real or perceived conflicts of interest may arise as a result of his dual employment. SRCM has written policies and procedures concerning conflicts of interest. If any conflict arises, SRCM's President or Chief Operating Officer will consult with the client and take appropriate measures to address the conflict in a way that favors the client's interests. SRCM does not have any other material relationships or arrangements with any persons or entities that creates a material conflict of interest with its clients.

SRCM does not recommend or select other investment advisers for its clients.

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

SRCM maintains a written Code of Ethics in its Compliance Manual. This document is designed to address and avoid potential conflicts of interest. The Code of Ethics covers an array of factors which reflect SRCM's fiduciary responsibilities to its clients and general standards of professional conduct, including employee trading in securities also owned for clients, employee receipt of material nonpublic information, SRCM's relationship with unaffiliated vendors of account services, gifts, etc. SRCM will provide a copy of its Code of Ethics to any client or prospective client upon request.

SRCM and its employees do not act as a principal buying or selling securities from their own accounts to clients, but may own the same or similar securities.

All accounts for which SRCM has investment responsibility will be treated fairly in the allocation of trades, commissions, and timing. In addition, when accounts of insiders and clients execute multiple trades for the same security, the Client Accounts will always receive the best price.

#### Personal trading circumstances specific to SRCM ("Anti-Frontrunning"):

SRCM recognizes that co-investing (where clients and employees of SRCM own the same security) could present a conflict of interest in that the investment advisory representative could, if allowed to frontrun (i.e., deliberately and systematically purchase or sell for their own accounts immediately before a purchase or sale of the same securities for Client Accounts), act as a detriment to the prices received for Client Accounts.

SRCM explicitly forbids frontrunning in its Code of Ethics. SRCM Associated Persons should not place personal securities transactions for a particular security immediately prior to purchasing or selling the same security for Client Accounts.

Any director, partner, officer or employee who fails to adhere to the Code of Ethics may be subject to termination from SRCM.

### **Item 12 Brokerage Practices**

Selection of Brokers: SRCM encourages clients to select brokerage firms or custodians where SRCM has a previously established relationship because clients may benefit from SRCM's familiarity with those firms' or custodians' processes and systems. However, SRCM does not receive referral fees or any other financial compensation from brokerage firms or custodians in return for recommending their services. Clients contract with a brokerage firm or custodian separately from SRCM and clients may maintain their

relationship with the brokerage firm or custodian independent of continuing their relationship with SRCM. For instance, a client could terminate his or her contract with SRCM without closing his or her broker-custodian account or vice versa.

Shares bought in the event-driven value strategy are allocated pro-rata across all accounts at SRCM.

When executing securities trades on behalf of its Client Accounts, SRCM will use brokers on an impartial basis after consideration of, among other things, the services to be provided, the costs of the services and transactions, soft dollar arrangements in place, and the avoidance of any conflicts or other improper relationships. SRCM will allocate commissions in a manner designed to best enhance the long-term performance of the account(s). In addition, SRCM will also seek to maintain a strong relationship with underwriters, brokers and dealers to ensure that SRCM:

1. Has dependable and reliable sources for the execution of investment transactions
2. Receives current and accurate information regarding investments
3. Obtains reliable and competent research and investment ideas
4. Has multiple sources for its various investment product needs

It is not SRCM's practice to negotiate "execution only" commission rates, and thus clients may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

Section 28(e) of the Securities Exchange Act of 1934, as amended, is a "safe harbor" that permits an investment manager to use client commissions or "soft dollars" to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Through soft dollar arrangements, broker-dealers provide investment managers, such as SRCM, research and brokerage services that are paid for with commissions earned by the broker-dealer from transactions effected for Client Accounts managed by the investment manager. An element of these soft dollar arrangements causes clients to pay commissions higher than those charged by other broker-dealers in return for the soft dollar benefits.

SRCM may receive brokerage and research services and products through soft dollar arrangements in connection with client securities transactions and uses soft dollar benefits to service all of its clients' accounts. SRCM has a fiduciary duty that precludes it from using a client's assets for its own benefit or the benefit of other clients, without obtaining the client's consent based on full and fair disclosure. SRCM shall provide written disclosure of its soft dollar practices in its account agreements and secure a client's consent upon execution of the account agreement.

SRCM will limit the use of "client commissions" to obtain research and brokerage services to services which constitute research and brokerage within the meaning of Section 28(e). Before having any service or product paid by client commissions, SRCM will determine (i) whether the service or product constitutes research or brokerage under Section 28(e),

(ii) whether the service or product in fact provides lawful and appropriate assistance in SRCM's investment decision-making, and (iii) that the amount of commissions paid is reasonable in light of the services or products provided.

***Safe harbor eligible “research” that SRCM may receive includes:***

- Research reports (including market research)
- Certain financial newsletters and trade journals intended to serve the interests of a narrow audience with specified interests rather than the general public
- Software providing analysis of securities portfolios
- Corporate governance research (including corporate governance analytics) and rating services
- Data services (including services providing market data such as stock quotes, last sales prices and trading volumes; company financial data; and economic data such as unemployment and inflation rates or GDP figures) (e.g. Bloomberg data service)
- Advice from brokers on order execution
- Certain functions of order management systems
- Certain functions of trade analytical software
- Certain proxy services

***Safe harbor eligible “brokerage services” that SRCM may receive include:***

- Communication services related to the execution, clearing and settlement of securities transactions and functions incidental thereto, i.e., connectivity services between a manager and a broker-dealer and other relevant parties such as custodians including: (i) dedicated lines between the broker-dealer and the money manager's order management system, (ii) lines between the broker-dealer and order management systems operated by a third party vendor, (iii) dedicated lines providing direct dial up service between the money manager and the trading desk at the broker-dealer, and (iv) message services used to transmit orders to broker-dealers for execution
- Trading software operated by a broker-dealer to route orders to market centers
- Software that provides algorithmic trading strategies
- Software used to transmit orders to direct market access systems
- Clearance and settlement in connection with a trade
- Short-term custody related to effecting a trade
- Electronic communication of allocation instructions between institutions and broker-dealers
- Routing settlement instructions to custodian banks and broker-dealers' clearing agents
- Post trade matching of trade information
- Certain functions of order management systems
- Certain functions of trade analytical software

***Allocation of hard and soft costs for products or services:*** In some instances, SRCM may receive a product or service that may be used only partially for functions within Section 28(e) (e.g. computer hardware used to run both research and administrative programs). In



such instances, SRCM makes a good faith effort to determine the relative proportion of the product or service used to assist SRCM in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting SRCM in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by SRCM from its own resources.

SRCM will not make an attempt to allocate soft dollar benefits to Client Accounts proportionately to the soft dollar credits the accounts generate.

It is important to note the use of soft dollars provides a benefit to SRCM in that SRCM does not have to pay directly for research, products and other services provided by vendors. The existence of soft dollar arrangements may provide an incentive for SRCM to act in its interest and not the clients' by directing client trades to brokers with soft dollar agreements in place to obtain additional research and other services, thereby increasing the commissions the client pays and failing to obtain the lowest pricing when transacting in certain securities.

Although SRCM will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker, commission rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. The receipt of such products or services and the determination of the appropriate allocation in the case of "mixed use" products or services create a potential conflict of interest between SRCM and its clients.

***Procedures for Soft Dollar Arrangements:*** SRCM will monitor and document its soft dollar activities on a regular basis. It maintains a list and details of all soft dollar arrangements. It receives periodic statements from brokers that provide soft dollar products and services and reviews the commission arrangements to ensure they are reasonable in relation to the value of the brokerage and research services provided.

***No Brokerage for Client Referrals:*** SRCM receives no referrals of prospective clients made by any broker-dealer or custodian.

***Directed Brokerage:*** SRCM will not recommend, request or require that a client specify a broker through which to execute transactions. If a client requests SRCM to use a specific broker-dealer, that client has the sole responsibility for negotiating brokerage commission rates with such broker-dealer. For accounts subject to directed brokerage arrangements, SRCM will not aggregate trades or seek better execution services or prices from other broker-dealers. SRCM will place trades on behalf of accounts subject to directed brokerage arrangements after trading on behalf of other accounts. A client requesting to direct brokerage to a different broker-dealer may pay higher commission rates than might otherwise be paid through the primary broker-custodian used by other SRCM clients and

may lose the benefit of potentially lower commissions and/or better execution available through transactions aggregated with other SRCM clients at the primary broker-custodian used by SRCM.

**Aggregation of Orders:** When purchasing or selling the same security for multiple client portfolios in a single trading day, SRCM will seek to block, or aggregate, all client orders into one single "block trade." This ensures that all clients receive the same execution price for the trade. SRCM tends to purchase securities which have very significant average daily trading volume and which should not experience any measurable impact to their market price from SRCM's purchases or sales. For those securities, it is relatively easy to place larger block trades in a short period of time. From time to time, though, SRCM may purchase or sell thinly-traded public securities (i.e., securities for which SRCM aggregate client holdings may represent a measurable percentage of average daily trading volume) for client portfolios. In these cases SRCM will remain mindful of the need to:

- minimize market impact (i.e., minimize the potential to push prices up when purchasing or push prices down when selling)
- be fair to all clients particularly those with smaller portfolios.

SRCM will generally aggregate any such client transactions into a single block purchase or sale, so that all clients pay or receive the same average price for the security. If a block transaction is not possible and purchases or sales have to be executed gradually over more than one day and on an account-by-account basis, then SRCM will typically prorate the purchases or sales across the accounts.

**Timing of Trades:** When placing trades for Client Accounts, SRCM shall place trades in a manner that does not favor one client over another. When SRCM trades in a particular security, it shall place trades for all accounts simultaneously if practical and otherwise shall rotate the order of trades so that no client is treated preferentially.

**Trading Between Client Accounts:** Subject to applicable law, SRCM may effect transactions among Client Accounts in which one Client Account will purchase securities from or sell securities to another Client Account. This may result in a conflict of interest because a potential transaction may result in benefits to one transacting party that may be greater than the benefits to the other transacting party. In order to mitigate such conflicts, we will effect such transactions only when we believe that such transactions are in the best interests of the applicable Client Accounts. Such transactions will be effected for cash consideration, generally at the closing price of the particular security, and no brokerage commission or transfer fee shall be paid to us or our related persons in connection with any such transaction.

### Item 13 Review of Accounts

SRCM's investment managers review investment positions daily. Investments are evaluated based on performance, company fundamentals, news and press releases, analyst reports, general market conditions, and such other considerations as SRCM deems

appropriate. SRCM's investment managers also review and analyze the performance of clients' overall portfolios at a minimum quarterly. Additionally, the Chief Compliance Officer monitors client portfolios for compliance with the applicable trading mandates and any applicable risk and/or operating guidelines.

SRCM may, in its discretion, furnish investors in SRC with periodic written unaudited performance reports on a monthly or quarterly basis. On an annual basis, SRC's administrator will send investors a copy of SRC's audited financial statements. Where applicable, investors will be provided with a statement of taxable income (IRS form K-1).

SRCM may provide certain investors the right to receive reports from SRC on a more frequent basis or that include information not provided to other investors (including, but not limited to, more detailed information regarding portfolio positions), possibly enabling such investors to better assess the prospects and performance of any fund.

SRCM will provide the owners of Separate Accounts with periodic unaudited reports at such times as the owners of such accounts and SRCM agree. The custodians of the Separate Accounts will send account statements to the owners of the accounts no less frequently than quarterly. In addition, since each Separate Account investor directly owns the positions in its Separate Account, such investor may have full, real-time transparency as to all transactions and holdings in its account, and may be better able to assess the future prospects of a portfolio that may have significant overlap with the portfolio of SRC, especially with respect to long positions. The investors in the Separate Accounts may have the right to withdraw all or a portion of their capital from their accounts on shorter notice and/or with more frequency than the terms applicable to any investment in SRC.

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

On occasion SRCM may determine that it is in the best interests of the firm and its clients to engage a third party (a "Solicitor") to introduce clients to SRCM and may pay the Solicitor a fee, which may be calculated as a percentage of the fees paid to SRCM in connection with the client. In all cases, SRCM will enter into a written agreement with the Solicitor and introduced clients will be notified that compensation is paid to the Solicitor. In all other respects, the introduced clients will be subject to the policies and procedures of SRCM, including requirements concerning new account documents and account agreements. Moreover, there are specific guidelines and agreements that must be followed and executed by the three parties in order to comply with Rule 206(4)-3 of the Investment Advisers Act of 1940. SRCM has policies and procedures outlining these arrangements.

SRCM has an agreements with a number of third party solicitors who may refer clients to SRCM for investment advisory services in exchange for a portion of the compensation received from SRCM for those services. The clients referred by solicitors will not pay any greater advisory fees than the amount charged to other advisory clients who are not subject to the solicitor compensation arrangement.

SRCM does not receive any compensation from anyone who is not a client.

Neither SRCM nor any of its management persons have any relationship or arrangements with any issuer of securities.

## **Item 15 Custody**

For clients with Separate Accounts, the client's qualified custodian maintains actual custody of the client's assets and sends the client account statements at least quarterly. Clients should carefully review the statements sent from the custodian and compare them to any customized statements and reports from SRCM.

While SRCM will not take physical custody of client assets, under government regulations, SRCM is deemed to have custody of the client's assets if the client authorizes us to instruct the client's custodian to deduct our advisory management and Performance Based fees directly from the client's account. SRCM will obtain written authorization from a client to deduct fees directly from the client's account. SRCM will concurrently send the client's custodian an invoice of the amount of the fee to be deducted from the account and send the client an invoice showing the formula used to calculate the fee, the amount of assets under management the fee is based on, and the time period covered by the fee.

Due to Philip Garland's dual employment with SRCM and Expedition Trust Company, SRCM is deemed to have custody of Expedition Trust Company's trust accounts managed by SRCM. Those accounts are subject to an annual surprise audit by an independent public accountant registered with the Public Company Accounting Oversight Board ("PCAOB").

SRC is subject to annual audits by an independent public accountant registered with PCAOB. SRCM sends audited statements to investors in SRC within 180 days of fiscal year-end and in lieu of account statements from SRC's custodians.

## **Item 16 Investment Discretion**

SRCM manages client portfolios on a discretionary basis in that SRCM makes all portfolio decisions in accordance with the firm's event-driven value investment strategy as outlined herein and in the account opening documents. SRCM buys and sells securities on the client's behalf without seeking client pre-approval before placing those transactions.

A Separate Account client may restrict SRCM from investing in certain securities or types of securities by providing SRCM signed, written instructions as an addendum to the Investment Management Agreement.

SRCM assumes discretionary investment authority pursuant to language included in the written Investment Management Agreement signed by each client and by an officer of SRCM pursuant to a limited power of attorney included in the separate custodian or broker

account application completed, initialed and signed by the client. The client must execute both documents before SRCM begins discretionary management of the client's portfolio.

SRCM will have discretionary authority to determine:

1. securities to be bought or sold for a client's account
2. amount of securities to be bought or sold for a client's account,
3. broker or dealer to be used for a purchase or sale of securities for a client's account,
4. commission rates to be paid to a broker or dealer for a client's securities transactions.

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

SRCM has authority to vote proxies for client securities pursuant to language included in the SRCM Investment Management Agreement and in the separate broker-custodian account application signed by client. SRCM's Compliance Policy includes a Proxy Voting Policy. Clients may obtain a copy of SRCM's Proxy Voting Policy and procedures upon written request.

In accordance with that Proxy Voting Policy, SRCM seeks to vote in the sole and exclusive best financial interest of its clients. To minimize potential conflicts of interest among SRCM, personnel, and clients and to ensure that proxies are voted in a timely manner, SRCM has engaged Broadridge Financial Solutions Inc., and will instruct Broadridge to generally vote proxies in accordance with the proxy recommendations of Egan-Jones Proxy Services. If SRCM determines that a specific proxy proposal poses an actual conflict of interest, but believes that voting is necessary to serve the client's best interests, SRCM will vote solely in accordance with the Egan-Jones' recommendations.

SRCM will not accept requests from clients to vote proxies in a particular manner.

### **Item 18 Financial Information**

SRCM does not require or solicit prepayment of fees than six months or more in advance, and is not required to include a balance sheet for its most recent fiscal year.