

Part 2A of Form ADV: *Firm Brochure*

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This brochure provides information about the qualifications and business practices of Houlihan Lokey Financial Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 310-553-8871 or jcarthane@hl.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Houlihan Lokey Financial Advisors, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Houlihan Lokey Financial Advisors' CRD number is 112214. Registration of an investment adviser does not imply a certain level of training or skill.

Item 2 Material Changes

This Firm Brochure, dated 06/30/2015, provides a summary of Houlihan Lokey Financial Advisors, Inc.'s (hereinafter "HL Financial Advisors" or "the Firm") services and fees, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Brochure is used to provide the Firm's investment advisory clients with a summary of new and/or updated information; the Firm will inform investment advisory clients of the revision(s) based on the nature of the information as follows.

1. Annual Update: HL Financial Advisors is required to update certain information at least annually, within 90 days of the Firm's fiscal year end (FYE) of March 31. The Firm will provide investment advisory clients with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of the Firm's FYE or HL Financial Advisors will provide investment advisory clients with the Firm's revised Brochure that will include a summary of those changes in this Item.
2. Material Changes: Should a material change in the Firm occur that could materially affect the advisory relationship, HL Financial Advisors will promptly communicate this change to investment advisory clients (and it will be summarized in this Item). Material changes from the prior year's Firm Brochure will also be identified in this Item.

HL Financial Advisors has no material changes to report to the information previously provided in the Firm Brochure dated 10/31/2014.

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Item 4 Advisory Business

Houlihan Lokey Financial Advisors, Inc. (hereinafter "HL Financial Advisors" or "the Firm") is a SEC-registered investment adviser with its principal place of business located in California. HL Financial Advisors began conducting business in 1997.

Listed below are the Firm's principal shareholders (*i.e.*, those individuals and/or entities controlling 25% or more of this company).

- Houlihan Lokey, Inc. ("HL Inc."), parent company

In addition, the following information identifies publicly held companies that indirectly own 25% or more of the Firm:

- ORIX Corporation, indirect owner

HL Financial Advisors provides the following services:

Investment Management Services

HL Financial Advisors provides investment management services to two pooled investment vehicles: HLHZ Investments II, L.L.C. ("LLC2"), and Paceline Partners LP ("Paceline," formerly Houlihan Lokey Opportunity Fund II, L.P.; LLC2 and Paceline each being a "Fund," and collectively, the "Funds"). The Funds rely on exemptions obtained from the SEC as Employees Security Companies ("ESCs"); as such they are not required to register—under the Investment Company Act of 1940 (the '40 Act). Furthermore, the Funds are not 'private funds' as that term is defined under the Investment Advisers Act of 1940. HL Financial Advisors does not currently offer investment management services to any entities not affiliated with the Firm.

Among other assets held by LLC2, it has purchased various debt and equity securities and other non-operating assets acquired by Houlihan Lokey Capital, Inc. (hereinafter "HL Capital") as consideration for services provided to its clients. LLC2 has also made direct investments with respect to investment opportunities that came to the attention of HL Capital as a result of its providing investment banking services to its clients. Paceline is organized to take advantage of investment opportunities that come to its attention within the United States and overseas.

HL Capital, a California corporation registered with the SEC as a broker-dealer and a member of FINRA, is also wholly-owned by HL Inc. HL Capital provides mergers and acquisitions, capital markets, financial restructuring and other investment banking services.

HL Inc. is the Manager of LLC2. In its capacity as Manager, HL Inc. entered into an agreement with HL Financial Advisors to serve as the investment adviser to LLC2. Some of HL Inc.'s officers and HL Financial Advisors, Inc.'s officers have invested in LLC2. As investment adviser, HL Financial Advisors furnishes investment management services including: (1) providing advice as to the value of securities; (2) providing advice as to the advisability of investing in, purchasing or selling securities; and (3) assisting the Manager in performing all other matters pertaining to LLC2 as the Manager reasonably requests.

HL Opportunity Fund I GP, LLC ("Opportunity Fund GP") is the General Partner of Paceline. HL Inc. and a former officer of HL Inc. have invested in Paceline, and it is anticipated that, under certain circumstances, certain other officers or employees of HL Inc. or its affiliates may invest in Paceline. Paceline and, in its capacity as General Partner, Opportunity Fund GP, entered into an investment management agreement with HL Financial Advisors to serve as the investment adviser to Paceline. As investment adviser, HL Financial Advisors furnishes advisory, administrative and financial services to Paceline. HL Financial Advisors investment management services include: (1) advising Paceline and Opportunity Fund GP with respect to the acquisition, management, financing, monitoring, and disposition of investments; (2) representing Paceline in its day-to-day dealings with accountants, attorneys, custodians, insurers and banks, among others; and (3) monitoring and supervising service providers.

Amount of Assets Under Management

On June 30, 2015 the Firm reported approximately \$110,011,884 of non-discretionary regulatory assets under management. On June 30, 2015, the Firm reported \$0 of discretionary regulatory assets under management.

Other Services

HL Financial Advisors provides valuation services and related financial analyses of various businesses and types of assets. These services can be used in connection with, among other things, mergers, acquisitions and divestitures, ESOP structuring, corporate redemptions, dispute analysis, and estate, gift and income tax support.

In rendering such valuation services and related financial analyses, HL Financial Advisors does not: (1) make recommendations or provide advice with respect to the merits of any security or transaction, the suitability of transacting in any security, or any investment decision with respect to any security, or (2) manage or hold client accounts, securities or funds.

Item 5 Fees and Compensation

Investment Management Services

HL Financial Advisors receives from LLC2 on a quarterly basis (a) the overhead and other costs and expenses incurred by HL Financial Advisors in the performance of services provided to LLC2 and (b) an additional fee of 10% of such costs and expenses. Fees are negotiable and are billed to LLC2 on a periodic basis.

Paceline compensates HL Financial Advisors by paying a quarterly management fee on the first business day of each January, April, July and October equal to \$2,500. Paceline also reimburses HL Financial Advisors for certain expenses incurred in connection with the operation of Paceline. Fees are negotiable and are billed to Paceline on a periodic basis.

Other Services

HL Financial Advisors' fees for its performance of other services (as described above) are negotiated

on a case-by-case basis. Generally, fees are set forth in an engagement letter with respect to each assignment and are agreed upon in advance. A portion of the fees is often paid as a non-refundable retainer at the time the engagement begins, with the remainder due and billed at the conclusion of the engagement.

General Information

Termination of the Investment Advisory Relationship: The investment management agreement between LLC2 and HL Financial Advisors may be terminated by any party upon at least 60 days written notice. The investment management agreement relating to Paceline automatically terminates upon the termination of Paceline, and may also be amended at any time by a written agreement executed by each of Paceline, Opportunity Fund GP, and HL Financial Advisors. The valuation and related financial analysis services agreements generally do not provide for termination of the arrangement.

Additional Fees and Expenses for Advisory Services: In addition to the fees and expenses of HL Financial Advisors, investment management clients are responsible for the fees and expenses charged by custodians and imposed by broker dealers. Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information. In addition, with respect to valuation and related financial analysis services, clients shall, upon HL Financial Advisors' request, reimburse HL Financial Advisors for its reasonable out-of-pocket expenses incurred from time to time in connection with its services. Further, additional fees may be incurred by valuation and related financial analyses services clients if additional services are requested or if expenses arise in connection with any legal proceedings as an indemnified party.

Fees in General for Investment Advisory Services: Investment advisory clients should note that services similar to those offered by HL Financial Advisors may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

Limited Prepayment of Fees for Investment Advisory Services: Under no circumstances does the Firm require or solicit payment of fees from an investment management client in excess of \$1200 more than six months in advance of services rendered.

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

HL Financial Advisors does not charge performance-based fees.

Item 7 Types of Clients

HL Financial Advisors provides investment management services to the Funds.

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

Methods of Analysis

HL Financial Advisors uses the following methods of analysis in providing investment advisory

services :

Fundamental Analysis. HL Financial Advisors attempts to assess the intrinsic value of a security or instrument by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the issuer) to determine if the security or instrument is reasonably valued.

Fundamental analysis does not attempt to anticipate broader market movements. This presents a potential risk, as the market value of a security or instrument can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the security or instrument.

Technical Analysis. With respect to publicly-traded securities, HL Financial Advisors analyzes past market movements and applies that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

Other. HL Financial Advisors' investment analysis methods also include discounted cash flow analysis, market multiples, comparable transaction analysis and/or other appropriate analytical methods depending on the nature of engagement.

Risks for all forms of analysis. These methods of analysis rely on the assumption that data HL Financial Advisors receives from external sources, including the issuers of the securities or instruments being analyzed, rating agencies (if any) that may review the securities, and other publicly-available sources of information (if any) about these securities or instruments, are accurate and unbiased. While HL Financial Advisors is alert to indications that data may be incorrect, there is always a risk that this analysis may be compromised by inaccurate, incomplete, or misleading information.

Investment Strategies

HL Financial Advisors uses the following strategy(ies) in providing investment management services, provided that such strategy(ies) are appropriate to the needs of each Fund and consistent with such Fund's investment objectives, risk tolerance, and time horizons, among other considerations:

Long-term purchases. The Firm generally recommends purchases of securities or instruments with the idea that the Fund will hold them for a year or longer. Typically this strategy is most appropriate when:

- it appears the securities or instruments are currently undervalued, and/or
- the Fund wants exposure to a particular asset class over time, regardless of the current projection for this class.

Short-term purchases. This strategy is most appropriate when a Fund wants to make an investment with the idea of exiting the investment within a relatively short time (typically a year or less). This is done in an attempt to take advantage of conditions that can soon result in an attractive return in a relatively short period of time.

Risk of Loss. The Funds often invest in securities or instruments for which there is no public market or which are subject to legal or other restrictions on transfer. The market prices for such securities may not be readily ascertainable, and such securities may not be able to be sold when desired. Given such limitations and restrictions, such securities may sell at a discount to similar securities that are publicly traded or are not so restricted. Investing in any securities or other instruments involves a risk of loss of both income and principal that clients should be prepared to bear.

Item 9 Disciplinary Information

HL Financial Advisors is required to disclose any legal or disciplinary events that are material to an investment advisory client's or prospective client's evaluation of the Firm's business or the integrity of the Firm's management.

HL Financial Advisors and its management personnel have no reportable disciplinary events to disclose.

Item 10 Other Financial Industry Activities and Affiliations

As previously described, HL Financial Advisors is wholly owned by HL Inc., which also owns 100% of the shares of HL Capital, a broker-dealer registered with the SEC and a member of FINRA and SIPC. HL Capital's business activities include mergers and acquisitions, capital markets, financial restructuring, and other investment banking services. In connection with its business activities, HL Capital may identify situations where valuation opinion or financial consulting services are needed, and may recommend HL Financial Advisors to parties in need of such services. Conversely, HL Financial Advisors may recommend HL Capital to its clients in need of investment banking services. The services provided by HL Capital are separate and distinct from HL Financial Advisors' services. No HL Financial Advisors client is obligated to use HL Capital for any services and, conversely, no HL Capital client is obligated to use the services provided by HL Financial Advisors.

In addition, certain management persons and other employees of HL Financial Advisors are management persons and registered representatives of HL Capital. These individuals, in their separate capacity, can engage in investment banking activities for which HL Capital will receive separate, yet customary compensation.

HL Financial Advisors is related, through common ownership and control, to ORIX Corporation and its affiliated entities. As disclosed in Schedules A and B of this Form ADV, HL Financial Advisors is wholly owned by HL Inc., which in turn is wholly owned by HLHZ Holding Company, LLC. HLHZ Holding Company, LLC is owned by Fram Holdings, Inc. Fram Holdings, Inc. is owned by ORIX HLHZ Holding LLC. ORIX HLHZ Holding LLC is owned by ORIX Capital Markets, LLC, which, in turn, is owned by ORIX USA Corporation, which is owned by ORIX Corporation. As a consequence, HL Financial Advisors is part of a large corporate organization with a significant number of affiliated entities.

In accordance with guidance provided by the SEC in its Frequently Asked Questions on Form ADV and IARD, HL Financial Advisors has omitted related persons from Section 7.A of Schedule D with

which it:

- (1) has no business dealings in connection with investment advisory services provided to clients;
- (2) does not conduct shared operations;
- (3) does not refer clients or business and does not receive referrals of prospective clients or business;
- (4) does not share supervised persons or premises; and
- (5) has no reason to believe that its relationship otherwise creates a conflict of interest with its investment advisory clients.

Accordingly, while HL Financial Advisors reports Houlihan Lokey Capital, Inc., Houlihan Lokey Real Estate Group, Inc., and M.E.S.A. Securities, Inc. as affiliated entities in Section 7.A. of Schedule D of Form ADV Part 1A, the Firm maintains a more comprehensive list of affiliated entities, which is available upon request.

The Funds' General Partner or Manager, as applicable, has designated HL Financial Advisors as having primary responsibility for investment management and administrative matters, such as accounting, tax and periodic reporting, pertaining to each Fund. HL Financial Advisors' officers and employees will devote to the Funds as much time as it deems necessary and appropriate to manage each Fund's business. HL Financial Advisors and its affiliates are not restricted from forming additional investment funds, entering into other investment management relationships or engaging in other business activities, even though such activities may be in competition with a Fund and/or may involve substantial time and resources of HL Financial Advisors and its affiliates. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of management personnel and employees will not be devoted exclusively to the business of the Funds but could be allocated between the business of the Funds and other of HL Financial Advisors' business activities and those of its affiliates.

HL Financial Advisors' investment advisory clients should be aware that the receipt of additional compensation by HL Financial Advisors and/or its management persons or employees from other business activities could create a conflict of interest that may impair the objectivity of HL Financial Advisors and these individuals when providing investment advisory services. HL Financial Advisors takes the following steps to address potential conflicts:

- disclose to investment advisory clients the existence of all material conflicts of interest;
- require that employees disclose all outside business activities and seek prior approval of any compensated outside employment activity to ensure that any conflicts of interests in such activities are properly addressed;
- periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed; and
- educate employees regarding the need for having a reasonable and independent basis for the investment advice provided to clients.

Other pooled investment vehicle(s):

Certain officers of HL Financial Advisors may also be managing member(s) of limited liability companies (LLCs) and/or general partner(s) of limited partnerships (LPs) formed for investment

purposes. HL Financial Advisors' investment management clients are not solicited to invest in such LLCs and/or LPs.

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

HL Financial Advisors has adopted a Code of Ethics ("Code") which sets forth high ethical standards of business conduct that it requires of its employees, including compliance with applicable federal securities laws.

HL Financial Advisors and its personnel have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

The Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the Firm's access persons. The Code also provides for oversight, enforcement and recordkeeping provisions.

The Firm's Code of Ethics further includes a policy prohibiting the improper use of material non-public information.

A copy of the Firm's Code of Ethics is available to its investment advisory clients and prospective clients. A copy may be requested by sending an email to jcarthane@hl.com, or by calling 310-553-8871.

HL Financial Advisors and individuals associated with the Firm are prohibited from engaging in principal or agency cross transactions on behalf of any investment management clients.

The Firm and/or individuals associated with the Firm may buy or sell for their personal accounts securities identical to or different from those recommended to the Firm's investment management clients. In addition, any related person(s) may have an interest or position in one or more securities or instruments which may also be recommended to an investment management client.

As these situations, described in the preceding paragraph, represent actual or potential conflicts of interest to the Firm's investment advisory clients, HL Financial Advisors has established the following policies and procedures for implementing the Firm's Code of Ethics, to ensure the Firm complies with its regulatory obligations and provides current and prospective investment advisory clients with full and fair disclosure of such conflicts of interest:

1. No employee of the Firm may put his or her own interest above the interest of a client.
2. No employee of the Firm may buy or sell securities for their personal portfolio(s) where his or her decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of the Firm that no employee may purchase or sell any security prior to a transaction(s) being implemented for the account of an investment management client. This prevents such employees from benefiting from transactions placed on behalf of accounts of investment management clients.
4. As required by FINRA rules, certain employees are prohibited from participating in any IPO investment and are required to obtain prior written approval for certain securities transactions

that are exempt from registration.

5. The Firm maintains a list of all reportable securities holdings for the Firm and anyone involved in the Firm's provision of investment management services ("access person"). These holdings are reviewed on a regular basis by the Firm's Chief Compliance Officer or her designee.
6. The Firm has established procedures for the maintenance of all required books and records.
7. All of the Firm's principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
8. The Firm requires delivery and acknowledgement of the Code of Ethics by each supervised person of the Firm.
9. The Firm has established policies requiring the reporting of Code of Ethics violations to the Firm's senior management.
10. Any individual who violates any of the above restrictions may be subject to discipline, up to and including termination.

As disclosed in the preceding section of this Brochure (Item 10), the majority of related persons of the Firm are separately registered as securities and/or investment banking representatives of a broker-dealer. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

Item 12 Brokerage Practices

HL Financial Advisors does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

With respect to the Funds, HL Financial Advisors is granted discretionary authority in the relevant organizational documents and/or investment management agreements to determine the broker-dealer to be used (if any) and the commission rates to be paid.

When required, broker-dealers are selected by HL Financial Advisors to execute a transaction for an investment management client primarily on the basis of a combination of most favorable price and best execution. Commission rates are established based on negotiations with the broker-dealer, with an evaluation of the quality and quantity of execution and research services provided by the broker-dealer as compared to fees charged for similar services by other brokers. In selecting a broker to execute a transaction for an advisory client, HL Financial Advisors may also consider a variety of factors, including (but not limited to) the following: the broker-dealer's capital depth; the broker-dealer's market access; the nature of the security or instrument being traded; the size and type of transaction; and the reputation and perceived soundness of the broker-dealer and others considered.

While HL Financial Advisors generally seeks competitive commission rates and dealer spreads, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker-dealer and thereby justify higher commissions or their equivalent than would be the case with other transactions requiring more routine services.

HL Financial Advisors does not aggregate the purchase or sale of securities for various client accounts, and does not have the opportunity to do so.

Item 13 Review of Accounts

LLC2 has an investment committee composed of three Managing Directors of HL Inc. that reviews all holdings at least annually to assess investment performance, provide guidance concerning investment opportunities and assess exit strategies. The general partner of Paceline performs similar services for Paceline.

LLC2 and Paceline, respectively, send annual audited financial reports to investors in each Fund.

Item 14 Client Referrals and Other Compensation

It is HL Financial Advisors' policy not to accept or allow its related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the investment advisory services provided to the Firm's clients.

Item 15 Custody

Because HL Financial Advisors or its related persons act as investment adviser and/or general partner or managing member to the Funds, the Firm is deemed to have custody of the Funds' accounts under current applicable regulations. Each Fund receives statements from a qualified custodian on a quarterly or more frequent basis, and the Funds should carefully review the statements. The Firm seeks to have each Fund audited on an annual basis by an independent public accountant that is registered with the Public Companies Accounting Oversight Board (PCAOB) and subject to inspection by the (PCAOB). Audited financial statements are sent to each investor within 120 days of the applicable Fund's fiscal year-end.

Item 16 Investment Discretion

Investment discretionary authority includes the ability to do the following without obtaining prior approval from the client:

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

LLC2's Offering Documents grant such authority to its Manager, HL Inc., which in turn has appointed HL Financial Advisors as the investment adviser to such Fund. HL Opportunity Fund I GP, LLC is the General Partner of Paceline, and in turn, it also has appointed HL Financial Advisors as the investment adviser to Paceline.

Although granted discretionary authority, it is HL Financial Advisors' practice to recommend investments to LLC2's investment committee and Paceline's general partner.

Item 17 Voting Client Securities

Given the nature of the securities typically held in the Funds, there is little, if any, requirement to vote proxies. Consequently, it is the Firm's practice not to exercise proxy voting authority.

Item 18 Financial Information

As an investment advisory firm that is deemed to have custody, HL Financial Advisors is required to disclose any financial condition that is reasonable likely to impair the Firm's ability to meet its contractual obligations. HL Financial Advisors has no such financial circumstances to report.

Under no circumstances does the Firm require or solicit payment of fees in excess of \$1200 per investment advisory client more than six months in advance of services rendered. Therefore, HL Financial Advisors is not required to include a financial statement as part of this disclosure document.