

Part 2A of Form ADV: *Firm Brochure*

Houlihan Lokey Financial Advisors, Inc.

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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 06/30/2016, 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 the following material changes to report to the information previously provided in the Firm Brochure dated 07/06/2015:

- The Advisory Agreements between the Firm and HLHZ Investments II, L.L.C. (LLC2) and Paceline Partners LP (Paceline) were mutually terminated.
- The Firm's assets under management (AUM) and committed capital as of June 30, 2016 is \$0.
- The Firm's parent company, Houlihan Lokey, Inc., is now a publicly held company listed on the New York Stock Exchange.

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Item 4 Advisory Business

Houlihan Lokey Financial Advisors, Inc. is a provider of due diligence, litigation support and financial analysis services with its principal place of business located in California. The Firm 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."), publicly held 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:

Financial Analysis Services

HL Financial Advisors provides due diligence, litigation support 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, dispute analysis, and estate, gift and income tax support.

In rendering such 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.

Amount of Assets Under Management

On June 30, 2016 the Firm reported \$0 of non-discretionary regulatory assets under management. On June 30, 2016, the Firm reported \$0 of discretionary regulatory assets under management.

Item 5 Fees and Compensation

HL Financial Advisors' fees for its performance of related financial analysis 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 fee 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 Business Relationship: The related financial analysis services agreements generally provide for termination of the arrangement by either party after a period of 6 to 12 months.

Additional Fees and Expenses for Financial Analyses Services: With respect to 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 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 Financial Analyses Services: 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.

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 does not have investment advisory clients.

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

Methods of Analysis

HL Financial Advisors does not provide investment advice or manage assets.

Investment Strategies

HL Financial Advisors does not provide investment advice or manage assets.

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 does not have investment advisory clients and 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 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 Houlihan Lokey Inc., a publicly listed company on the New York Stock Exchange under the HLI symbol.

50% or more of voting rights in HLI is held with the HL Voting Trust. The Voting Trust only has voting rights, no ownership rights, and therefore has no TIN. No individual owner of shares associated with the HL Voting Trust owns more than 3% of HLI Class B shares. ORIX HLHZ Holding LLC is also a majority shareholder of HLI. For additional details on the equity ownership and voting control of HLI, please refer to HLI's Annual Report on Form 10-K for the fiscal year ended March 31, 2016. 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. and Houlihan Lokey Real Estate Group, 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.

HL Financial Advisors' 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 services. HL Financial Advisors takes the following steps to address potential conflicts:

- disclose to 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 services provided to clients.

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

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 clients with full and fair disclosure of potential conflicts of interest:

1. No employee of the Firm may put his or her own interests 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. 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.
4. The Firm has established procedures for the maintenance of all required books and records.
5. All of the Firm's principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
6. The Firm requires delivery and acknowledgement of the Code of Ethics by each supervised person of the Firm.
7. The Firm has established policies requiring the reporting of Code of Ethics violations to the Firm's senior management.
8. Any individual who violates any of the above restrictions may be subject to discipline, up to and including termination.

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.

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.

Item 13 Review of Accounts

HL Financial Advisors does not have any investment management clients.

Item 14 Client Referrals and Other Compensation

HL Financial Advisors' policy is 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 services provided to the Firm's clients.

Item 15 Custody

HL Financial Advisors does not have any assets under management.

Item 16 Investment Discretion

HL Financial Advisors does not have any assets under management.

Item 17 Voting Client Securities

Not applicable.

Item 18 Financial Information

Not applicable.