

**BANYAN GLOBAL INVESTMENT ADVISORS, LLC**  
**Form ADV Part 2A**

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**July 23, 2018**

**This brochure (the “Brochure”) provides information about the qualifications and business practices of Banyan Global Investment Advisors, LLC (“BGIA”). If you have any questions about the contents of this Brochure, please contact us at (561) 847-3596. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about BGIA can be found on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Registration of an investment adviser does not imply that Banyan Global Investment Advisors, LLC or any of our principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.**

**Item 2: Material Changes**

There is a material change to this Brochure since our last annual filing on February 27, 2018. The business address of Banyan Global Investment Advisors, LLC changed to 2500 N Military Trail, Suite 120 Boca Raton, FL 33431.

You may request a copy of the most recent version of this Brochure by contacting Daniel Reich at dreich@bgiadvisors.com or Lori Fernicola at lfernicola@bgiadvisors.com or (561) 847-3596.

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#### **Item 4: Advisory Business**

Banyan Global Investment Advisors, LLC (“**BGIA**”, “**we**”, “**us**”, or “**our**”), a Delaware limited liability company, was formed in 2011 but did not commence operations until 2012. In 2015, we became a Florida limited liability company. Daniel Reich is our sole managing member and owns 100% membership interests of BGIA.

We provide discretionary asset management services to clients (“**Clients**”) through separately managed account arrangements (“**Client Accounts**” or “**Accounts**”). Our typical client (or client family) has a minimum of 1 million dollars in investable assets. Charles Schwab and Company is our preferred custodian and the majority of our client’s maintain their assets there. Please see Item 7, “Types of Clients” for information on the types of Clients that BGIA services.

BGIA manages Client Accounts on an individual basis and determines to which accounts specific investment opportunities should be allocated. BGIA, as a matter of practice, makes investment opportunities available to all Clients who are eligible to participate and where the investment opportunities are deemed by us to be appropriate for the specific Client, as outlined on the client’s Investment Policy Statement (“IPS”). Factors we generally consider in allocating opportunities include the Client’s:

- Investment objectives;
- Investment restrictions;
- Risk tolerance, as determined by BGIA in coordination with the Client; and
- Cash availability.

In addition, “Proprietary Accounts” (those accounts of firm members/employees and affiliates, including joint accounts with their immediate families) may trade separately in securities not offered to other Clients after BGIA has determined that the investment is not eligible, not suitable and/or not appropriate for other Client Accounts. Please see Item 8, “Methods of Analysis, Investment Strategies and Risk of Loss,” Item 11, “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” and Item 14, “Client Referrals and Other Compensation” for additional information regarding conflicts of interest associated with Proprietary Accounts.

While we will, if requested, provide fully customized portfolio management services within the characteristics set by a Client, the majority of BGIA’s Clients engage the firm to protect principal while providing a reasonable rate of return by building customized portfolios primarily using municipal bonds. BGIA may use other security types in augmenting these municipal bond portfolios that generally have a yield component such as equities, master limited partnerships, business development companies, exchange traded funds (ETFs), mutual funds, closed-end funds, corporate bonds, preferred securities, and mortgaged-backed securities. BGIA will on occasion engage, with the client’s approval and authorization, a third party manager. This is done through a Separately Managed Account (SMA) at Schwab, where the manager has limited power of attorney to trade a specific asset class within that account and withdraw its agreed to fee. The third party manager may compensate BGIA as part of that fee. If BGIA is compensated

by the third party manager, BGIA will not charge the client any additional fees on the SMA. BGIA and the third party manager must disclose to the client the fee sharing arrangement.

In addition, certain high net worth individuals engage BGIA to manage customized portfolios on their behalf. Clients who engage us for such customized investment strategies are highly sophisticated in financial matters and engage BGIA to execute customized, often complex, investment strategies particular to the sophisticated Client. While such Clients provide discretionary authority to BGIA, in practice these Clients are typically actively involved in managing these sophisticated investment portfolios and in directing the execution of trades.

We also engage in the following activities on behalf of Clients:

*Equity Initial Public Offerings (“IPOs”)*

While BGIA does not advise Clients to purchase equity IPOs, upon request we will assist a Client desiring to participate in an equity IPO by submitting an indication of interest for the shares. In general, we expect investments in IPOs to be appropriate only for those Clients who:

1. Have a minimum of \$2 million invested with BGIA;
2. Understand the potential risks associated with these investments; and
3. Are able to absorb potential losses which may result and acknowledge as such.

Investing in IPOs carries significant risks, and Clients should exercise caution in participating in IPOs. We do not advise Clients on such purchases. All Clients participating in IPOs are required to affirm such investments are suitable for the client on the IPS.

*Other Limited Offerings - Fixed Income New Issues and Equity Secondary Offerings*

The firm may engage in what is considered high risk, high frequency trading in Fixed Income New Issues and Equity Secondary Offerings (“Other Limited Offerings”) on behalf of certain highly sophisticated Clients. The objective of such trades is to generate trading activity with outside broker-dealers, which we believe provides us with a competitive advantage in accessing municipal fixed income securities for our core Client Accounts. In other words, we believe the commissions generated on these trades improves our relationship with the broker-dealers, and provide an opportunity for us to access fixed income municipal securities for our Client Accounts, which the firm may otherwise not be able to access. From time to time a secondary offering may occur in a security held by accounts not qualified to participate in Other Limited Offerings.

BGIA considers trading in Other Limited Offerings to be high risk and only engages in this activity on behalf of Clients who acknowledge, in writing, their desire to participate in Other Limited Offerings and their acceptance of the inherent risks associated with purchasing Other Limited Offerings within the IPS. The IPS will document the rationale for considering a Client eligible to transact in Other Limited Offerings, which includes Clients who:

1. Have a minimum of \$2 million invested with BGIA;

2. Are considered highly sophisticated and experienced in the financial markets and can be reasonably expected to understand the inherent risks of this high volume, high frequency transactions; and

3. Are able to absorb potential losses which may result and acknowledge as such.

In an effort to be fair and balanced, BGIA maintains an Investment Aggregation and Allocation Policy to address conflicts of interest related to Proprietary Accounts.

We describe these options further, including the related risks of loss, under Item 8, “Methods of Analysis, Investment Strategies and Risk of Loss.”

Prior to engaging us to provide investment management services, our Clients enter into formal investment management agreements with us setting forth the terms and conditions under which we will manage the Client Account, as well as one or more separate custodial/clearing agreements with designated broker-dealer or bank custodians. The investment management agreement continues in effect until terminated by either party by written notice in accordance with the agreement’s terms.

As of December 31, 2017, we managed in excess of US\$163,000,000 in regulatory assets under management (“RAUM”) all on a discretionary basis. However, certain highly sophisticated clients choose to take a very active role with the management of their accounts. We, while still retaining discretionary authority over the account, will strive to accommodate the level of involvement a client desires in the day-to-day management of their account. A number of our clients maintain accounts away from Schwab for which we may, at the client’s direction, purchase or sell securities. We have not included any of the value of those other accounts in calculating our RAUM.

## **Item 5: Fees and Compensation**

We do not have a standard fee schedule but generally charge each Client Account a management fee, payable in arrears on the last business day of the month, at an annual rate ranging from 30 to 50 basis points of the net asset value of the Client Account on last business day of the month. Notwithstanding the foregoing, our management fees are negotiable and can vary, within or outside of that basis point range, based upon the investment products utilized by a particular Client Account. Most Clients authorize us in their Client Service Agreements (CSA) to calculate our investment management fee and to require the custodian for their Account to pay our fee to us. We offer the option of a negotiated fee payable monthly, quarterly, or annually by check.

As noted under Item 4, “Advisory Business,” we will advise a Client on specifying the characteristics of certain municipal portfolios but may engage a third party manager. In that case the Client will pay a separate investment management fee to the manager of the bond portfolio in addition to the management fee the Client pays to us. If the third party manager pays us as part of his fee, we will not charge the client an additional fee on top of the fee shared with BGIA by the third party manager.

Clients pay for their organizational expenses (if any), as well as custodial, accounting, auditing, tax preparation, legal and trading expenses (including brokerage commissions) incurred in connection with entry into and the operation of their Accounts. With respect to brokerage and other transaction costs, please see the discussion below under Item 12, “Brokerage Practices.” If a portion of an Account is invested in a mutual fund, a closed-end investment fund or an exchange-traded fund, the Account will bear its pro rata portion of the investment management and other fees paid by that fund in connection with its management. BGIA receives no compensation from any fund company, but may receive compensation from a Separate Account Manager we engage, and that fee will be disclosed in writing to the client, prior to the funds being invested.

See Item 10, “Other Financial Industry Activities and Affiliations,”

Please see Item 11, “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading”.

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

We do not charge performance-based fees to our Clients.

#### **Item 7: Types of Clients**

We provide investment management services principally to high net worth individuals. We also provide investment management services to retirement accounts and partnerships. In the future, we may offer our services to other kinds of clients.

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

The nature of our analyses and investment strategies varies depending on the type of Account we manage on behalf of our Client. See Item 4, “Advisory Business,” above.

When we directly manage municipal bond portfolios, we concentrate on investment rated securities that a Client Account typically holds to maturity although we may replace a bond if we see an opportunity to improve the portfolio’s yield or credit characteristics through investment in another bond that meets the Client’s investment criteria. Our research consists of reading the relevant prospectus and available S&P, Moody’s and Fitch reports monitoring ratings. With regard to the mutual fund portion of such portfolios (if permitted by the Client), we consult rating services for mutual funds and examine track records and information concerning a mutual fund’s holdings.

We do engage third party managers, who may pay us as part of their management fee. If this is the case, we will not charge the client any additional fee on the SMA. Currently, several managers share their fee with BGIA, and this has been disclosed to the participating clients. We do not solicit on behalf of these managers, but use them in Separately Managed Accounts according to their expertise. BGIA does not provide solicitation services to or participate in any solicitation activities with these managers. We currently have clients with money in an SMA at Pimco in their Bravo II fund, Atlantic Trust. Garrison, and Easton Capital. We receive no compensation for any solicitation services provided on these SMA accounts.

Our use of options on a discretionary basis is limited to selling options on an equity or ETF (covered write). We will execute on a non-discretionary basis the purchase of calls or puts, or the naked sale of calls or puts as directed. In the case of non-covered options, we act as agent only.

As an investment adviser registered with the SEC, we may trade on behalf of Clients in commodities, such as futures and options on futures traded on a commodities exchange, without registration as a commodity trading advisor (“CTA”) under the Commodity Exchange Act (the “CEA”) so long as we qualify for the exemption from CTA registration provided by Section 4(m)(3) of the CEA. We are exempt from CTA registration under that provision so long as our business does not consist primarily of acting as a CTA and we do not act as a CTA to a commodity pool that is engaged primarily in trading commodity interests. We do not expect to exceed the Section 4(m)(3) limits in trading commodity interests on behalf of our Clients, but we in any event will not do so without registering as a CTA.

As noted in Item 4 above, while we do not advise Clients to purchase equity IPOs, we will assist Clients, who meet the minimum guidelines set forth above, upon request who wish to participate in an equity IPO by submitting an indication of interest for the shares to the participating contra broker(s). Investing in IPOs carries significant risks, and Clients should exercise caution when participating in IPOs.

Also as noted in Item 4 above, the firm engages in trading Fixed Income New Issues and Equity Secondary Offerings on behalf of certain highly sophisticated Clients. The objective of this strategy is to generate trading activity with outside broker-dealers, which we believe provides us with a competitive advantage in accessing municipal fixed income securities from a broker-dealer’s inventory for our Client Accounts.

BGIA expects participation in these higher risk offerings will be appropriate for very few of its Clients who are able to absorb the risks associated with such high frequency, high risk transactions.

As noted throughout this Form ADV Part 2A disclosure document, Proprietary Accounts (including firm members and affiliates, as well as joint accounts with their immediate families) may trade in securities that are deemed to be not eligible, suitable and/or appropriate for Client Accounts. This represents a risk of the firm favoring Proprietary Accounts over Client Accounts. BGIA maintains an Investment Aggregation and Allocation Policy designed to address such conflicts.

### **Risk of Loss Factors**

All investments entail a risk of loss, including substantial or even total loss. No assurances can be given that we will achieve our objective on behalf of our Clients, and our investment management performance may vary substantially over time and from period to period. In addition, the performance of Client Accounts may vary substantially as a result of differing restrictions and the employment of differing investment strategies. The following are certain of the material risks involved in our investment strategy.



## **Loss of Principal**

Investing in securities entails risk, and all investments we enter into on behalf of our clients may result in a loss of the client's principal investment. Certain Clients may invest in securities or trading strategies which entail a higher degree of risk than securities in which other Clients invest. We strongly encourage Clients to consider their risk appetite when completing their IPS and informing BGIA of their risk profile.

## **Limited Operating History**

Although our current advisory personnel have substantial experience in managing investments and we expect that personnel that we subsequently hire will also have substantial experience in managing investments, we are recently formed and do not have an operating history greater than 10 years. Furthermore, the experience of our personnel may lie in different areas of investment management, utilizing different kinds of strategies, than the strategies that we will employ on behalf of any particular Client.

## **Dependence on Key Individual**

The performance of a Client Account is likely to depend on our managing member's judgment. Therefore, if our managing member was unable to oversee the investment of such a Client Account, the performance of that Account could be adversely affected.

## **Debt Securities, including Municipal Securities**

Investment in debt securities, including municipal bonds, are subject to the risk that issuers, guarantors or insurers of the bonds (which even in the case of municipal bonds may be private entities that are the actual obligors on the bonds) may default on their obligations under the bonds, or that the credit quality of those issuers, guarantors or insurers may decline significantly. If the credit of an issuer, guarantor or insurer declines, or is perceived to have declined by investors, that could have a negative impact on the pricing of the debt of such issuer. Further, the market's perception of the creditworthiness of bond issuers, guarantors or insurers in general may affect the pricing of debt from any or all issuers in the market. Such defaults or declines in credit quality could lead to material losses by a Client Account. Defaults on interest payment obligations would have a direct adverse effect on the income generated by an Account, and declines in market value of the debt securities held in an Account would have at least a temporary adverse impact on the Account's value even if the security is held to maturity and ultimately paid off in accordance with its terms.

Furthermore, as interest rates rise, the market value of a debt security falls. This effect of rising interest rates can be general across all debt instruments in the case of a generic rise in interest rates but can also arise with respect to particular types of bonds if market participants change their assessments of the risks of investing in, for instance, corporate issuers or issuers in particular industries. As noted above, such declines in value could have at least a temporary adverse effect on an Account's value even if a security is held to maturity and paid off in accordance with its terms. In addition, both municipal and corporate debt securities may be subject to "call risk" -- i.e., a right on behalf of the security's issuer to redeem the security

earlier than its full term if the issuer determines it to be advantageous to do so (such as, for example, when an issuer determines that it can replace the money borrowed pursuant to a bond with other money borrowed at a more advantageous interest rate). In such a circumstance, we (or the Account's other investment manager) may be required to reinvest an Account's assets at a less favorable interest rate. Further, even if a bond does not by its terms provide for early call rights, corporate issuers in particular may be able to utilize tactics, such as making a tender offer for a bond contingent upon changing certain of its terms, that can have the effect of forcing an early redemption of the bonds, including by altering protective covenants in a manner that causes a change in the bond's credit rating.

Debt securities are generally traded on "dealer" markets rather than securities exchanges. In dealer markets there is generally no obligation on the part of any market participant to "make a market" in the security in question, with the consequence that a market can "freeze" or that bid and offer spreads with respect to a security can widen such that sales cannot be made at an attractive price. Also, the implementation of the "Volcker Rule," enacted as part of the Dodd Frank Wall Street Reform and Consumer Protection Act, may decrease the liquidity of corporate debt markets because investment banks, which generally provide market making services in corporate debt securities, may find it difficult to determine when they are engaging in market making for customers (which is permitted under the Volcker Rule) and when they are trading as principals for their own accounts (which generally will not be permitted under the Volcker Rule).

If a Client so permits, a portion of a Client Account may be invested in a municipal bond that we believe to be undervalued. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued municipal securities offer the opportunities for above-average capital appreciation, such investments can involve a high degree of financial risk and can result in substantial losses. Returns generated from such investments may not adequately compensate for the business and financial risks assumed. In addition, a Client Account may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of the Client Account's capital would be committed to the securities purchased, thus possibly preventing the Account from investing in other opportunities.

## **ETFs**

The ETFs in which we will invest on behalf of our Clients are investment companies registered under the Investment Company Act of 1940 that invest in portfolios consisting of both the stocks constituting broad-based securities industries and stocks concentrated in particular industry sectors or geographical regions. Although such ETF portfolios are more diversified than investments in individual stocks, they are subject to general market risk and all risks that attend investments in a particular industry sector or region, including market timing risks. Accordingly, Client Accounts that invest in ETF portfolios may suffer substantial losses.

## **Short Selling Increases Risk of Capital Losses**

Subject to restrictions established by a Client, in the case of Client Accounts invested in a customized portfolio we may make short sales for Accounts. Short selling – the sale of securities not owned by the Account, in the expectation that the price of the security will fall – involves additional risks. Such transactions may expose an Account to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. In addition, the lender of securities borrowed in connection with a short sale may require the return of the borrowed securities on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a “short squeeze” can occur, wherein we could be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received in the short sale.

### **Use of Leverage**

If a Client authorizes us to incur leverage in managing his Account, the Account’s investment positions may be leveraged by borrowing funds from broker-dealers, banks or others. While the use of leverage presents opportunities for increasing the total return on an Account’s investments, it has the effect of allowing larger investments in relation to the net value of the Account (which is determined by taking into account both the value of the Account’s investments and borrowings against those investments) and, therefore, of magnifying the effect of losses on net value.

### **Options**

The purchase or sale of an option by a Client Account involves the payment or receipt of a premium payment and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument does not change price in the manner expected, so that the option expires worthless and the investor loses its premium. Selling options on an unhedged basis, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security or other instrument in excess of the option premium payment received. The risks of the purchase or sale of options are exacerbated if the option transactions are uncovered. If the client directs us into an uncovered option transaction on behalf of an Account, the Account will not own the underlying shares it has pledged to sell to the buyer of the option (or, if the option is an uncovered put option, will not have sold short the underlying shares) and will be forced to buy the shares at the higher market price to fulfill its obligation to sell to the buyer at a lower price (or, in the case of an uncovered put option, will be forced to buy the shares from the option holder at an above-market price) if the option buyer chooses to exercise its option. The amount of loss of such a transaction can greatly exceed the premium received in the sale of the option.

### **Derivatives Generally**

Subject to restrictions established by a Client, in the case of Client Accounts invested in a customized portfolio we may invest Account assets in traded derivative instruments, or

“derivatives,” including futures, options on stocks and futures, structured securities and other instruments and contracts that derive their value from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, currency or index at a fraction of the cost of investing in the underlying asset. Because the value of a derivative depends largely upon price movements in the underlying asset or assets, many of the risks applicable to trading the underlying assets are also applicable to derivatives of such asset. However, price movements in the underlying assets typically give rise to higher, and perhaps much higher, price movements in related derivatives, thereby exposing the investing Account to risks of substantial loss. In addition, certain kinds of derivatives may be traded in dealer markets that can, as noted below under “Illiquid Portfolio Investments,” suffer from a lack of liquidity. BGIA does not engage in these transactions on a discretionary basis and will only execute as agent when directed by a client

### **Non-Diversification**

If authorized by a Client, we may not be subject to limitations on the percentage of an Account’s assets that we may invest in a particular security, commodity, industry sector or geographical region or to limitations in utilizing a strategy that from time to time takes a particular view (for example, long or short) concerning market prospects (either with respect to particular securities or commodities, industries, geographical areas or on a global basis) An Account’s concentration in any of these respects can expose the Account to disproportionate risks in relation to the risks applicable to a more diversified portfolio, either by the nature of the portfolio’s investments or the portfolio’s exposure to a particular kind of market movement.

### **Illiquid Portfolio Investments**

Subject to restrictions established by a Client, we may cause an Account to invest in instruments that are thinly traded or traded on relatively illiquid markets (although we will not invest in instruments that are subject to legal, contractual or other restrictions on their resale). We may invest Account assets in debt securities that are traded on “dealer” markets rather than regulated exchanges; in such markets no participant is obligated to make a market that will provide liquidity to persons who wish to sell their securities. Furthermore, investments in certain securities, especially those of financially distressed companies, may require a long holding period prior to profitability. These and other factors may give rise to situations in which an Account position either cannot be readily sold or, if sold rapidly, must be sold at a substantial discount to the price that might otherwise be obtainable.

### **Non-U.S. Investments**

Subject to restrictions established by a Client, we may invest Account assets in the securities of non-U.S. issuers or securities principally traded outside the United States. Such investments involve certain special risks due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and possible difficulty in obtaining and

enforcing judgments against non-U.S. entities. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting reporting and disclosure requirements than domestic issuers, and the regulation of non-U.S. securities markets, particularly in emerging market countries, is frequently less comprehensive and less effectively administered than regulation in the United States and other developed country markets. The markets in the securities of some foreign governments and companies may be less liquid and at times more volatile than comparable U.S. markets.

### **Foreign Currency and Exchange Rate Risks**

If Account assets are invested in the securities that are denominated in a currency other than the U.S. dollar, changes in the applicable exchange rate may result over time from the interaction of many factors directly or indirectly affected by economic and political conditions. Changes in currency values may affect both the U.S. dollar value of the instruments in which an Account invests and the prospects of the issuers of those instruments. National governments rarely voluntarily allow their currencies to float freely in response to economic forces. Sovereign governments use a variety of techniques, such as intervention in the currency markets by a country's central bank or imposition of regulatory controls or taxes, to affect the exchange rates of their currencies. We may use hedging techniques on behalf of an Account with the objective of protecting against loss resulting from fluctuations of the valuation of foreign currencies, particularly the forward market in foreign exchange, currency options and currency futures. For certain currencies, however, there may not be a reliable and cost efficient method of hedging currency risk. Consequently, currency exchange rate fluctuations, currency devaluations and exchange control regulations may adversely affect the performance of an Account's portfolio companies and the return realized on an Account's investments. The costs of currency hedging may not offset any advantages gained by engaging in hedging transactions. We do not intend to engage in currency speculation on behalf of Clients.

### **Frequent Trading**

Certain of the strategies we employ may involve frequent trading in securities and other instruments. The transactional costs of engaging in such trading are borne by the Client Account and may offset, or more than offset, any gains achieved by engaging in such trading.

### **Impact of Geopolitical Events**

Geopolitical events such as the ongoing turmoil in countries in the Euro zone, the volatility of the price of oil, developments in the Middle East, Iran and elsewhere, and other geopolitical and domestic developments; the continued threat of terrorism both within the United States and abroad; the ongoing military and other actions and heightened security measures in response to these threats; international tensions between the United States and other nations; and other unanticipated global events may cause disruptions to commerce, reduced economic activity and continued volatility in markets throughout the world. Some of the assets in an Account's portfolio may be adversely affected by declines in the securities markets and economic activity because of these factors. We cannot predict the extent and timing of any decreased commercial

and economic activity resulting from the above factors, or how any such decrease might affect the value of securities and other assets held by an Account.

### **Operational Risk**

Operational risk is the potential for loss caused by a deficiency in information, communication, transaction processing and settlement and accounting systems. We (or our agents) maintain controls that include systems and procedures to record and reconcile transactions and positions, and to obtain necessary documentation for trading activities. However, our and our agents', systems may not always be effectively designed or administered to control those risks, and losses may result from failures in that respect.

### **Item 9: Disciplinary Information**

We have no legal or disciplinary events to report in response to this item.

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

Notwithstanding their other obligations, our personnel are committed to devote such of their time as is needed to the management of the Client Accounts.

Please see the first paragraph of Item 4, "Advisory Business" for information regarding the ownership of BGIA.

BGIA will on occasion engage, with the client's approval and authorization, a third party manager. This is done through a Separately Managed Account (SMA) at Schwab, where the manager has limited power of attorney to trade a specific asset class within that account and withdraw its agreed to fee. The third party manager may compensate BGIA as part of that fee. If BGIA is compensated by the third party manager, BGIA will not charge the client any additional fees on the SMA. BGIA must disclose to the client the fee sharing arrangement.

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

#### **Code of Ethics and Employee Investment Policy**

Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 (the "Advisers Act"), we have adopted a Code of Ethics and Employee Investment Policy that establishes various procedures with respect to investment transactions in accounts in which our employees and other persons who have access to information concerning Client Accounts ("Access Persons") or related persons (such as members of their immediate household) have a beneficial interest or exercise investment discretion.

Our Code of Ethics is based on the principles that:

- **Employees must at all times place the interests of our Clients first;**
- Access persons must make sure that all personal securities transactions are conducted consistent with the Code of Ethics; and
- Access persons should not take inappropriate advantage of their positions with us or knowledge of our activities on behalf of our clients.

All Access Persons are required to adhere to the Employee Investment Policy set forth in the Code of Ethics, which imposes duties of confidentiality as well as setting forth our personal trading policies and procedures. All Access Persons are required to certify their adherence to the Code of Ethics annually.

In addition, Access Persons must obtain the approval of our chief compliance officer (the “CCO”) before acquiring securities for their own account in an initial public offering, before engaging in any outside business activities and before buying privately placed securities.

All of our employees must direct their brokers to send duplicate brokerage statements to the CCO. These records are used to monitor compliance with the Employee Investment Policy.

Our Employee Investment Policy applies to all personal transactions involving equity, debt, options, or futures. It does not apply to transactions involving government securities, open-end mutual funds, money market funds or other securities with respect to which reporting of transactions is not required under Rule 204A-1 under the Advisers Act.

Proprietary Accounts (accounts of firm members and affiliates including joint accounts with their immediate families) may invest in securities deemed not eligible, suitable and/or appropriate for Client Accounts as outlined in Item 4 above. This activity presents a potential conflict of interest. To help mitigate this conflict, BGIA maintains an Investment Aggregation and Allocation Policy designed to manage this inherent conflict, and routinely reviews trading activity to obtain reasonable assurance Client Accounts are not disadvantaged by such trading activity of these Proprietary Accounts.

Our Code of Ethics is available to clients upon request.

## **Item 12: Brokerage Practices**

We have discretionary authority to manage the Client Accounts, including the authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and the commissions paid. Our authority is governed by the terms of the investment management agreement governing the Account. In selecting an appropriate broker-dealer to affect a Client trade, we seek to obtain “best execution,” meaning generally the execution of a securities transaction for a client in such a manner that a Client’s total cost or proceeds in the transaction are most favorable under the circumstances. Accordingly, in seeking best execution, we take into consideration the price of a security obtained by the broker-dealer (or offered, in the case of a principal transaction), as well as a broker-dealer’s full range and quality of services, including, among other things, its trading facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, brokerage and research services provided to us (e.g., research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance and settlement and custodial services.

## **No Soft Dollar Usage**

Although, as noted above, we may take into account broker-dealers' research ideas, analysis and thoughts concerning investment strategies in selecting which broker-dealers to use, we do not enter into "soft dollar" arrangements with brokers – that is, we do not cause an account to pay a higher brokerage fee than is necessary to obtain best execution for client transactions in order to obtain research and additional brokerage services from a broker.

### **Aggregation of Orders**

When we purchase or sell the same security for the account of two or more Client Accounts, we generally aggregate trade orders for the participating Accounts in order to achieve more efficient execution or to provide for equitable treatment among the participating Accounts. The Accounts participating in aggregated trades on a day will be allocated securities based on the average price achieved for such trades. BGIA generally determines which Clients shall participate in any aggregated trade before entering into the trade (via a pre-allocation schedule). Further, BGIA does not receive additional compensation or remuneration as a result of aggregating such trades.

### **Allocation**

BGIA allocates trades to underlying Client Accounts after completion of each trade, but no later than by day-end. If BGIA receives a full fill of its trade order, the allocation will be made in accordance with the pre-allocation schedule. BGIA's preferred approach in allocating partial fills to participating Accounts is on a pro rata basis, subject to rounding and reasonable efforts to minimize trading costs for participating Accounts. Where allocating on a pro rata basis is not deemed to be practical, BGIA may allocate the partial fill to participating Accounts:

1. On a rotational basis, or
2. In BGIA's judgment taking into consideration:
  - a. Which Accounts have the most natural fit for the investment (e.g., a bond allocation may be so minimal that only a small Account makes sense to receive an allocation); and
  - b. Cash availability.

Under certain circumstances, we may deviate from our standard aggregation and allocation policy, consistent with our obligations to ensure Clients are fairly and equitably treated over time. The following is a partial list of such circumstances:

1. Pro-rata allocation results in a de minimis allocation;
2. Portfolio is charged per trade transaction fees by its custodian, creating undue costs by executing trades over several days;
3. Cash position;
4. Client direction; and
5. Common sense and equitable adjustments.

### **Trade Errors**



As a fiduciary, we have the responsibility to effect orders correctly, promptly and in the best interests of the Client Accounts. If an error occurs in the handling of any transactions due to our actions, or inaction, or the actions of others, our policy is to assess each trade error on a case-by-case basis.

### **Directed Brokerage**

Occasionally, clients may direct us to use a particular broker-dealer to execute portfolio transactions for their accounts or request that certain types of securities not be purchased for their accounts. As a result, clients may pay transaction charges or commissions which may be higher or lower than what they may pay at other broker-dealers. Clients who designate the use of a particular broker-dealer should be aware that such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. This may subject the client to inferior trade execution prices as well as higher commissions.

### **Item 13: Review of Accounts**

#### **Review of Accounts**

Daniel Reich, managing member, reviews the Client Accounts on a continual basis to assess their investment performance, positions and cash balances and to assure conformity with the Accounts' investment objectives and guidelines. In addition to the monthly or quarterly account statements provided to our clients directly by the custodian, we provide timely reports (as requested by a Client) to our Clients concerning the performance of their Accounts and are available for Client consultation at any time during normal business hours. BGIA has engaged Adyzon for Portfolio Management and Performance Reporting. These reports can be customized and delivered per client request via secure email.

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

We do not utilize any third party marketers or solicitors and, other than as set forth below, do not receive an economic benefit from any other person for providing our investment management services to our Clients.

We have a fee sharing arrangement with two of our third party managers, which manage our sub-prime portfolios in separately managed accounts. Any fee we are to receive from a third party manager is always disclosed and agreed to by the Client prior to actual payment. We do not charge a fee in addition to any monies received from such manager.

### **Item 15: Custody**

If we deduct our investment management fee directly from the custodian for a Client Account without additional Client authorization, we are deemed to have "custody" of the assets in that Account under Rule 206(4)-2 under the Advisers Act. Accordingly, under such circumstances we are required to assure, and do assure, that the assets in such an Account are held by an independent custodian (such as a bank, broker or futures commission merchant) that sends quarterly account statements to the Client. While we may suggest an independent custodian to our Clients, a Client remains free to select its own custodian (so long as that custodian meets the

requirements of Rule 206(4)-2). In addition, we follow the same practice with regard to other Client Accounts regardless of whether we are deemed to have custody of the Account assets.

#### **Item 16: Investment Discretion**

Subject to restrictions set forth in the applicable investment management agreement, our management agreements contain a power of attorney granting us discretionary authority to determine, without obtaining specific consent, securities to be bought or sold, the amount of securities to be bought or sold, the broker-dealer to be used and the commission rates paid. Clients may change the applicable restrictions at any time.

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

##### **Proxy Voting Policy**

Clients may or may not delegate proxy voting authority to us with respect the securities held in their Accounts. If that authority is delegated to us, we exercise the applicable voting rights in a manner that we believe to be in the Client's best interest and do not seek (and will not accept) the Client's instruction as to how to vote. If a Client does not delegate such powers, we assure that the Client's custodian is instructed to send proxy materials to the Client and do not offer the Client advice as to how to vote. We believe we do not generally have conflicts of interest in voting securities on behalf of our Clients because we have no affiliations with the issuers of the securities that we vote. If, unusually, one of our principals or employees holds another class of securities in an issuer whose securities are held in a Client Account and the interests of holders of that other class of securities could be adversely affected by a vote of the Client Account's securities, we will take measures to assure that the principal or employee in question does not participate in or influence the decision as to how to vote the Client Account's securities.

Upon request, we will provide our clients with a copy of our proxy voting policies and procedures and/or a record of all proxy votes cast for such client.

#### **Item 18: Financial Information**

We are not required to provide a balance sheet or other disclosures under this item.