



**ITEM 1  
COVER PAGE**

**PART 2A OF FORM ADV: FIRM BROCHURE**

**BIRCH RUN CAPITAL ADVISORS, LP**

**March 29, 2019**

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*This brochure provides information about the qualifications and business practices of Birch Run Capital Advisors, LP. If you have any questions about the contents of this brochure, please contact us at (212) 433 – 1980 or [cabramovich@birchruncapital.com](mailto:cabramovich@birchruncapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Birch Run Capital Advisors, LP is registered as an investment adviser with the SEC. Registration with the SEC does not imply a certain level of skill or training.*

*Additional information about Birch Run Capital Advisors, LP also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

**ITEM 2**  
**MATERIAL CHANGES**

The Adviser last filed an Other Than Annual Amendment in May 2018. There have been no material changes since the last filed amendment.

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## **ITEM 4**

### **ADVISORY BUSINESS**

#### **A. General Description of Advisory Firm**

The Adviser, Birch Run Capital Advisors, LP (the “Adviser”), a Delaware limited partnership, was originally formed in May 2006 and has its principle place of business in New York, New York. Daniel Beltzman and Gregory H. Smith are the Limited Partners and co-founders of the Adviser.

#### **B. Description of Advisory Services**

##### **1. Advisory Services**

The Adviser provides discretionary investment management services to a number of private investment partnerships and managed accounts. Throughout this brochure, Birch Run Capital Partners, LP, Walnut BRC, LP, and Torch BRC, LP are each referred to individually as the “Private Fund” or collectively as the “Private Funds.” The Adviser is delegated authority to serve as the investment adviser for the Private Funds through separate investment management agreements with the general partners for each Private Fund. The investors in the Private Funds are primarily high net worth individuals and families or trusts formed by these families that share the Adviser’s philosophies on investments and incentives. The interests in the Private Funds are offered on a private placement basis, in compliance with the exemption provided by Section 3(c)(7) of the Investment Company Act of 1940, respectively, to persons who are “qualified purchasers” (or “knowledgeable employees”) as defined under the Investment Company Act of 1940 and subject to other conditions, that are set forth in the subscription documents for each Private Fund. As used throughout this brochure, the terms “client” or “clients” generally refers to each of the Private Funds or managed accounts, individually or in the aggregate.

##### **Birch Run Capital Partners, LP**

The General Partner of Birch Run Capital Partners, LP (“Birch Run Capital”) is Birch Run Capital GP, LLC, a Delaware limited liability company, affiliated with the Adviser and controlled by Mr. Beltzman and Mr. Smith.

##### **Walnut BRC, LP**

The General Partner of Walnut BRC, LP (“Walnut”) is Walnut BRC GP, LLC, a Delaware limited liability company, affiliated with the Adviser and controlled by Mr. Beltzman and Mr. Smith.

##### **Torch BRC, LP**

The General Partner of Torch BRC, LP (“Torch”) is Torch BRC GP, LLC, a Delaware limited liability company, affiliated with the Adviser and controlled by Mr. Beltzman and Mr. Smith.

##### **Managed Accounts**

The Adviser is delegated authority to provide investment management services for three managed accounts (collectively the “Managed Accounts”) through an investment management agreement with each account.

## **2. Investment Strategies and Types of Investments**

*The investment strategies the Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

The Advisor is a value investor whose primary objective is to earn an attractive return for its clients without taking undue risk of permanent capital impairment.

In seeking to achieve the clients’ objectives, the Adviser may employ any investment strategy that it believes will enhance overall performance. Except as described in the Private Fund partnership agreements, subscription documents, and/or investment management agreements, there are no restrictions on the securities or other financial instruments that may be used by the clients. While the Adviser might find opportunities in any asset class and in any part of the world, the Adviser currently primarily invests in long and short positions in equity or debt securities of public U.S. and non-U.S. issuers; options and warrants; bonds and notes; bank loans; and instruments such as forward contracts on foreign currencies and futures contracts.

The Adviser generally does not employ net leverage in the execution of its investment strategies. Gross leverage has been used in the past, generally as a currency hedge. Notwithstanding the foregoing, the Adviser may consider use of limited leverage in the future under certain circumstances.

### **C. Availability of Customized Services for Individual Clients**

The Adviser intends for its clients to generally hold, to the extent practicable, similar types of securities and financial instruments relative to each client’s respective net asset value, although, due to tax, regulatory and other considerations, the client’s investments may differ.

### **D. Wrap Fee Programs**

The Adviser does not participate in a wrap fee program.

### **E. Assets Under Management**

As of December 31, 2018, the gross discretionary assets under management were \$325,542,640.00.

## **ITEM 5**

### **FEES AND COMPENSATION**

#### **A. Advisory Fees and Compensation**

This brochure will only be delivered to qualified purchasers as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 and therefore the fee schedule is not included. The fees applicable to each of the clients are set forth in detail in each Private Fund partnership agreement or in the investment management agreement with the Adviser, as applicable.

#### **B. Payment of Fees**

Management fees for investment advisory services provided to Birch Run Capital and Walnut are deducted quarterly in advance from the capital accounts of the limited partners of each Private Fund. Performance compensation for Birch Run Capital, Walnut and Torch is deducted from the capital accounts of the limited partners on an annual basis.

The Adviser bills the Managed Accounts for performance compensation, which is paid only when there is a realization event on the investments that generates cash for the account (i.e., sale or redemption, maturity of the security, receipt of interest coupons or dividends, etc.).

#### **C. Other Fees and Expenses**

Each client bears its own expenses, including, without limitation, brokerage commissions and other transaction costs, expenses related to proxies, underwriting and private placements, investment-related expenses (including research), withholding and transfer taxes, accounting, auditing, legal fees and costs, professional fees and expenses, governmental and regulatory fees and expenses, custodial fees, bank service fees, and corporate filing fees and expenses. See Item 12 for additional information on the Adviser's brokerage practices.

#### **D. Fees in Advance**

As noted above, management fees are deducted quarterly in advance. Accordingly, if an underlying investor in a Private Fund elected to redeem or withdraw from the Private Fund during a quarter in which a fee is charged in advance, generally, such circumstance will result in the refund of a pro rata portion of the fees to the investor for the remaining portion of the quarterly period.

#### **E. Additional Compensation**

Daniel Beltzman serves on the boards of directors of Regis Corporation and Ditech Holding Corporation (f/k/a Walter Investment Management Corporation) and receives compensation in the form

of both cash and restricted stock units in connection with his role on both boards. We discuss any potential conflicts of interest that may arise due to his roles on the boards and the compensation he receives in Item 11 of this brochure.

Neither the Adviser nor any of its supervised persons accepts compensation for the sale of securities or other investment portfolios.



**ITEM 6**  
**PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT**

The Adviser charges performance-based fees from every client. As a result, the Adviser does not face the conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

**ITEM 7**  
**TYPES OF CLIENTS**

As set forth above, the Adviser provides portfolio management services to its clients. Investors in the Private Funds and the Managed Accounts may include high net worth individuals, trusts, retirement plans, corporations or other business entities. A minimum investment of \$5,000,000 is generally required to invest in any of the Private Funds. However, each of the Private Funds' General Partners have discretion to waive or reduce the minimum investment for one or more investors (or prospective investors) as long as they qualify to invest based on all other suitability and regulatory requirements.

## ITEM 8

### METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

#### A. Methods of Analysis and Investment Strategies

*The descriptions set forth in this brochure of specific advisory services that the Adviser offers to clients, and investment strategies pursued and investments made by the Adviser on behalf of its clients, should not be understood to limit in any way the Adviser's investment activities. The Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this brochure, that the Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear the risk of loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

The Adviser adheres to an investment philosophy commonly known as value investing. This philosophy is based primarily on the concept of paying substantially less for a security or other financial instrument than the Adviser's estimate of the security or financial instrument's true worth, or intrinsic value. Investments are generally sold when they approach the Adviser's estimate of intrinsic value (or when the Adviser believes there are better opportunities to invest the capital). Central to the investment discipline is a rigorous and thorough research process during which time the Adviser attempts to assess the potential risks and rewards associated with each investment.

As part of each of the Private Funds' investment program, the Adviser typically concentrates the assets in a relatively limited number of investments.

#### B. Material, Significant or Unusual Risks Relating to Investment Strategies

*The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Private Funds advised by the Adviser. These risk factors include only those risks the Adviser believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Adviser. Please refer to the Private Funds' subscription documents for a more complete description of the risk factors.*

The Adviser has a wide charter to use various investment strategies so long as they are consistent with the each of the Private Funds' governing documents. However, the profitability of a significant portion of the Private Funds' investment program depends to a great extent upon correctly assessing the true value of securities and other investments and the likelihood of the markets ultimately reflecting that value. There can be no assurance that the Adviser will be able to accurately assess that value or that the markets will reflect that value. With respect to the investment strategy utilized by the Private Funds, there is always some, and occasionally a significant, degree of market risk. While it generally follows a philosophy of conducting extensive due diligence in acquiring securities, assets or other financial

instruments for less than it believes they are worth, it attempts to adapt its specific strategies to market circumstances and the available opportunity set. Investing entails many potential risks, as set forth in further detail below.

### **Illiquid Investments**

The investments made by the Adviser may be very illiquid, and consequently the Adviser may not be able to sell such investments at prices that reflect the Adviser's assessment of their value or the amount paid for such investments by the clients. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by the clients and other factors. Furthermore, the nature of the clients' investments, especially those in financially distressed companies, may require a long holding period prior to profitability.

Companies whose securities are not publicly traded are not subject to the same disclosure and reporting requirements that are generally applicable to companies with publicly traded securities, nor is the trading of such non-publicly traded securities regulated by any government agency. Accordingly, the protections accorded by such regulation will not be available in making such investments.

### **Short Sales**

The Adviser may enter into transactions, known as "short sales," in which it sells a security it does not own in anticipation of a decline in the market value of the security. Short sales by the Adviser that are not made "against the box" theoretically involve unlimited loss potential since the market price of securities sold short may continuously increase. The clients may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, the clients might have difficulty purchasing securities to meet their short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.

### **Derivatives**

Derivative instruments, or "derivatives," include futures, options, swaps, structured securities and other instruments and contracts that are derived 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. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are "leveraged," and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the clients to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts, and to counterparty risk. The counterparty risk lies with each party with whom the Adviser (on behalf of its clients) contracts for the purpose of making derivative investments (the "Counterparty"). In the event

of the Counterparty's default, the corresponding client will only rank as an unsecured creditor and risks the loss of all or a portion of the amounts it is contractually entitled to receive.

### **Foreign Investments**

Investments in foreign securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar (the currency in which the books of each client are maintained) and the various foreign currencies in which the clients' portfolio securities will be denominated and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation; (iii) political, social or economic instability; (iv) imposition of foreign income, withholding or other taxes; and (v) the extension of credit, especially in the case of sovereign debt.

### **Leverage**

Subject to applicable margin and other limitations, the clients may borrow funds in order to make additional investments and thereby increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of the clients' portfolios would be amplified. Interest on borrowings will be a portfolio expense for the client and will affect the operating results of the client. Also, the clients could potentially create leverage via the use of instruments such as options and other derivative instruments.

### **Options**

Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (i.e., sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value.

### **Commodities and Futures**

The clients may trade on a limited basis in commodities and futures. Such trading activity is regulated by the Commodity Futures Trading Commission (the "CFTC"). Pursuant to an exemption from registration under CFTC regulations, the Adviser is currently eligible for and relies on an exemption from registration with the CFTC and National Futures Association ("NFA") as a Commodity Pool Operator. To comply with the exemption, the Adviser is subject to specific limitations on the amount of commodities and futures that it can trade on behalf of its clients. Should the clients' investments in commodities or futures instruments exceed the limits provided by the applicable exemption from

registration, the Adviser will either have to register with the NFA or cease providing commodity interest trading advice to the clients and liquidate the clients' holdings of commodities and futures which could result in losses and additional costs to the clients.

### **Concentration**

Since the clients' portfolio will not necessarily be widely diversified, the investment portfolios for each of the clients may be subject to more rapid changes in value than would be the case if the clients were required to maintain a wide diversification among companies, securities and types of securities.

### **Reliability of Valuations**

From time to time, certain situations affecting the valuation of the clients' investments (such as limited liquidity, unavailability or unreliability of third-party pricing information and acts or omissions of service providers to the clients) could have an impact on the net asset value for each client, particularly if prior judgments as to the appropriate valuation of an investment should later prove to be incorrect after a net asset value-related calculation or transaction is completed.

### **Significant Positions in Securities; Regulatory Requirements**

In the event the clients acquire a significant ownership percentage in certain issuers of securities and such ownership exceeds certain percentage or value limits, the clients may be subject to regulation and regulatory oversight that may impose notification and filing requirements or other administrative burdens on the Adviser. Any such requirements may impose additional costs on investors and may delay the acquisition or disposition of the securities or the clients' abilities to respond in a timely manner to changes in the markets with respect to such securities.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

Neither the Adviser, nor any of its directors, officers, or principals has been involved in any criminal or civil actions in a domestic, foreign or military court.

Neither the Adviser, nor any of its directors, officers or principals has been involved in any administrative proceedings before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither the Adviser, nor any of its directors, officers or principals has been involved in any self-regulatory organization proceedings.

**ITEM 10**  
**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

A. Broker-Dealer Registration

Neither the Adviser, nor any of its management persons is registered as broker-dealer or a representative of a broker-dealer or has an application pending to register with the SEC as a broker-dealer or a registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status

Neither the Adviser, nor any of its management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor or associated person of any of the above.

C. Material Relationships or Arrangements with Industry Participants

The Adviser provides investment advisory services to the Private Funds and Managed Accounts and is delegated authority to provide such services pursuant to investment management agreements with the general partners of each Private Fund and with the Managed Accounts, directly. As previously noted, Mr. Beltzman and Mr. Smith are the only managing members of the general partners. All of the general partners and the Adviser are under common ownership and control.

D. Material Conflicts of Interest Relating to Other Investment Advisers

The Adviser 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**

A. Code of Ethics

The Adviser, the general partners and all of their respective supervised persons have adopted a Code of Ethics, describing their high standards of business conduct and fiduciary duties. The Code of Ethics includes provisions relating to standards of conduct, personal trading, reporting obligations, use of confidential information, gift policy, confidentiality, conflicts of interest, prohibitions on insider trading, recordkeeping and disciplinary procedures, among other things. All supervised persons must acknowledge the terms of the Code of Ethics initially upon hire as well as annually, or as amended. A copy of the Code of Ethics is available to any client or prospective client upon request.

B. Conflicts of Interest

Mr. Beltzman serves on the boards of directors of two issuers, both of which are portfolio companies of certain Private Funds. First, Mr. Beltzman serves as a director for Regis Corporation (“Regis”). As compensation for his role as a director and as of the date of this filing, Mr. Beltzman has received a total of 17,535.81 in restricted stock units of Regis that will vest in accordance with Regis’ plan provisions. In addition, Mr. Beltzman received cash compensation for his role as a director for Regis totaling \$170,000 during the fiscal year ending December 31, 2018.

Second, Mr. Beltzman serves as a director for Ditech Holding Corporation (f/k/a Walter Investment Management Corporation) (“Ditech”). As compensation for his role as a director and as of the date of this filing, Mr. Beltzman has received a total of 152,062 in restricted stock units of Ditech that will vest in accordance with Ditech’s plan provisions. In addition, Mr. Beltzman received cash compensation for his role as a director for Ditech totaling \$101,111.11 during the fiscal year ending December 31, 2018.

Mr. Beltzman does not intend to remunerate to the Private Funds any compensation, including restricted stock units, which he may receive in connection with his positions on the above mentioned boards. The Adviser recognizes that the fees that Mr. Beltzman receives for his service on the boards may create a conflict of interest with the Private Funds that hold securities of the issuers for which Mr. Beltzman serves as a director. However, the Private Funds that hold the securities of Regis and Ditech acquired those securities as long-term investments utilizing the stable sources of capital of its investors. As such, the Adviser has no immediate intentions to dispose of the securities of either Regis or Ditech. Furthermore, the Adviser believes that given the long term nature of the investment, Mr. Beltzman’s board positions align interest between the portfolio companies and the Private Funds and thus helps mitigate the potential for a conflict of interest.

C. Investing in Securities that the Adviser or a Related Person Recommends to Clients

The Adviser's managers and employees may invest in certain of the Private Funds and therefore may have a financial interest in the underlying components of the Private Funds. Employees may maintain personal securities accounts but are subject to strict guidelines. In general, employees may transact in mutual funds, exchange traded funds or other non-reportable securities as defined in the Code. In certain circumstances, employees may be permitted to transact in a private placement or limited offering, but must first obtain pre-approval by the CCO and a Managing Member. Transactions are reported to the CCO in accordance with the reporting requirements outlined in the Code of Ethics and personal trading is continually monitored in order to prevent conflicts of interest between the Adviser, its related persons and its clients.

D. Conflicts of Interest Created by Contemporaneous Trading

It is the policy of the Adviser to allocate investment opportunities fairly and equitably over time. This means that these opportunities will be allocated among those clients for which participation in the respective opportunity is considered appropriate, taking into account, among other considerations whether the risk-return profile of the proposed investment is consistent with the clients' objectives.

The Adviser may aggregate orders for the purchase or sale of the same securities for clients, where the Adviser deems this to be appropriate, in the best interests of the clients and consistent with applicable regulatory requirements. When an order is aggregated, each participating client participates at the average share price for the aggregated order on the same business day, and transaction costs are shared pro rata based on each client's participation in the aggregated order.

## **ITEM 12**

### **BROKERAGE PRACTICES**

#### **A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions**

The Adviser is granted the discretionary authority, through its investment management agreements, to determine which securities and the amounts of securities that are bought or sold, as well as the broker dealer to be used and the commission rates to be paid.

The Adviser utilizes a number of broker-dealers, in addition to its prime broker, to execute transactions (trades) for its clients. Broker-dealers are selected based upon the amount of commission, quality of execution, expertise in particular markets, the reputations, experience and financial stability of the broker-dealer involved, quality of service, research and analytic services and clearing and settlement capabilities. At all times, broker-dealers are subjected to principles of best execution.

#### **1. Research and Other Soft Dollar Benefits**

Through soft dollar arrangements (where a portion of the trade commission charged to the Adviser is used to obtain services other than trade execution), the Adviser may receive research, market data or other related services from a broker-dealer or third party. To that end, the Adviser may cause its clients to pay a broker or dealer which provides eligible brokerage and research services that benefit the Adviser, a commission for effecting a securities transaction in excess of the lowest available commission cost, provided that: (i) the Adviser determines in good faith that the amount is reasonable in relation to the services in terms of the particular transaction or in terms of the Adviser's overall responsibilities with respect to its clients; (ii) payment is made in compliance with Section 28(e) of the Securities Exchange Act of 1934, as amended, other applicable state and federal laws and each of the Funds' respective governing documents and (iii) in the opinion of the Adviser, the total commissions paid by the Funds will be reasonable in relation to the benefits to that fund over the long term. Research paid for with soft dollars may be from a broker-dealer or third party. The brokerage and research services provided are not used solely for the clients which generated the brokerage commissions but are used to service all of the Adviser's clients. Although it is not possible to assign an exact dollar value to these research services, they may, if and to the extent used, tend to reduce the expenses of the Adviser.

Generally, research services provided by broker-dealers or third parties may include information on the economy, industries, sectors, individual companies, statistical information, accounting and tax interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Research services may be received in the form of written reports, telephone contacts, and meetings with security analysts.

During the last fiscal year, the Adviser and its related persons did not acquire any products or services using client brokerage commissions.

## **2. Brokerage for Client Referrals**

Neither the Adviser nor any related person receives client referrals from any broker-dealer or third party in consideration for brokerage services.

## **3. Directed Brokerage**

The Adviser does not recommend, request or require that a client direct the Adviser to execute transactions through a specified broker-dealer.

### **B. Order Aggregation**

Please see Item 11.D. for a description of the Adviser's order aggregation procedures.

## **ITEM 13**

### **REVIEW OF ACCOUNTS**

#### **A. Frequency and Nature of Review of Client Accounts**

As set forth in more detail below, the Adviser performs various daily, monthly, quarterly and annual reviews of each clients' portfolio.

The managers of the Adviser review all of the clients' accounts regularly for investment strategy, style balance and exposure. On days where there is trading activity, the Chief Compliance Officer reviews the accounts daily for trade accuracy. On either a monthly or quarterly basis (depending on the client), the Private Funds and Managed Accounts are reviewed in detail for overall accuracy. The reviews involve ensuring that the statements from the prime broker, custodians and administrator all reconcile with the Adviser's internal records. These reviews are conducted by the Chief Compliance Officer and are also reviewed periodically by one of the Adviser's managers. Annual reviews, which also involve reconciling statements generated by the prime broker, custodians and administrator, are also conducted by the Chief Compliance Officer and independently reviewed by the Advisers' managers.

#### **B. Factors Prompting Review of Client Accounts Other than a Periodic Review**

A review of a client account may be triggered by any unusual activity or special circumstances, including material market, economic or political events.

#### **C. Content and Frequency of Account Reports to Clients**

The Adviser provides investors in each Private Fund with a written, quarterly, unaudited investor statement that sets forth their individual and total fund performance. In addition, the Advisor provides the investors in Birch Run Capital a written quarterly investor letter, which includes unaudited estimates of the fund's performance and other information as the Adviser may, from time to time, deem advisable and desirable. The Managed Accounts receive regular written statements from their custodian.

On an annual basis, each investor in the Private Funds receives a copy of the Private Funds' financial statements audited by the independent auditors. In addition, the Adviser provides each investor a copy of their Schedule K-1.

**ITEM 14**  
**CLIENT REFERRALS AND OTHER COMPENSATION**

A. Economic Benefits for Providing Services to Clients

The Adviser has no arrangements in place to compensate anyone for client referrals. As discussed in Item 12, the Adviser may enter into soft dollar arrangements with broker-dealers or third parties providing the Adviser with research services in exchange for commissions being directed to the broker-dealer or third party. Use of soft dollars is monitored by the Chief Compliance Officer.

B. Compensation to Non-Supervised Persons for Client Referrals

Neither the Adviser nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals.

## **ITEM 15**

### **CUSTODY**

The Adviser is deemed to have custody of client funds and securities of the Private Funds pursuant to SEC regulations, because it has the authority to obtain client funds or securities, for example, by deducting expenses and other fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent by qualified custodians to the Adviser.

The Adviser is subject to Rule 206(4)-2 under the Advisers Act ("the Custody Rule"). However, it is not required to comply (or is deemed to have complied) with some requirements of the Custody Rule with respect to the Private Funds because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception," which among other things, requires that each Private Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Account Oversight Board, and requires that each Private Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

**ITEM 16**  
**INVESTMENT DISCRETION**

The Adviser entered into an investment management agreement with each of the Private Funds and with the Managed Accounts, pursuant to which the Adviser is granted discretionary trading authority. The Adviser's investment decisions and advice with respect to the clients are subject to each client's investment objectives and guidelines.



## **ITEM 17**

### **VOTING CLIENT SECURITIES**

In accordance with SEC Rule 206(4) - 6, the Adviser has adopted Proxy Voting Policies and Procedures (the Policies) to address how the Adviser shall vote proxies for the Private Funds' portfolio investments. The Policies seek to ensure that the Adviser votes proxies (or similar instruments) in the best interest of the Private Funds, looking at the proposal's expected impact on shareholder value, without considering any benefit to us, as the Adviser. Clients cannot direct the vote of the Adviser in any particular solicitation.

The Adviser considers the reputation, experience and competence of a company's management when evaluating the merits of investing in a particular company, and it generally invests in companies in which it believes management goals and shareholder goals are aligned. Therefore, on most issues, the Adviser casts votes in accordance with management's recommendations. This does not mean that the Adviser does not care about corporate governance. Rather, this confirms the Adviser's process of investing. However, if the Adviser believes management's position on a particular basis is not in the best interests of clients, it will vote contrary to management's recommendation.

The Adviser does not anticipate any conflicts of interest between the Adviser and the Private Funds in terms of proxy voting. Clients may obtain a copy of the Policies and/or information regarding how the Adviser voted proxies for particular portfolio companies by contacting the Adviser.

The Adviser does not have authority to vote client securities for the Managed Accounts.

**ITEM 18**  
**FINANCIAL INFORMATION**

A. Prepayment of Fees

The Adviser does not require or solicit prepayment from any of the Funds more than six months in advance and therefore does not need to include a balance sheet with this brochure.

B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments

The Adviser has no financial conditions that are likely to impair its ability to meet its contractual commitments to its clients.

C. Bankruptcy Petitions in Previous Ten Years

The Adviser has not been the subject of a bankruptcy petition in the last ten years.

**ITEM 19**  
**REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

The Adviser is not registered with any state security authorities.