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**FJ Capital Management LLC  
Firm Brochure  
Form ADV Part 2A**

**March 2014**

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This brochure provides information about the qualifications and business practices of FJ Capital Management LLC.

If you have any questions about the contents of this brochure, please contact Andrew Jose, Chief Compliance Officer, at (703) 875-8378 or via email: [ajose@fjcapital.com](mailto:ajose@fjcapital.com).

This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about FJ Capital Management, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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**Item 2. Material Changes**

This is our first annual amendment of Form ADV Part 2A (firm brochure) as a registered investment adviser. Please see items 11 and 12 with respect to our newly adopted policies on cross trades and soft dollars. These are the only material changes since our registration became effective on December 10, 2013.

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**Item 4. Advisory Business**

FJ Capital Management LLC (“FJ Capital”, “Firm”, or “We/us”), a Delaware limited liability company, is a registered investment adviser with its principal office located in McLean, VA. FJ Capital was formed in December 2007.

Martin Friedman co-founded the Firm and as Chief Executive Officer has primary responsibility for managing the Firm and its investment activities. Andrew Jose co-founded the Firm with Mr. Friedman and is Chief Compliance Officer (“CCO”). Mr. Friedman and Mr. Jose previously worked together at Friedman, Billings, Ramsey in Arlington, VA, before co-founding FJ Capital. Mr. Friedman owns 80% of FJ Capital and Mr. Jose owns 20%.

FJ Capital is a manager of “private funds”, as defined in the Investment Advisers Act of 1940 (the “Advisers Act”) which are funds that excluded from the definition of “investment company” under either Section 3(c)(1) or 3(c)(7) of the Investment Company Act of 1940 (the “Investment Company Act”). Our investors are all accredited investors as defined under Rule 501 of Regulation D under the Securities Act of 1933, as amended (the “Securities Act”). Qualified clients and certain employees of our firm may also invest in our funds. FJ Capital may also manage separate accounts for clients.

FJ Capital has sponsored and is Managing Member of two private funds, FJ Capital Long/Short Equity Fund, LLC (the “Onshore Fund”) and FJ Capital Long/Short Equity Offshore Fund, Ltd. (the “Offshore Fund”, and collectively with the Onshore Fund, the “Funds”). These Funds comprise a Master Feeder structure. The Onshore Fund, a Delaware limited liability company, into which U.S. taxable investors invest directly, and serves as the Master Fund. The Offshore Fund, which is open to non-U.S. investors and U.S. tax-exempt investors, feeds into the Onshore Fund. Both the Offshore and the Onshore Fund rely on Section 3(c)(1) for exclusion from regulation under the Investment Company Act.

In addition, FJ Capital acts as subadviser to one private fund in which the assets of its control persons are invested and to four unrelated private funds for which it invests in a similar strategy (together with the Funds, “clients”).

On behalf of all of its clients, FJ Capital invests primarily in equity securities of U.S. publicly traded companies. FJ Capital may invest client assets in issuers of all capitalization ranges in a variety of industries, but has a bias toward under-followed small- and mid-cap companies within the financial services industry. FJ Capital focuses on the banking sector, and particularly on community banks and thrifts. It may also invest to a limited extent in privately offered securities, including private interests in public equity securities (“PIPEs”).

Our primary responsibilities to all of our clients are to identify, select and manage investment opportunities that can achieve our clients’ investment objectives. For fund clients, we provide our services at the fund level, in accordance with the investment objectives and guidelines set

forth in the Funds' respective offering documents and investment management agreements for subadvised clients.

Separately managed accounts are managed in accordance with the applicable investment management agreement.

In addition, in certain cases, we may enter into a supplemental agreement, or "side letter", with certain Fund investors. We may designate certain investors as "Special Members" having interests with different rights and obligations, including transparency and liquidity rights. To date, we have designated one Special Member, who was a seed investor in the Onshore Fund, with certain rights not afforded to other investors, including potential transparency rights related to the Onshore Fund's investments; reduced fees; the right to consent to certain major decisions affecting the Onshore Fund and its operating documents; and a potential waiver of certain of the redemption provisions, including the gate mechanism applicable to the Onshore Fund.

As of February 28, 2014, our total assets under management were approximately \$217.4 million. Of this amount, \$98.3 million is managed on a fully discretionary basis. The remaining assets are considered non-discretionary in that investments selected by us are presented to clients for approval before we effect trades.

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## **Item 5. Fees and Compensation**

We receive a management fee and a performance fee from each Client for investment management services pursuant to Investment Management Agreements and applicable Fund documents.

Our fee schedule for the Offshore and Onshore Funds is as follows:

- Management Fees. We charge .125% of the monthly net asset value of outstanding interests. This equates to an annual management fee of 1.5%.
- Performance Based Fees. We typically charge 20% of the new net profits, calculated annually (or on redemptions dates other than year-end), subject to a "high water mark". For the Funds, our performance fee is credited to FJ Capital's capital account in the Master Fund at the end of each year (or on a redemption date if other than at a calendar year-end).

Fees for other clients are negotiated on a case by case basis. One client pays a much higher performance fee of approximately 50%, but it pays no management fee.

An investor may pay a management fee that is higher or lower than that of another investor, based on factors such as the amount of assets managed for the account.

Investment advisory fees are negotiable at our sole discretion. We reserve the right to waive or adjust fees at our sole discretion.

Either clients are billed directly for fees or, pursuant to their authorization, fees are deducted from their accounts at the qualified custodian and paid to our Firm based on the net asset value calculated by the independent administrator. In the latter case, clients must have authorized the arrangement in the relevant investment management agreement. Currently, only the Onshore Fund is directly debited for fees. Our fees for the sub-advised fund clients are calculated by the administrator of the primary adviser to those funds and then verified by us.

Our management fee is billed monthly in advance. Redemptions are not permitted intra-month, so there is no need to refund fees in case of redemption. The performance fee is crystallized and billed annually (or on a redemption date that is not year-end) as further described below.

Each of the Onshore and Offshore Funds will pay all of its ordinary and extraordinary expenses, which may include, without limitation, legal, bookkeeping, accounting, auditing, recordkeeping, administration, and clerical expenses (including expenses incurred in preparing reports and tax information to investors and regulatory authorities and expenses for specialized administrative services); printing and duplication expenses; investment related travel expenses, investment research expenses, market data, newswire and data processing expenses; brokerage commissions, bank charges, custody fees and borrowing costs; the expenses of the offering of interests and filing fees; liability insurance; investment and operating expenses; and such other reasonable expenses necessary to perform the operation of the Fund.

The Funds will also pay any extraordinary expenses incurred, including, but not limited to, taxes, indemnification costs, litigation costs, certain trade errors or damages. Payment or reimbursement of expenses by the Fund will be to the extent permitted by applicable law, including ERISA if applicable.

FJ Capital bears all overhead expenses incurred in the operation of its business, such as salaries and the costs of office space, utilities, telephone, computer equipment, and computer services and any costs of subscriptions to proprietary databases and other research costs, with the exception of unsolicited research as described in Item 12 below.

The Offshore Fund has entered into an arrangement with FJ Capital so that payment of the organizational and initial offering expenses is delayed until the net asset value of the Fund reaches \$5 million. As of October 1, 2013, we also have limited the annual operating and extraordinary expenses of the Offshore Fund to one percent (1%) of the NAV.

The fund administrator receives from the Offshore Fund and the Onshore Fund its customary fees based on the nature and extent of services provided to the Funds. The administrator is also reimbursed for expenses it incurs on behalf of the Funds.

We are not compensated for the sale of securities or other investment products and we are not affiliated with any broker-dealers.

See Item 6 below for additional information about our fees.

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**Item 6. Performance-Based Fees and Side-by-Side Management**

All FJ Capital clients pay performance-based compensation, which is negotiated and memorialized in each client's investment management agreement.

One client pays only a performance fee (and no management fee) and the fee paid is higher than the performance fee paid by our other clients/Funds. All fees are disclosed or stated in the fund offering documents or investment management agreements.

For the Funds it has sponsored, in addition to the 1.5% annual assets under management fee discussed above in Item 5, FJ Capital charges performance-based compensation equal to 20% of the net realized and unrealized gains during the measurement period, subject to a "high water mark". Under this provision, if the Fund declines in value and subsequently regains the loss, FJ Capital will not assess a performance allocation on the recovered value, but only on any gain in excess of that value. The performance allocation is generally payable on an annual basis.

The receipt of performance-based compensation can create potential conflicts of interest for investment advisers. If clients pay differing percentages of performance-based compensation, the adviser could have an incentive to favor with higher rates of compensation over clients that pay management fees only or lower rates of performance-based compensation. Further, performance-based compensation may create an incentive for an adviser to recommend an investment that may carry a higher degree of risk to the Client.

We understand that the varying amounts of performance-based compensation among our clients may pose a conflict of interest in that we may be incentivized to concentrate our efforts more on the clients/Funds that pay a higher performance fee. However, we have mitigated that conflict by ensuring that the clients that pay a higher performance fee do not pay any management fee. We also have a long-term time horizon in managing client assets that minimizes the possibility of short-term profit taking to generate performance compensation.

We have the right to waive or reduce the performance allocation with respect to any investor.

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**Item 7. Types of Clients**

Our investors generally include high net worth individuals, family offices, foundations, trusts, pension plans and funds-of-funds. Our Funds are only offered to sophisticated investors who meet the applicable regulatory requirements for eligibility, as noted above in Item 4 above.

The minimum initial investment amount for investors in our Funds is typically \$1,000,000 for new investors and \$50,000 for subsequent investments.

For accounts other than the Funds, the minimum is generally \$25 million. We may manage or accept other client accounts in the future which may be subject to a different minimum investment at our sole discretion.

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**Item 8. Methods of Analysis, Investment Strategies, and Risks*****A. Methods of Analysis and Investment Strategies.***

The Funds we manage share similar investment objectives, which are to achieve superior absolute performance and to produce long-term capital appreciation through investments primarily in the public equity markets. Preservation of capital and minimization of volatility of returns are secondary objectives of the Funds. We seek to accomplish these objectives primarily by taking long or short positions for clients in securities that we perceive to be undervalued or overvalued, respectively, by the market. In selecting investments, we emphasize individual security selection (“bottom-up” investing). We utilize fundamental analysis to determine whether a security is overvalued or undervalued. This analysis is guided by more than 40 years of collective experience analyzing, investing and trading in banks and thrift institutions through various cycles and economic environments.

FJ Capital focuses on the financial services industry with an emphasis on the banking sector, and particularly community banks and thrifts. It invests for clients primarily in equity securities of under-followed, publicly traded U.S. community banks. More specifically, FJ Capital focuses on mutual- to- stock bank conversions, turnarounds, recapitalizations and growth-at-a-reasonable-price opportunities. FJ Capital generally takes long positions in companies that are viewed as having high quality and the prospect of above-average growth at attractive valuation multiples. It may also take short positions in companies that are believed to be underperforming relative to the market or have declining market share and/or eroding profit margins.

***B. Material Risks Relating to Investment Strategies.***

All investments involve financial risk. Our investment strategies are suitable only to investors who are willing and able to bear the economic risk of loss of their entire investment. There is no assurance that the investment objectives will be achieved.

An investment in private funds and separately managed accounts is speculative and involves substantial risks. These risks include, but are not limited to, the speculative nature of investing and trading securities, the speculative nature of short-term buying, “short selling”, buying securities on margin and otherwise through the use of leverage, and the substantial charges that the Fund will incur, regardless of whether any profits are earned.

For the Funds, a comprehensive list of risk factors is included in the relevant Fund offering documents; some key risks are summarized below:

**Economic Risks and Considerations.** Past performance is not necessarily representative of the Fund’s future results. The investment strategies employed by the Fund since its inception may



not produce similar results in a different investment climate in future years. Therefore, the Fund's ability to generate premium returns will depend on its ability to adapt to changing market conditions.

Funds not Registered. The Funds are not presently, and do not intend in the future to become, registered as investment companies under the Investment Company Act of 1940, as amended (the "Investment Company Act") in reliance on Section 3(c)(1) thereof. They therefore will not be required to adhere to certain investment policies and restrictions under the Investment Company Act, and investors will not receive the protections of the Investment Company Act, such as limitations on the use of leverage.

Investments in Small-Cap Companies. Smaller capitalized or unseasoned companies generally have greater earnings and sales growth potential than larger capitalized companies. However, investments in such companies may involve greater risks, such as limited product lines, markets and financial or managerial resources. In addition, less frequently-traded securities may be illiquid and subject to more abrupt price movements than securities of larger capitalized companies.

Special Situation Investments. Investments may involve immature companies, companies developing new products, companies seeking to raise additional capital for expansion, or companies facing other special situations. Although such investments may result in significant returns to investors, they involve a substantial degree of risk.

Concentration of Investments. Although we follow a general policy of seeking to spread clients' capital at risk among a number of investments deemed attractive, we may at certain times allocate assets such that investments are more concentrated in relation to capital. In this case, a loss in any position could have a material adverse impact on clients' capital accounts.

Hedging Transactions. While hedging transactions may be used to reduce risk, such transactions may result in a poorer overall performance than if no hedge was used. Moreover, portfolios at times may be exposed to certain risks that cannot be hedged, such as credit risk relating to particular securities and counterparties.

Short Sales. A short sale involves the sale of a security that a client does not own in the expectation of purchasing the same security (or a security exchangeable therefore) at a later date at a lower price. To make delivery to the buyer, FJ Capital often must borrow the security on behalf of the client, and the client is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the client. When FJ Capital makes a short sale of a security on behalf of a client on a U.S. exchange, it must leave the proceeds thereof with the broker and it must also deposit with the broker an amount of cash or U.S. Government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are effected on a foreign exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the security. The extent to which FJ Capital will engage in short sales for clients depends upon the investment strategy and perception of market direction; there is no limitation on the amount of the capital it may deposit to collateralize its obligations to replace borrowed securities sold short.

Risk of Major Market Dislocations. Major market dislocations have occurred sporadically for both short and prolonged time periods. Such conditions occurred during 1929 and a portion of the 1930s, portions of 1973 and 1974, October 1987, August 1998 and September 2001, and in the financial crisis of 2008. Major market dislocations adversely affect almost all investments, and FJ Capital's investments for clients are not likely to be immune from the effects of the next major market dislocation.

Preferred Stocks. Preferred stock generally has a preference as to dividends, and upon the event of liquidation, a preference over an issuer's common stock, but ranks junior to debt securities in an issuer's capital structure. Preferred stock generally pays dividends in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

Convertible Securities. We may invest in convertible securities, including non-investment grade convertible securities. A convertible security may be converted at a stated price within a specified period of time into a certain quantity of the common stock of the same or a different issuer. Convertible securities are senior to common stock in an issuer's capital structure, but are usually subordinated to similar non-convertible securities. While providing a fixed income stream (generally higher in yield than the income from common stocks but lower than that afforded by a similar non-convertible security), a convertible security also affords an investor the opportunity, through its conversion feature, to participate in the capital appreciation of the issuer's common stock. We may choose to isolate the debt aspect of a convertible bond by taking a hedging or arbitrage position in the underlying common stock.

Limited Liquidity. The interests in the Funds will not be registered under the Securities Act and their transfer will be limited under federal and state securities laws. There will be no public or private market in which interests in the Funds may be sold. In addition, the Funds impose significant restrictions on the transfer or redemption of interests, making an investment in the Funds suitable only for investors whose financial situations permit them to bear the limited liquidity offered by the Funds. Therefore, prospective investors should not rely on the Funds as a source of short-term liquidity. The Firm also has the power to limit redemptions from the Funds (in whole or in part) under certain extraordinary circumstances, including during any period when trading is suspended for a material portion of the Funds' investments. Accordingly, an investment in a Fund is only suitable for a person who has no present need for liquidity and can bear the risk of the investment for an unlimited period of time.

Differing Terms. Clients and investors may be subject to different fee and compensation arrangements and, accordingly, the returns to clients or to different investors in the Funds may vary significantly depending on the applicable fee and compensation terms. We may, in our sole discretion, to impose different fees or performance-based allocations or compensation arrangements (including but not limited to fees and compensation that are higher, lower,

calculated in a different manner or payable at different times) on a client or investor, without notice to other clients or investors.

### ***C. Risks Associated With Certain Types of Securities***

Investments in Banking Sector. Our investments are primarily in banking related issuers. This presents a risk in that our investments are not diversified across industry sectors. The banking sector, like the economy as a whole, tends to be cyclical and may decline from time to time and suffer periods of extreme volatility such as during the financial crisis.

Private Investment in Public Equities (PIPEs). Client portfolios may include PIPEs, which include restricted securities purchased directly from an issuer in a private placement. The Funds' PIPEs investments generally involve contractual obligations by the issuer of such securities requiring the issuer to take certain actions, such as registering the securities or, in the case of convertible securities, issuing the underlying securities upon exercise of convertible securities and registering the convertible securities and the underlying securities with the appropriate federal and state authorities for resale. In order for this investment strategy to be effective, the issuer of such securities must abide by its contractual obligations. There can be no assurances that any issuer will succeed in registering for public resale the securities held by clients or that registration of the securities will provide the necessary liquidity.

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### **Item 9. Disciplinary Information**

We have no legal or disciplinary events to report related to our Firm or our management persons.

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

This item is not applicable.

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

#### ***A. Code of Ethics.***

Our Firm has adopted a Code of Ethics pursuant to SEC Rule 204A-1 under the Advisers Act that obligates our Firm and our employees to put the interests of our clients before our own interests and to act honestly and fairly in all respects in dealings with our clients. All of our Firm's personnel are also required to comply with applicable federal securities laws.

Our Code of Ethics describes our Firm's fiduciary duties and responsibilities to our clients and sets forth a practice of supervising the personal securities transactions of our employees with

access to client information. Employees of our Firm may buy or sell securities for their personal accounts that are identical to or different from those recommended to our clients.

To supervise compliance with our Code of Ethics, we require that anyone associated with us that has access to advisory recommendations provide quarterly securities transaction reports (including duplicate copies of brokerage account activity) and annual securities holdings reports to our Firm's Chief Compliance Officer. It is also required that each employee receive approval from our Chief Compliance Officer prior to placing a securities transaction for the employee's own accounts and accounts of certain family members. Our Code of Ethics includes a policy prohibiting the use of material non-public information. It also regulates the giving or receiving of gifts and entertainment and outside business activities by our personnel.

Any employee who violates the Code of Ethics may be subject to disciplinary action.

A copy of our Firm's Code of Ethics will be provided to any client or investor in our Funds upon request to our CCO, Andrew Jose, telephone (703) 875-8378.

***B. Client Transactions in Securities where Adviser has a Material Financial Interest.***

Our Firm has no material financial interest in, nor affiliation with, any issuer that would be considered in conflict with our clients.

Our Firm and its principal owners do not buy securities of any kind for its or their own accounts for the purpose of reselling to clients, and do not otherwise engage in principal trading (the purchase or sale of securities from or to client accounts).

If we determine that principal trading is in the best interest of our clients in the future, our CCO will ensure that written notification and consent is obtained for any such future transactions on a transaction by transaction basis, as required under Section 206(3) of the Advisers Act.

From time to time, it may be necessary or appropriate to sell from one client account a security that would be appropriate for another client account. Opportunities for such trades ("cross trades") may arise, for example, when a redemption request from one Fund client necessitates the sale of a security that would be a desirable investment for another client, or when we believe it is appropriate to balance the portfolio investments of certain of our clients. We have adopted policies and procedures to ensure that such trades are effected only when they are in the interests of all clients involved and can be effected at prices reflecting the fair market value of the security and in compliance with all applicable laws.

***C. Investing in Securities Recommended to Clients.***

We do permit our principals and employees to invest personally in the same securities that we select for investment by our clients. Our Firm or principal owners have investments in securities in which our Funds/clients take positions, and may trade and invest at or around the same time as client accounts and, although we do not presently anticipate doing so, we may take investment positions that are different from or opposite to the positions taken by our Funds/client accounts. As a result, conflicts of interest may arise with respect to matters such as the allocation of

investment opportunities, purchases and sales of securities in connection with particular trading situations and allocation of personnel, resources and expenses.

Our Code of Ethics requires reporting of personal transactions in reportable securities (as defined under Rule 204A-1), which are reviewed at least quarterly by our Chief Compliance Officer (CCO). Since we do allow trading by our employees in the same securities we trade for clients, we also require our employees to pre-clear their personal transactions through our CCO so that conflicts of interest with clients may be avoided.

***D. Conflicts of Interest Created by Contemporaneous Trading.***

As noted above, we do invest in the same securities that we recommend to clients, and we may trade such securities at or about the same time as our clients.

Conflicts of interest may arise when one of our employees is trading in the same security as a client. Client transactions will always take precedence over any Firm or employees' transactions. We have developed procedures under our Code of Ethics, including preclearance requirements, to monitor such transactions and to prevent Firm personnel from trading ahead of client orders.

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**Item 12. Brokerage Practice**

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

It is our Firm's policy generally to seek best execution when placing orders for client trades with broker-dealers. We may utilize multiple financial institutions, including executing brokers, dealers and custodians (collectively, "Brokers") to execute transactions in securities, although we primarily utilize our prime broker, BTIG LLC ("BTIG"), as described below. BTIG serves as the prime broker for our clients, with the exception of one subadvised fund that uses Wells Fargo as its prime broker, as directed by the primary adviser. In choosing brokers, we are not required to consider any particular criteria. For the most part, we will seek the most favorable combination of brokerage expenses and execution quality but, as discussed below, in any particular transaction the Firm is not required to select the broker that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers. In evaluating "execution quality," we may evaluate such factors as the execution, clearance, and settlement capabilities of the broker generally and in connection with securities of the type and in the amounts to be bought or sold; the broker's reliability and financial stability; the size of the transaction; availability of securities to borrow for short sales; and the market for the security.

Some trades in more liquid securities are made electronically by us directly on the REDI trading platform. For transactions that go through the REDI system, we have intra-day trading updates and end of day trade reports available to us.

Since our Firm is not a frequent trader, however, we primarily place trades through the trading platform of one of our prime brokers, BTIG. We compensate BTIG in commissions paid on transactions placed for our clients.

Trades using a dedicated BTIG trader are placed by phone or electronically via instant message or e-mail. The trader executes the trade with a broker-dealer in the market. Since most of our transactions involve smaller issuers, our trade orders may need to be “worked” by a trader to obtain best execution.

BTIG maintains a ranking system to evaluate the executing brokers that are utilized for our trades. Criteria generally considered as part of the ranking process includes:

- Frequency of order fill notification (large block trades);
- Notifications of significant movement in a security (open orders);
- Communication of news events that may affect a security (open orders);
- Ability to assist in creating trading strategy on specific high-profile transactions; and
- Overall quality of executions.

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

We have entered into an agreement with BTIG whereby we may pay slightly more than the lowest commission rates available in order to obtain various products and services that are within the meaning of “brokerage and research” in Section 28(e) of the Securities Exchange Act of 1934, as amended. To the extent that we receive such products and services, we will be receiving a benefit by reason of the payment of such additional commissions because we will not need to produce or pay for such products or services ourselves. As a result, we may have an incentive to continue our relationship with BTIG based on such benefits. However, in accordance with our fiduciary duty, we will determine periodically in good faith that the value of any product or service received under this arrangement is reasonable in relation to the amount of commissions paid.

We may use products and services in managing the assets of some or all of the clients over which we exercise investment discretion. We may not necessarily use all of the products and services in managing the assets of each and every client whose commission dollars paid for the products and services.

In addition to the foregoing arrangement with BTIG, from time to time, we may direct brokerage to certain sell-side firms that specialize in community banks and provide us with banking industry research. Examples of benefits received include: trade industry conference invitations; bank industry data, and research reports. We do not pay any additional commissions to any such broker-dealers in exchange for this research. The research we receive is unsolicited. Some broker-dealers provide us with industry specific research and if we find the research useful we consider this as a factor in the selection of brokers. There are no limits or criteria for directing transactions. We select the brokers on their ability to provide best execution in addition to the benefits we receive.

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

BTIG has a capital introduction (“Cap Intro”) department that introduces us to qualified institutional investors. Cap Intro is one of many factors considered in originating a relationship with any prime broker, but it is not a part of the consideration in selecting a broker-dealer to execute trades for our clients. We make decisions on how to allocate trading activity without regard to the Cap Intro services provided by our prime brokers.

No additional compensation is paid by us or our Funds for Cap Intro services. While we do not compensate broker-dealers based on Cap Intro, we may have an incentive to use the services of a prime broker in order to have access to their Cap Intro services.

The prime broker and/or its affiliates generally receive fees/commissions as a result of our decision to utilize its services as follows: custodian of client accounts managed by us; securities transactions executed on behalf of our clients; and lending funds and/or securities to us as part of our investment strategy, i.e. margin/short sale and/or securities lending programs. While this may present the appearance of a conflict of interest, the availability of the foregoing products and services is not contingent upon us committing to the prime brokers any specific amount of business (custody assets or trading commissions).

### ***Directed Brokerage.***

Currently, we have one subadvised fund client that directs us to send its brokerage business to Wells Fargo Securities, its prime broker.

Whenever a client directs its transactions to a specific broker-dealer, those transactions will be placed after orders for clients that leave the selection of brokers to our discretion. For these accounts, it might not be possible for us to obtain lower commission rates which might be attainable if we had full discretion in the selection of the executing firm. Clients directing brokerage might also incur other transaction costs or greater spreads or receive less favorable net prices on transactions for their accounts than might otherwise be the case.

### ***B. Order Aggregation.***

As a fiduciary, an investment adviser must allocate investment opportunities among its clients in a fair and equitable manner, taking into consideration the investment objectives and restrictions of the clients. No client shall be given investment priority over any other client. However, each may have separate investment objectives and investment restrictions.

Accounts will be managed to effectuate client investment objectives and restrictions. For example, our clients differ in terms of such factors as size, capacity for investment at any given time, anticipated time horizon (length of holding period) for investments and tolerance for illiquid investments. As a result, certain investment opportunities may not be appropriate for certain clients and not all clients will participate in any given investment opportunity or trade.

Our employee personal securities transactions are not included in any aggregated trades.

Our CCO periodically reviews trade/investment opportunity allocation practices of our portfolio manager(s) in order to ensure that our Firm's allocation practices are being implemented in a manner that is fair and equitable to our clients.

Where more than one client participates in an investment opportunity, trades may be aggregated for execution. We may aggregate sale and purchase orders for a client with similar orders being placed for other accounts or clients, if, in our reasonable judgment; such aggregation is reasonably likely to result in an overall economic benefit to our clients. If transactions to fill the entire aggregated order are executed in multiple trades, at slightly different prices, the average price of all securities purchased or sold in such transactions may be determined, and our clients be charged or credited, as the case may be, the average transaction price. Partially filled aggregated orders are typically allocated on a pro-rata basis.

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### **Item 13.      Review of Accounts**

Our Chief Operating Officer reviews security positions in our client accounts whenever purchases or sales transactions are executed in the portfolio. He also performs a quarterly review of transactions.

Our Chief Investment Officer is responsible for account reviews at the portfolio manager level.

The following reports are sent to our Fund investors:

- We send investors a monthly investment summary report, which includes the Fund's performance update and some industry/economic commentary.
- Investors also receive monthly account valuation (NAV) statements from our Fund administrator Michael J. Liccar & Co., an independent Certified Public Accounting Firm that is the Fund's administrator.
- Investors are also provided annual audited financial reports, as well as the Fund's annual tax information within 120 days of the Funds' fiscal year end. This information is completed by our independent auditors. See additional information in the custody section in Item 15 below.

Fund investors are urged to review the reports and statements they receive from the Fund administrator, Fund auditor and FJ Capital, and to contact us regarding any potential discrepancies.

Subadvised clients/separately managed accounts receive statements of account from their brokerage or custodial firms reflecting all transactions by FJ Capital.



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

We do not directly or indirectly compensate anyone or any entity for client referrals.

We do not currently have any solicitation agreements in place, though we may do so in the future at our sole discretion in accordance with applicable regulations.

We use the Cap Intro services offered by one of our prime brokers for our Funds, as described in Item 12 above.

Any placement agents used by our unaffiliated fund clients are at the sole discretion of such funds.

We do not accept or receive any benefits (cash or non-cash) other than our advisory fees and performance based fees in relation to our investment advisory business.

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**Item 15. Custody**

We have custody of Fund assets within the meaning of Rule 206(4)-2 under the Advisers Act, as the Managing Member of the Onshore Fund.

We rely on the “audit approach” for advisers to pooled investment vehicles. With the “audit approach,” we, as the Fund’s adviser, at least annually, ensure distribution of the audited financial statements of the Fund to all investors. In using the “audit approach,” advisers to pooled investment vehicles do not have to comply with the notice and account statement delivery obligations of Rule 206(4)-2(a)(2) and (a)(3) and are deemed to have satisfied the surprise examination requirement of Rule 206(4)-2(a)(4).

The Funds audited financial statements are prepared in accordance with U.S. generally accepted accounting principles by a PCAOB-registered and inspected accountant and are distributed to all Fund investors within 120 days of each fiscal year end.

Our auditor distributes audited financial statements to our Fund investors annually on our behalf.

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**Item 16. Investment Discretion**

We manage discretionary and non-discretionary assets per Item 5 in Part 1 of Form ADV, with regards to determining the investments and amount to be bought or sold for our clients, including the timing, the broker-dealer used for executions and the commissions paid to the broker dealer, pursuant to the investment management agreements and governing Fund documents.

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**Item 17. Voting Client Securities*****Policies and Procedures Relating to Our Authority to Vote Client Securities.***

We vote proxies on behalf of our Funds and all but one of our other clients.

We have been granted authorization to vote proxies when received from transfer agents or custodians. We do not use any third-party vendors to assist with the proxy voting process. Our Proxy Voting Policy is designed to ensure that our Firm complies with the requirements under the Advisers Act and fulfills its obligation with respect to proxy voting, disclosure, and record keeping.

The Funds prime brokers send proxy notifications to the Firm, which are reviewed by our CCO on a regular basis. In accordance with Rule 204-2 of the Advisers Act, the Firm will maintain documentation which formed a basis for the Firm's voting decisions. Our Firm monitors corporate actions, receives and votes client proxies according to our Proxy Voting Policy, discloses any potential conflicts of interest, and maintains relevant and required records.

Our CCO has the responsibility of ensuring that our Firm complies with our Proxy Voting Policy and Procedures. When our Firm votes a proxy, our CCO will make a record of the reason(s) for the vote and retain such record in a file.

As policy, our Firm's objective when voting proxies is to provide the maximum value to the security held in the portfolio. We vote proxies according to our established guidelines. However, we may vote a proxy in a manner different from the established guidelines if circumstances warrant. For example, we may not vote with management's recommendation in the case of a proxy fight or merger.

Our Firm may occasionally be subject to conflicts of interest in the voting of proxies due to business or personal relationships it maintains with persons having an interest in the outcome of certain votes. Our Firm and/or its employees may also occasionally have business or personal relationships with the proponents of proxy proposals, participants in proxy contests, corporate directors and officers, or candidates for directorships. In voting securities held in a Client account, we will attempt to resolve any conflict of interest between our clients and FJ Capital's business interests in the way that will most benefit our client.

Upon request, we will provide a copy of our proxy voting policies and procedures, as well as information on how a particular proxy was voted. Direct requests for information concerning our Firm's proxy voting policies and procedures to FJ Capital Management, Attention: Andrew Jose, 1313 Dolley Madison Boulevard, Suite 306, McLean, VA. 22101. Telephone: (703) Client875-8378.

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**Item 18. Financial Information**

We do not believe there is any existing financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

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