



B. Riley Capital Management, LLC

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Private Investment Management Services

Wrap Fee Program Brochure

July 22, 2015

This Wrap Program brochure (this “**Brochure**”) provides information about the qualifications and business practices of B. Riley Capital Management, LLC (“**BRCM**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact the Firm’s Chief Compliance Officer, Allison Petchenick, at 310-966-1446 or email her at apetchenick@brileyco.com. 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 BRCM also is available on the SEC’s website at <http://www.adviserinfo.sec.gov>.

BRCM may refer to itself as a “registered investment adviser” in materials distributed to current and prospective clients. As a registered investment adviser with the SEC, BRCM is subject to the rules and regulations adopted by the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). Registration as an investment adviser is not an indication that BRCM or its directors, officers, employees or representatives have attained a particular level of skill or ability.

Item 2 Material Changes

This Brochure dated July 22, 2015 is to report that in May 2015, BRCM assumed the role of investment manager with respect to one or more private investment funds (each, a “**Fund**”), separately managed accounts for institutional investors and high net worth individuals (collectively, “**Accounts**”) and one or more investment companies (each, an “**Investment Company**”) registered with the SEC under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”) from its former affiliate, B. Riley Asset Management, LLC.

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Item 4 Services, Fees and Compensation

About the Firm

BRCM is a New York Limited Liability Company formed in 2012. BRCM is a wholly-owned subsidiary of BRF, a publicly traded Delaware corporation (NasdaqCM: RILY). B. Riley & Co., LLC ("**B. Riley**"), a broker-dealer registered with FINRA is BRCM's affiliated broker-dealer.

Investment Management Services

Each client of the Private Investment Management Program ("**PIM**") is assigned a Portfolio Manager ("**PM**"). BRCM does not utilize portfolio managers in the PIM program who are not employed by BRCM. One or more of BRCM's PMs are also registered representatives ("**RRs**") of Ladenburg Thalmann & Co. Inc. ("**LTCO**").

Clients who wish to participate in the PIM will enter into a PIM agreement with BRCM. Pursuant to the PIM agreement, BRCM provides the client with investment advisory services, and arranges for the execution of securities transactions. Rather than paying a separate management fee as well as other fees associated with the execution of the securities transactions, the client pays BRCM a single fee based on assets under management, which includes fees for the portfolio management services provided by the PM, program administrative services provided by BRCM, commissions resulting from the execution of transactions through LTCO, and custodial services (unless otherwise agreed between the custodian and the client) (the "**Wrap Fee**"). BRCM (directly or through LTCO) in turn pays each of these service providers a portion of the Wrap Fee in connection with the services they provided to the PIM client. For a complete description of fees and expenses, please see the *Fees and Compensation* section below.

BRCM provides PIM clients with investment advisory services based upon the client's specific investment objectives, risk tolerance, investment time horizon, and any investment policies, guidelines, or reasonable restrictions applicable to the assets designated for investment through the PIM. Clients grant BRCM discretionary authority over their PIM accounts. Pursuant to this grant of discretion, the PM purchases and sells securities for the client's account at such time and in such manner as the PM in his or her discretion shall determine, generally without discussing transactions with the client in advance. In addition, the PM acts on the client's behalf in all other matters necessary or incidental to trading in the account. Clients may impose reasonable restrictions on the investments in their accounts, including designating particular securities or types of securities that should not be purchased for an account. Any restrictions imposed by a client may cause the PM to manage the account differently than he would in the absence of such restrictions. Thus, the account may not perform as well as it would, absent such restrictions.

Assets Managed

As of June 30, 2015, BRCM managed \$470,136,026 on a discretionary basis, and \$178,547,456 on a non-discretionary basis. Of these assets, \$6,086,551 are managed pursuant to the PIM. BRCM's additional assets under management are described in a separate brochure.

Fees and Compensation

PIM clients are generally charged the asset based Wrap Fee on a quarterly basis in advance, although some clients may pay a monthly fee and/or may be charged in arrears. The rate or rates used to calculate the Wrap Fee, and the timing of such fees, are subject to negotiation between the PM and each client and are set forth in the client's PIM agreement. As set forth above, LTCO receives a portion of the Wrap Fee for the execution of transactions in each PIM account and generally pays part of its compensation to the custodian.

The maximum annual Wrap Fee rates are:

| Value of Account Assets | Annual Wrap Fee Rate |
|-------------------------|----------------------|
| Up to \$500,000 | 3.00% |
| Next \$500,000 | 2.50% |
| Next \$1,000,000 | 2.25% |
| Assets Over \$2,000,000 | 2.00% |

The Wrap Fee rate may be either a flat annual fee rate (maximum rate of 3.00%) or a blended fee using two or more of the rate tiers set forth above, subject to a quarterly account minimum that is generally \$175. The imposition of the minimum fee may cause the effective Wrap Fee rate (expressed as a percentage) to be greater than the fee rates specified in the client's PIM agreement.

Either party at any time upon written notice may terminate the PIM agreement and a *pro rata* portion of any Wrap Fee paid by the client in advance will be remitted to the client based on the number of days left in the quarter following receipt of the notice of termination by BRCM. When the Wrap Fee is paid in arrears, a *pro rata* portion of the Wrap Fee will be due by the client based on the number of days elapsed during the quarter prior to receipt of the notice of termination.

Participation in the PIM program may cost a client more or less than purchasing investment management, brokerage and custody services separately depending on the frequency of trading in the PIM account, commissions charged at other broker-dealers for similar products, fees charged for like services by other advisers and broker-dealers and other factors.

The Wrap Fee does not cover, and therefore PIM clients will also be required to pay:

- brokerage commissions or other charges resulting from transactions not effected through LTCO;
- any additional custodial services contracted for directly by the client with the custodian; and
- certain costs or charges that may be imposed by LTCO or the custodian, including costs associated with exchanging foreign currencies, odd-lot differentials, IRA fees, transfer taxes, exchange fees, wire transfer fees, postage fees, and other fees or taxes required by law.

In addition to the Wrap Fee, each mutual fund or exchange-traded fund ("*ETF*") in which a client may invest also bears its own investment advisory fees and other expenses. Clients may be able to invest in mutual funds directly pursuant to the terms of their prospectuses and without paying the Wrap Fee and may be able to invest in ETFs directly, outside of the PIM program, without paying the Wrap Fee, subject to applicable commissions and/or transaction charges. Further, to the extent that cash used for investment through PIM comes from redemptions of the client's mutual fund or other investments outside of PIM, there may be tax consequences or additional cost from sales charges previously paid and redemption fees incurred. Such redemption fees would be in addition to the Wrap Fee on those assets.

LTCO and/or the custodian will receive payments from certain mutual funds (including money market funds) pursuant to a 12(b)-1 distribution plan or other such plan as compensation for distribution or administrative services and such payments are distributed from the fund's total assets. These fee arrangements are described in detail in the applicable fund's prospectus which will be provided upon request. The PM may receive a portion of these fees received by LTCO in his or her capacity as a registered representative of LTCO. This receipt of compensation creates a conflict of interest because the PM has an incentive to recommend investments that pay compensation to LTCO. In addition, LTCO receives compensation in connection with cash held in the account. LTCO receives compensation from the custodian based on the value of credit balances in the accounts. If cash is swept into a money market fund, LTCO, as broker-dealer, receive compensation based on the value of assets in these funds. Thus, BRCM and the BRCM PM have an incentive to recommend that the client select a money market fund as a sweep vehicle that pays more compensation to LTCO than other funds.

Clients may also be subject to additional expenses associated with the specific underlying investment funds such as, redemption fees. Certain mutual funds used in the PIM Program may charge a redemption fee if shares are

redeemed within a specified period of time. Clients may incur redemption fees in the event that a sale is executed or an investment model update is implemented. Redemption fees vary by fund and are described in each fund's prospectus.

In addition, BRCM PMs may purchase securities for PIM accounts in initial public offerings and/or secondary offerings. If B. Riley or LTCO acts as an underwriter or manager for such offerings, or is a part of the selling group, it will receive compensation equal to either all or a portion of the "gross spread" (the difference between the price the client pays for the security and the price at which B. Riley or LTCO purchased the securities from the issuer). The Wrap Fee is not reduced to offset this compensation. The amount of the gross spread is described in the relevant prospectus, offering circular or official statement.

The PM recommending the PIM Program to the client may receive more compensation than if the client participated in other programs offered by BRCM or paid separately for investment advice, brokerage, and other services. Thus, the PM may have a financial incentive to recommend the PIM Program over other programs or services.

BRCM recognizes that the additional compensation that a PM may receive when acting as an RR results in a conflict of interest. BRCM addresses these conflicts through its policies and procedures, including but not limited to, its Code of Ethics, that among other things require PMs to make recommendations that are suitable for each client.

Item 5 Account Requirements and Types of Clients

The minimum amount of assets required to open and maintain an account in the PIM is \$50,000.

BRCM may waive this minimum under certain circumstances. Should the market value of an account fall below the stated minimum, BRCM has the right to require that additional monies be deposited to bring the account value up to the required minimum, or to close the account.

The following types of clients may participate in the PIM program: individuals, including high net worth individuals, small business owners, pension and profit sharing plans, trusts, estates and charitable organizations, corporations or other business entities, Taft-Hartley plans, and not for profit entities.

Item 6 Portfolio Manager Selection and Evaluation

The portfolio managers who provide investment advisory services to PIM clients are Michael Kramer and Mark Klein. BRCM does not utilize portfolio managers in the PIM program who are not employed by BRCM.

Advisory Business

BRCM provides advice through other programs and services, including managed account services, consulting services, private investment fund management, third-party programs and other Wrap Fee programs. These programs and services are described in different disclosure documents, which are available upon request. These programs and services generally are not managed using the same securities, strategies and funds used in PIM. BRCM PMs may receive more compensation for recommending the PIM program or other programs managed by BRCM to a client. BRCM addresses this conflict through its policies and procedures, including but not limited to, its Code of Ethics that among other things require PMs to make recommendations that are suitable for each client.

Performance-Based Fees and Side-By-Side Management

Neither BRCM nor any of its supervised persons charges a performance-based fee – that is, a fee based on a share of capital gains on or capital appreciation of the assets of a client.

Methods of Analysis, Investment Strategies and Risk of Loss

The PMs manage accounts in PIM using various types of investment strategies.

BRCM PMs will perform security analysis and methods used may include charting, fundamental, technical, or cyclical analysis. The main sources of information that the PM may use include financial newspapers and magazines, inspection of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, SEC filings and company press releases.

Charting: In this type of technical analysis, BRCM reviews charts of market and security activity in an attempt to identify when the market is moving up or down and to attempt to predict how long the trend may last and when that trend might reverse.

Fundamental Analysis: BRCM attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Technical Analysis: BRCM analyzes past market movements and applies that analysis to the present to supplement its fundamental research and to recognize recurring patterns of investor behavior and attempt to predict future price movement.

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

Cyclical Analysis: In this type of technical analysis, BRCM measures the movements of a particular stock against the overall market in an attempt to predict the price movement of that security.

Certain advisory strategies may consist of portfolios being either fully or primarily invested in money market funds and/or short-term bond funds, depending on the client's unique financial needs and/or our economic market outlook.

Each investment style, strategy, and investment entails varying degrees of risk. There can be no assurance that a particular investment, style or strategy will be successful or that clients will not suffer losses. Results generated by or for each account will differ, and the investment advice will differ from client to client.

Investment performance is not guaranteed, and the PM's past performance with respect to a client's account or other accounts does not predict future performance. The investment strategies used to manage accounts may include long-term purchases, short term purchases, selling securities within 30 days, short sales, margin transactions, and option writing.

Margin risk: BRCM may direct the purchase of securities for clients with money borrowed from the client's brokerage account. This allows the client to buy more stock than the client would be able to with the cash that is available, and allows the PM to purchase new or additional securities for the client without selling other holdings. Leverage increases a portfolio's risk as price swings are amplified in a margin account and clients can lose more funds than deposited if the value of securities decline.

Options risks: An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time. This risk reflects the nature of an option as a wasting asset which becomes worthless when it expires. An option holder who neither sells their option in the secondary market nor exercises it prior to its expiration will necessarily lose their entire investment in the option. An option writer may be assigned an exercise at any time during the period the option is exercisable.

Starting with the day it is purchased, an American-style option is subject to being exercised by the option holder at any time until the option expires. This means that the option writer is subject to being assigned an exercise at any time after they have written the option, until the option expires or until they have closed out their option position in a closing transaction. By contrast, the writer of an European-style or capped option is subject to assignment only when the option is exercisable or, in the case of a capped option, when the automatic exercise value of the underlying interest hits the cap price. For more information regarding the risks of options, please read the 'Characteristics and Risks of Standardized Options' brochure, which can be found at www.optionsclearing.com. The information available on, or that can be accessed through, www.optionsclearing.com is not part of this Form.

Evolving and New Investment Approaches: BRCM's investment approach and trading techniques are continually evolving. BRCM is not restricted in developing or incubating new strategies or approaches and may deploy capital in accordance with such new strategies and approaches, consistent with its fiduciary duties, even if BRCM has limited experience in the type of markets or instruments involved. The strategies and approaches developed by BRCM may not be successful and the resources devoted to the implementation of new approaches or strategies may diminish the effectiveness of BRCM's implementation of its established approaches or strategies.

Voting Client Securities

Unless a client specifically reserves the right to vote proxies in writing, BRCM will vote proxies for securities in the PIM accounts in accordance with BRCM's policies and procedures regarding proxy voting. These proxy voting policies and procedures contain guidelines that BRCM follows in order to minimize conflicts of interest and to ensure that it votes proxies in a manner consistent with the best interests of its clients. BRCM's portfolio managers consult with the investment team concerning the best method to resolve any actual or apparent conflicts of interest between the interests of BRCM and its clients, in a manner that affords priority to the interests of the clients. If the conflict is personal to a portfolio manager, the portfolio manager will designate others to address the issues presented by the proxy vote. BRCM retains the proxy voting records for six years or such other period as may be required by applicable law or regulation. Clients may obtain a copy of these policies and procedures and information from BRCM on how their proxies were voted by submitting a written request to BRCM at 11100 Santa Monica Blvd., Suite 800, Los Angeles, CA 90025.

Item 7 Client Information Provided to Portfolio Managers

As described in “Item 4 - Services, Fees and Compensation” above, clients inform their PM of their investment objectives, risk tolerance, and investment time horizon as well as any applicable investment policies, guidelines, or reasonable restrictions. Since all PIM accounts are managed by BRCM rather than outside portfolio managers, there is no need to communicate such information to a third party.

Item 8 Client Contact with Portfolio Managers

Clients are encouraged to contact their PM directly.

Item 9 Additional Information

Disciplinary Information

There are no material legal or disciplinary events in the past ten (10) years concerning BRCM or its management. In its capacity as a FINRA-registered broker-dealer, in matters unrelated to BRCM or BRCM's Clients, B. Riley has been the subject of certain administrative proceedings commenced by FINRA relating to certain rule violations pertaining to the operations of a broker-dealer that have resulted in the imposition of fines and other sanctions.

In 2009, B. Riley was censured and fined \$10,000 by FINRA for 19 transmissions to the Order Audit Trail System that contained inaccurate or incomplete data. In 2007, B. Riley and Knut Grevle, a principal of B. Riley, were censured and fined \$265,000 by FINRA for various order reporting errors and omissions, inadequate enforcement of written supervisory procedures and failure to register a person acting as a principal. A portion of this fee was paid by B. Riley's Order Management System provider as a result of system deficiencies which contributed to the aforementioned errors and omissions. In 2003, B. Riley was censured and fined \$2,000 for failing to make publicly available a report of routing orders in covered securities. In 2002, B. Riley was censured and fined \$13,500 for failing to properly report certain executions through the Automated Confirmation Transaction Service and failure to preserve certain order records. In 2001, B. Riley was censured and fined \$7,500 for insufficient supervisory systems and failure to report certain order data.

Other Financial Industry Activities and Affiliations:

BRCM's Ownership Structure and Affiliations; Conflicts of Interest

The BRF group of companies includes a number of entities, related principally through common ownership. Clients should be aware that BRCM, B. Riley and certain entities owned or controlled by or affiliated therewith (including BRAM-NC, LLC, which is the general partner to the BRC Special Situations Fund, LP, a private investment fund advised by B. Riley Asset Management ("**BRAM**"), a division of BRCM, BRC Emerging Managers Fund of Funds, LP, a private investment fund managed by BRAM, BRC Partners Opportunity Fund, L.P., a private investment fund managed by BRAM, MKCA Opportunity Fund, LLC, a Delaware limited liability company managed by BRAM, Great American Capital Partners, LLC ("**GACP**"), which is the general partner to GAPC I, L.P., a Delaware limited partnership managed by BRAM, and the B. Riley Diversified Equity Fund ("**BRDEF**"), a mutual fund), are directly or indirectly owned by BRF and controlled by Bryant R. Riley, Chairman of BRF. BRF is the sole owner of BRCM, B. Riley Capital Markets, LLC, a holding company that owns B. Riley, and B. Riley Asset Management, LLC, which is the investment advisor to BRDEF, and therefore has the ability to influence the management and operation of BRAM and BRDEF.

While all of the above-described companies, including BRCM, generally operate independently from B. Riley, each of these entities may utilize, to varying extents, B. Riley's infrastructure, office space, administrative and executive employees, and resources. Certain resources are shared among BRCM, B. Riley, BRAM-NC, LLC, GACP and their respective affiliates, which are provided by B. Riley but may or may not be reimbursed.

BRCM intends to engage B. Riley to effectuate its clients' trading and investment activities, in addition to LTCO.

As indicated above some of BRCM's PMs are registered representatives of LTCO. PIM directs brokerage to LTCO. These affiliations, and associated conflicts of interest, are described throughout this Form, including in detail in Item 4. Services, Fees and Compensation in this brochure.

A. Current or Pending Registration as a Broker-Dealer

Mark Klein, a PM of BRCM, owns a majority and controlling interest in M. Klein and Company, LLC, which is the 100% owner of The Klein Group, LLC ("**The Klein Group**"), a registered broker-dealer and a member of FINRA. Mr. Klein is a registered representative and principal of The Klein Group. The Klein Group's business is limited to providing investment-banking advice to issuers and advice on mergers and acquisitions. Mr. Klein

also serves as Director of GSV Capital Corp., a publically traded fund focused on business development, and of New University Holdings Corp., a capital pool company listed on the TSE Venture Exchange, with a principal business of identifying, evaluating and negotiating the acquisition of assets or businesses. Mr. Klein also holds shares in GSV Capital Corp. Pursuant to BRCM's policies and procedures, Mr. Klein is required to recuse himself from investment decisions related to the PIM accounts to the extent that his involvement in investment-banking or other matters pertains to issuers in which any of the PIM accounts may invest.

Certain management personnel and employees of BRCM are registered representatives of B. Riley or LTCO. BRCM is a wholly-owned subsidiary of BRF which also indirectly owns B. Riley. Certain of the management of B. Riley, including BRCM's Chief Compliance Officer will be executives, employees, and/or registered representatives of B. Riley.

B. Current or Pending Registration as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor, or an Associated Person of Same

Neither BRCM nor any of its management persons are registered as or have a pending application to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

C. Material Relationships related to the Advisory Business

Neither BRCM nor its related persons are obligated to allocate any specific amount of time or investment opportunities to a particular client. BRCM and its related persons intend to devote as much time as they deem necessary for the conduct of each client's business. BRCM and its related persons intend to allocate investment opportunities in accordance with BRCM's trade allocation policy. Since BRCM and/or its related persons may serve as advisers, directors, members, investors, partners, officers, investment adviser representatives, or provide other services to clients of B. Riley and/or its affiliates, BRCM and/or its related persons may be given access to confidential information relating to portfolio funds or companies in which a client may invest. As a result, the client may be prohibited from engaging in transactions with certain entities, portfolio companies, or affiliates or purchasing or selling certain investments held in an account, which may have an adverse effect on the client.

As indicated above certain of BRCM's PMs are registered representatives of LTCO. PIM clients may direct brokerage to LTCO. This affiliation, and the associated conflicts of interest, is described throughout this Brochure, including in detail in the Fees and Compensation portion of Item 4 of this Brochure.

D. Selection or Recommendation of Other Advisers

BRCM does not have any business relationships with other non-affiliated investment advisers that create a material conflict of interest.

Code of Ethics, Participation or Interest in Client

BRCM has adopted a Code of Ethics (the "***Code***") that reflects BRCM's fundamental position of placing the interests of BRCM's Clients first at all times, and to ensure that BRCM fulfills its fiduciary duty to its Clients. The Code obligates BRCM and its related person to put the interests of Clients before their own interests and to act honestly and fairly in all respects in their dealings with Clients. BRCM's personnel are also required to comply with applicable provisions of Federal securities laws and make prompt reports of any actual or suspected violations of such laws by BRCM or its employees. Accordingly, the Code reflects BRCM's desire to detect and prevent not only situations involving actual or potential conflict of interests, but also those situations involving only an appearance of conflict or of unethical conduct.

The Code explains each person's duty to maintain the confidentiality of BRCM's proprietary information as well as a policy against insider trading and restrictions with respect to giving or receiving business-related gifts and entertainment or making political contributions to local, state and federal candidates for public office. The Code requires that the giving and receiving of business-related gifts and entertainment over a de minimis cost or value

must be pre-approved by BRCM's Chief Compliance Officer ("CCO"). Political contributions are generally prohibited with respect to candidates for local or state-local office and contributions to candidates for federal office require the pre-approval of the BRCM's CCO.

Clients and prospective Clients may obtain a copy of BRCM's Code of Ethics upon request by contacting BRCM via phone at 310-966-1446 or via email to apetchenick@brileyco.com.

The Code also contains BRCM's personal trading policy which limits the ability of its employees to trade in securities for their personal accounts. The Code requires all personnel to report their personal trading activity to BRCM's CCO. The Code is designed to assure that personal securities transactions, activities and interests of employees will not interfere with (i) making decisions in the best interest of Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. The personal trading policy applies to accounts of certain family members (including the spouse and minor children of a principal or employee who live in the same household). Pursuant to the Code, principals and employees must obtain approval prior to executing transactions in personal trading accounts, including transactions in private placements or initial public offerings, with certain limited exceptions for extremely liquid securities, such as Treasuries, open-end mutual funds and exchange traded funds. BRCM prohibits employees from executing any transaction that would have an adverse economic impact on the Clients. BRCM also maintains a restricted list containing the names of securities which access persons are generally prohibited from trading.

All transactions made by employees of BRCM are closely monitored on an on-going basis by BRCM's CCO to ensure pre-clearance has been sought and obtained when required, and to ensure the personal trading patterns of employees fall within the guidelines set forth in the Code. BRCM's principals and employees may invest directly in one or more of the Funds or Investment Companies managed by BRCM.

BRCM, its principals, employees and affiliates may trade securities for their own accounts. However, the records of such trading will not be made available to Clients. It is possible that principals, officers or employees of BRCM may buy or sell securities and other investment interests that BRCM or its affiliates have recommended to Clients and may engage in transactions for their own accounts in a manner that is inconsistent with BRCM's or its affiliate's recommendations to a Client or the market in general. Personal trading transactions by employees may raise potential conflicts of interest when such persons trade in a security or other investment product or instrument that is owned by, or considered for purchase or sale, a Client. BRCM has adopted policies and procedures designed to detect and prevent such conflicts of interest and, when they do arise, to ensure that it effects transactions for Clients in a manner that is consistent with its fiduciary duty to its Clients and in compliance with applicable laws. As required by BRCM's Code, employees of BRCM are required to report all personal trading transactions to the CCO.

BRCM does not generally act as a principal, either as buying securities for itself or its affiliates from a Client or selling securities it or its affiliates own to a Client. In the event that BRCM decides to engage in any such principal transaction in the future, BRCM will comply with the requirements of Section 206(3) of the Advisers Act by: (i) disclosing to the Client in writing the material terms of the transaction; and (ii) obtaining the written consent of the Client for such transaction (which, in the case of a Fund, may be provided by an independent investor representative). BRCM will include the following in such disclosure: (a) its capacity as principal; (b) the cost to BRCM of the security, in the case of a sale to a Client, or the price of the security in a resale, in the case of a purchase from a Client; and (c) the best price at which the transaction could be effected by or for the Client elsewhere if such price is more advantageous to the Client than the purchase or sale with BRCM.

BRCM generally does not engage in cross trades. In the event that it is determined that effecting a cross trade is appropriate, prior approval by BRCM's CCO is required. In the event that an inadvertent cross trade occurs, BRCM's CCO will determine to what extent material harm, if any, was caused to the applicable Client accounts or the market and then proceed accordingly, which may include consulting with BRCM's outside counsel.

A Client may co-invest with BRCM and/or principals of BRCM and other Clients in respect of certain investment opportunities. Any such co-investments will be on the same terms as made available to the Client, and no additional fees will be incurred by virtue of such investments. On occasions, Clients may acquire debt or equity interests in projects financed by other entities managed by affiliates of BRCM. Clients may also loan to or invest in entities in which other Clients of BRCM are investors or lenders, either in similar investment positions or in different positions

in the capital structure with different risk and return parameters. In any such event, disputes may arise between the two entities regarding the terms of the investments and the enforcement of the entities' respective rights therein. Furthermore, BRCM is not precluded from causing the Client to invest in the securities issued by companies represented in the investment portfolios of other partnerships managed by BRCM or its principals, affiliates, or other Clients. Any such purchases or sales will not be on a "principal-to-principal" basis and will only be offered where BRCM is satisfied that the Client's interests are not unfairly prejudiced.

B. Riley is a registered broker-dealer and a member in good standing with FINRA. Bryant Riley also serves as the Chairman of B. Riley and as a managing member of BRCM. B. Riley may recommend to Clients that they buy or sell securities in which it or its related persons have some financial interest, including but not limited to interest in a Fund, and B. Riley or its related persons may own, buy or sell for themselves the same securities that they may have recommended to Clients. Some conflicts of interests are described below:

- BRCM or its related persons may invest their own capital in securities in which BRCM's Clients may also have made investments. For example, B. Riley may make a market for securities as a broker-dealer, and BRCM may trade or invest in the same securities held by a Client account.
- BRCM may make an investment decision that is contrary to research that its affiliate, B. Riley, publishes.
- Employees of BRCM and B. Riley may transact in securities that BRCM has recommended to, or transacted on behalf of a Client account.
- Registered representatives of B. Riley may recommend that a brokerage client invest in a Fund. The employee's compensation may be based, in part, on revenues earned by the Fund in connection with the management fees paid to BRCM in connection with such investment. B. Riley will recommend an investment in a Fund only if it is assured that it is suitable for such brokerage client.

All of the foregoing is also subject to the B. Riley's Code of Ethics as well as applicable laws.

Review of Accounts

The PM is primarily responsible for reviewing the accounts on an on-going basis to ensure that the investment strategy continues to be suitable for the client, taking into account any changes to the information provided by the client and the strategy managed. BRCM generally reviews PIM accounts at least quarterly. These reviews are performed by BRCM's senior PM or Chief Compliance Officer.

BRCM or the PM may provide clients with quarterly performance reviews of PIM accounts. BRCM and the PM do not provide tax advice, and nothing in the performance review should be construed as advice concerning any tax matter. Performance reviews are not a substitute for regular monthly account statements received from the custodian or Form 1099. Performance reviews should not be used to calculate fees or to complete income tax returns. Upon a client's specific request and subject to the relevant firm's policies and procedures and applicable law, the performance review may include information about assets outside the program. By including any such assets in the performance review, the firm is not undertaking to provide or be responsible for providing any services with respect to those assets.

Client Referrals and Other Compensation

While it may in the future do so, BRCM currently does not enter into agreements with third parties to solicit clients for BRCM in exchange for compensation for referring such clients. Should BRCM elect to enter into such agreements in the future, the third party solicitor will receive either a percentage of, or a set fee based on, the fee charged to the client. If a solicitor is used in connection with a client's account, the structure and arrangement of the solicitation agreement, as well as the compensation paid to the solicitor, will be fully disclosed to the client, which disclosure will be acknowledged in writing by the client when participating in a BRCM program. The fee charged to a client is not affected by the use of a third-party solicitor in connection with client accounts, and a client will not be charged any additional fees for the use of such services.

BRCM employees may attend conferences at which employees may be given gifts and/or trinkets that are less than

\$50 in value. Employees may also receive gifts or similar items including entertainment from other professionals, as long as they are less than \$250 in value per gift or instance and less than \$1,000 per donor per year. The receipt of these gifts could create the incentive for BRCM to refer business to these professionals when it may not be in the client's best interest to do so. However, employees are required to report all such gifts and BRCM conducts a periodic review to ensure that business is not being referred to a third party as a result of improper gift giving.

Financial Information

BRCM does not require prepayment of advisory fees six months or more in advance. BRCM has never been the subject of a bankruptcy petition.

Item 10 Requirements for State-Registered Advisers

Not applicable.