

**B. RILEY CAPITAL MANAGEMENT, LLC**

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**Form ADV Part 2A**

**FIRM BROCHURE**

**March 30, 2016**

This Form ADV Part 2A firm 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, Michael Markunas, at 310.689.2220 or [mmarkunas@brileywealth.com](mailto:mmarkunas@brileywealth.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.

***ALL INVESTMENT ADVISORY AGREEMENTS ENTERED INTO BY BRCM WITH A CLIENT WILL BE EITHER PRECEDED BY THE PROVISION OF WRITTEN DISCLOSURES TO THE CLIENT REGARDING ANY MATERIAL CONFLICTS OF INTEREST RELATED TO BRCM, ITS REPRESENTATIVES, AND EMPLOYEES OR WILL INCLUDE WRITTEN DISCLOSURES AS PART OF OR ATTACHED TO THE INVESTMENT ADVISORY AGREEMENT PROVIDED TO THE CLIENT REGARDING ANY MATERIAL CONFLICTS OF INTEREST RELATED TO BRCM, ITS REPRESENTATIVES, AND EMPLOYEES.***

**Item 2. Material Changes**

This Brochure dated March 30, 2016 is the required annual amendment for fiscal year end 2015.

**Item 3. Table of Contents**

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#### **Item 4. Advisory Business**

##### **A. Advisory 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 the Financial Industry Regulatory Authority ("**FINRA**"), is BRCM's affiliated broker-dealer.

##### **B. Investment Advisory Services**

BRCM provides consulting and investment advisory services with respect to one or more private investment funds, wrap fee accounts ("**Wrap Program**"), separately managed accounts ("**Accounts**") for institutional investors and high net worth individuals ("**Account Client**") and one or more investment companies registered with the SEC under the Investment Company Act of 1940, as amended. BRCM also offers certain structured investment programs administered by third party managers.

Funds, Accounts and Investment Companies are collectively referred to as the "**Clients**".

##### **C. Personalized Investment Advice**

###### Private Investment Funds

BRCM intends to manage each Fund pursuant to the investment strategy described in the confidential offering memorandum of the Fund (each, an "**Offering Memorandum**"). Prospective investors in a Fund should carefully read the Fund's Offering Memorandum and consult with their own counsel and advisers as to all matters concerning an investment in the Fund. As general partner of a Fund, BRCM will have the power and authority to manage the day-to-day, administrative, business and investment affairs of the Fund.

One or more of the Funds may be structured as a "fund of hedge funds" (each, a "**FOHF**"). As general partner or managing member of a FOHF and pursuant to the authority granted to BRCM in the limited partnership agreement or limited liability company agreement ("**LPA**") of the FOHF, BRCM will select, on a discretionary basis, various other private investment fund managers or pooled investment vehicles, including without limitation, hedge funds (collectively, the "**Portfolio Funds**"), into which BRCM will invest the FOHF's capital. BRCM will seek to diversify the FOHF's capital investments by allocating capital to selected Portfolio Fund managers ("**Portfolio Fund Managers**") that employ various investment strategies, including but not limited to convertible arbitrage, merger arbitrage, capital structure arbitrage, equity long/short, long biased, equity market neutral, short biased, distressed, global macro, managed futures, and master limited partnerships. To the extent that FOHF assets are not allocated to Portfolio Funds, the FOHF may make direct investments in U.S. government obligations, money market accounts and/or other short-term debt securities.

Although BRCM will not typically provide tailored investment advisory services to the individual investors in a Fund, the general partner of a Fund may enter into side letter agreements with certain investors which may modify certain terms applicable to such investors' as well as such investors' rights or obligations under the Fund's LPA. Investors in a Fund may not impose restrictions on investing in certain securities or types of securities.

###### Separately Managed Accounts

BRCM will manage Accounts independently based on a determination of each Account Client's financial situation, needs and investment objective and pursuant to an investment advisory agreement with each Account Client, which may include certain investment restrictions imposed by Account Clients.

BRCM manages Accounts on a discretionary basis by purchasing, selling, or otherwise trading securities or other investments. Such securities may include, but are not limited to: exchange-listed equity securities, securities traded over-the-counter, foreign equities, corporate debt securities (other than commercial paper), certificates of deposit, municipal securities, options on securities, government securities, exchange-traded funds, and mutual funds.

These services are tailored to the specific investment objectives and/or restrictions established by each Account Client. Fee arrangements and terms for each Account Client are individually negotiated. Accordingly, an Account Client may be subject to different terms and fees than those of the Funds, other Account Clients or Consulting Clients (as defined below).

Account Clients may direct that transactions be executed through B. Riley (BRCM's affiliated broker-dealer) or by another broker-dealer chosen by the Account Client.

Some investment advisory representatives ("**IARs**") employed by BRCM are also employed by B. Riley as registered representatives and maintain their securities licenses with B. Riley. These registered representatives may be compensated in connection with transactions executed through these firms. Please see the discussion below in "*Item 12 - Brokerage Practices.*"

B. Riley is a full service, retail broker-dealer and not a discount brokerage firm. Brokerage charges and/or commissions may be higher if the Client chooses to execute through B. Riley.

### Consulting Services

Pursuant to a consulting services agreement, BRCM provides personal consultations to clients ("**Consulting Clients**") that are intended to address the Consulting Client's individual questions, financial needs and personal circumstances. The consulting services may encompass a wide variety of issues and topics, which may include investment recommendations. Investment consultation can be general in nature or may focus on particular areas of interest, depending on the Consulting Client's needs. Advice and/or recommendations are based on information provided by the Consulting Client, which BRCM relies upon, and does not independently verify. Advice and/or services provided to Consulting Clients may be limited in scope. Consulting services are offered on an hourly or fixed fee project basis. The advice given may include the recommendation of annual reviews/updates, although it is the Consulting Client's responsibility to initiate additional services as may be needed. BRCM provides each Consulting Client with a quarterly performance review of the assets identified in the Consulting Client's consulting services agreement.

The Consulting Client has sole responsibility for determining whether to implement any recommendations made during any personal consultation. The Consulting Client may, but is not required to, implement any of these recommendations through BRCM as investment adviser. If the Consulting Client chooses to use BRCM to implement any recommendations, those activities are separate and distinct from the financial consulting services provided by BRCM under the applicable consulting services agreement and will involve separate fees. In the event that a Consulting Client chooses to implement a recommendation through BRCM, orders are directed to either B. Riley or a broker-dealer designated by the Client for execution. Brokerage charges and/or commissions may be higher if the Consulting Client chooses to execute transactions using B. Riley.

### Third-Party Programs

BRCM also offers structured investment programs administered by other managers. Clients selecting this service inform their portfolio managers of their investment objectives, risk tolerance, and investment time horizon, and any investment policies, guidelines, or reasonable restrictions applicable to the assets they designate for investment through third-party advisory programs. Based on the information provided, the portfolio manager assists the Client in selecting one or more third-party advisory programs. BRCM may provide additional consulting services in connection with particular programs. The consulting services that the portfolio manager provides in connection with a particular program are set forth in the agreement that the Client signs with BRCM. These services may include assistance with the selection of portfolio managers and/or investment strategies, and the allocation of assets among managers or strategies. BRCM does not have trading discretion over any Client assets in these programs; however other managers may have discretion over Client assets invested in the program. The Client may also receive a disclosure brochure describing each portfolio manager selected. Clients should read these brochures carefully before deciding whether to invest through a particular program or select a particular portfolio manager.

Currently BRCM offers the following third party program:

1. **Paychex Retirement Services**

Paychex, Inc. provides payroll, human resource, insurance, and benefits outsourcing solutions for businesses in the United States. Paychex offers flexible 401(k) plan design, recordkeeping, and plan management services. BRCM acts as an investment adviser to Retirement Plan (401(k)) Clients under Paychex.

Other programs may be added to, or removed from, this list at BRCM's discretion at any time.

BRCM may receive different compensation in connection with different programs. Thus, BRCM's portfolio managers have an incentive to recommend certain programs over others. BRCM addresses these conflicts of interest through its policies and procedures that, among other things, require portfolio managers to make recommendations that are in the best interest of each Client.

**Registered Investment Companies**

BRCM intends to manage each Investment Company pursuant to the investment strategy and restrictions described in the prospectus of such Investment Company (each, a "**Prospectus**"). BRCM will not provide tailored investment advisory services to the individual investors in an Investment Company.

**D. Wrap Programs**

BRCM, through its wealth advisor, B. Riley Wealth Management ("**BRWM**"), provides private investment advisory services through its Private Investment Advisory Services Program (the "**Advisory Program**"). All Accounts are managed independently based on a determination of each Account Client's financial situation, needs and investment objective and pursuant to an investment advisory agreement with each Account Client.

BRWM's Advisory Program is administered through two separate programs, the B. Riley Advisory Program ("BRAP"), and the Ladenburg Thalmann Asset Management Program ("LAMP"). Account Clients enter into an investment advisory agreement with BRWM pursuant to which BRWM agrees to provide the Client with investment advisory services, and arranges for the execution of securities transactions. Rather than paying a separate management fee and other fees associated with the execution of the securities transactions, Clients pay BRWM a single fee based on assets under management, which includes fees for the portfolio management services provided by the portfolio manager, program administrative services provided by BRWM, commissions resulting from the execution of transactions, and custodial services (unless otherwise agreed between the custodian and the client) (the "**Wrap Fee**"). BRWM in turn pays each of these service providers a portion of the Wrap Fee in connection with the services provided. Information about the Wrap Program and the manner in which Wrap Program accounts are managed, including all fees and charges, is set forth in a separate Wrap Program brochure that is available upon request.

**E. Assets Under Management**

As of December 31, 2015 BRCM managed \$533,417,965. on a discretionary basis, and \$233,184,323. on a non-discretionary basis.

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

BRCM offers a variety of programs that invest in a wide range of investment opportunities. Please see the discussion above in “*Item 4. Advisory Business*” for a description of the programs BRCM offers. The fees and compensation paid to BRCM under the terms of each program will vary. Below is a discussion of the fees associated with each program.

### Open-End Private Investment Funds

#### **A. Types of Fees**

BRCM will be compensated for investment advisory services provided to a Fund by a fee based on the assets under management (“*AUM*”). Each Fund structured as an open-end vehicle (i.e., that provide liquidity to investors on a periodic basis) will pay BRCM a management fee equal to a percentage (generally, 2%) of the Fund’s total AUM. The management fee typically will be paid by each Fund on a monthly or quarterly basis in advance by deduction from each investor’s account in the Fund. The management fee will be pro-rated for assets held in an investor’s account for less than a full period. BRCM, in its discretion, may offer to waive, reduce or rebate the management fee, in whole or in part, for any investors in the Fund.

BRCM may also receive annual performance-based compensation in arrears equal to a percentage of the net capital appreciation (i.e., capital appreciation less capital depreciation) of each investor’s account in a Fund. Where applicable, the performance-based compensation is payable only if, and to the extent that, the net capital appreciation of the investor’s account exceeds any net capital depreciation accumulated in prior years. If an investor withdraws all or a portion of its Account in a Fund on a date other than at the end of a period, payment of the performance-based compensation will be made on the amount withdrawn for the period from the first day of the period to the date of withdrawal. BRCM, in its discretion, may offer to waive, reduce or rebate the performance-based compensation, in whole or in part, for any investors in the Fund.

From time to time, BRCM may cause a Client to purchase an interest in a BRCM-sponsored Fund, provided that the sale or purchase of such interest is consistent with BRCM’s fiduciary obligations to each of the Fund and the Client. Investors should be aware that, while BRCM endeavors at all times to act in the best interests of its Clients, a transaction between a Client and a BRCM-sponsored Fund could result in certain conflicts of interest. In certain circumstances, BRCM may choose to reduce the advisory fees of the Fund with respect to a Client by the amount of advisory fees paid to BRCM by the Client.

#### **B. Other Fees and Expenses**

Each Fund will pay all other expenses deemed necessary and desirable by BRCM, including all investment, administrative, and operating expenses incurred on behalf of the Fund. In addition to the fees payable to BRCM, each Fund will incur and pay certain charges imposed by third parties, including, but not limited to, the following:

- any sales or other taxes, fees or government charges, including tax and reporting charges, that may be assessed against the Fund;
- interest charges, fees and expenses incurred in the borrowing and lending of securities;
- brokerage commissions, brokerage fees, transaction charges, and similar charges incurred in connection with the purchase or sale of securities;
- costs and expenses incurred in investigating, developing, negotiating, structuring, settling, monitoring and holding portfolio investments (whether or not consummated), including travel, external legal, tax, accounting expenses, compliance administrative fees, and audit fees and expenses associated therewith;
- due diligence expenses, including travel, legal counsel, tax, audit, compliance, and consulting fees and expenses, related to proposed investments or existing investments;

- governmental, registration, license and membership fees (including those payable to regulatory as well as self-regulatory organizations);
- costs and fees associated with the offer and sale of the interests of the Fund;
- market data costs;
- research-related expenses, including, without limitation, news and quotation equipment, software and services;
- the costs and expenses (including travel-related expenses) of holding meetings or conferences with a Fund's investors;
- costs and expenses incurred in connection with any threatened, pending, or anticipated litigation, examination, proceeding, regulatory matter or investigation;
- all expenses incurred as a result of the Fund's obligations to indemnify certain persons against losses, liabilities, and expenses incurred in connection with the performance of their duties of behalf of, or provision of services to, the Fund;
- expenses attributable to normal and extraordinary costs, expenses and charges associated with any investment banking, commercial banking, accounting, auditing, appraisal, valuation, tax advisory, tax preparation, legal, external consulting, custodial and registration services provided to the Fund;
- premiums for insurance, including liability insurance;
- costs of dissolving the Fund and liquidating its assets;
- costs and expenses for tax and audit services to the Fund;
- organizational expenses, including costs and expenses pertaining to the offering and sale of interests in the Fund, related legal payments and travel expenses;
- certain administrative expenses; and
- certain expenses related to regulatory filings.

Investors in a Fund should refer to the Fund's offering documents for complete information on the expenses payable by the Fund. Please see the discussion below in "*Item 12. Brokerage Practices*" for a description of the factors BRCM considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

BRCM, in its discretion as the general partner and investment manager of a Fund, may allocate and amortize the organizational expenses of the Fund (including expenses of the initial offer and sale of the Fund's interests).

In addition to the fees paid to BRCM, a FOHF may be required to pay management fees and performance-based compensation to Portfolio Fund Managers. The Portfolio Fund Managers will generally receive both management fees (generally, a percentage of allocated assets) and performance-based compensation (generally, a percentage of profits from the allocated assets). The type, amount, payment, manner of payment, timing of payment and the frequency of these fees is specific to each Portfolio Fund as disclosed in each Portfolio Fund's offering memorandum and/or governing documents. However, management fees generally will range between 1% and 3% per annum of the assets under management, and performance-based compensation generally will range between 20% and 30% of such Portfolio Fund's profits, generally calculated annually but in some cases more frequently. The actual fees charged by the Portfolio Fund Managers may be less than or in excess of these estimated ranges. The Portfolio Fund's management fees and potentially other fees will be paid by the FOHF, indirectly through its investment in a Portfolio Fund, to each Portfolio Fund Manager, regardless of whether such Portfolio Fund Manager generated returns and irrespective of the overall performance of the Portfolio Fund.

### ***C. Refunds***

To the extent a Fund pays the management fee in advance, if an investor in a Fund withdraws all or a portion of its account in the Fund on a date other than the end of a period, any unearned portion of the management fee (calculated from the date of withdrawal to the last day of the period) paid at the beginning of the period will be refunded by BRCM to the investor at the same time as the payment of withdrawal proceeds.

### ***D. Sales Compensation***

In its capacity as general partner and investment manager of a Fund, neither BRCM nor any of its supervised persons accepts compensation for the sale of securities or other investment products. However, BRCM's affiliates, their respective supervised persons (some of which may also be supervised persons of BRCM) and/or their respective clients (including Clients of B. Riley) may receive compensation and/or other transaction fees from investments by Clients into a Fund. These types of arrangements present potential conflicts of interest and provide the affiliate's supervised persons (and, in limited instances, BRCM's supervised persons) with an incentive to recommend investments based on compensation received rather than the best interests of the investing Clients. However, such compensation and fees will be paid by BRCM and/or its affiliates and not the Fund or other Client.

## **Closed-End Private Investment Funds**

### ***A. Types of Fees***

BRCM will generally receive an annual management fee from each Fund structured as a closed-end vehicle (i.e., no liquidity offered to investors) equal to a percentage, generally 1.5%, of the capital commitment of each Fund investor from the initial closing of the Fund through the end of the Fund's investment period and, thereafter, a percentage, generally 1.5%, of the net invested capital (i.e., cost basis of all unrealized portfolio investments) of each Fund investor. BRCM, in its discretion, may waive or reduce the management fee as to all or any of the investors in the Fund.

BRCM may be entitled to receive fees from actual or prospective portfolio investments of the Funds, including origination, directors', transaction, breakup, commitment, closing, and monitoring fees. Although these fees are in addition to management fees paid by the Funds, BRCM will in certain circumstances reduce management fees in connection with the receipt of such fees.

Under each Fund's governing agreement, BRCM will be entitled to receive carried interest distributions. The carried interest distributions will generally be an amount equal to a percentage, generally 20%, of the profits from each portfolio investment made by such Fund after the return of invested capital and subject to a preferred return at 8% to investors. BRCM, in its discretion, may waive or reduce the carried interest distributions as to all or any of the investors in the Fund.

The carried interest distributions for each Fund generally are paid out as distributions of the net cash proceeds attributable to dispositions of portfolio investments of the Fund.

The amount of, and the manner and calculation of, the management fees and carried interest distributions for each Fund are set forth in the governing documents and Memorandum of the Fund.

### ***B. Other Fees and Expenses***

Generally, a Fund bears all legal, accounting and other fees, costs and expenses of and incidental to organizing and funding the Fund and the general partner and manager of the Fund up to a certain amount as set forth in the governing documents and Memorandum of the Fund. A Fund will also bear the operational costs and expenses of the Fund. Such costs and expenses include, but are not limited to:

- expenses of organizing the Fund;

- legal, auditing, custodial, consulting, financing and accounting fees and expenses of the Fund;
- expenses associated with preparation of the Fund's financial statements, reports to Fund investors and tax returns;
- out-of-pocket expenses and other expenses incurred in connection with the operation of the Fund under the laws of the jurisdiction in which it is organized;
- out-of-pocket expenses of transactions not consummated;
- expenses of appraisers and consultants;
- expenses of litigation and indemnification;
- insurance premiums;
- expenses of advisory committee meetings and meetings of the Fund investors;
- other expenses associated with the acquisition, holding and disposition of the Fund's portfolio investments including extraordinary expenses;
- any taxes, fees or other governmental charges levied against the Fund; and
- costs of dissolving and winding up the Fund.

Fund investors may also bear a portion of any fees or expenses charged by any special purpose vehicles that have been formed to facilitate portfolio investments by the Funds or their investors for tax, regulatory or economic purposes. BRCM may, at its discretion, choose to pay or reimburse the Fund for all or any portion of such expenses.

Although BRCM does not generally utilize the services of broker-dealers for Fund transactions, in the event it chooses to use a broker-dealer, the Funds will bear brokerage and transaction costs to the extent incurred. For additional information regarding brokerage and transaction costs, see the discussion below in "*Item 12. Brokerage Practices.*"

### ***C. Sales Compensation***

BRCM will not receive sales commissions in connection with sales of interests in a Fund.

#### **Separately Managed Accounts, Wrap Program Accounts and Consulting Clients**

##### ***A. Types of Fees***

Fees paid to BRCM by Account Clients, Consulting Clients and Clients participating in the third-party programs and/or Wrap Programs are negotiable and will vary. Fees will be set forth in BRCM's investment advisory agreement with each Account Client, and determined based on the Client's needs, the complexity of the Client's investment objective and the number of portfolio restrictions.

Under BRCM's investment advisory agreement with an Account Client, BRCM may receive an annual management fee from the Account Client equal to a percentage, typically between 1% and 2%, of the fair market value of the AUM in the Account.

BRCM may also receive annual performance-based compensation in arrears equal to a percentage of the net capital appreciation (*i.e.*, capital appreciation less capital depreciation) of the assets held in the Account of a Client that is eligible to enter into a performance compensation arrangement under the Advisers Act. Typically, the performance-based compensation is payable only if, and to the extent that, the net capital appreciation of Account assets exceeds any net capital depreciation accumulated in prior years (as adjusted for withdrawals of capital).

##### ***B. Payment Method***

The management fee, if any, typically will be paid on a monthly or quarterly basis in advance by deduction from the assets held in an Account. The management fee will be pro-rated for assets held in an Account for less than a full period.

The performance-based compensation, if any, is also typically paid on an annual basis in arrears by deduction from the assets held in the Account. If a Client partially withdraws a portion of its account or terminates its investment advisory agreement on a date other than at the end of a period, payment of the performance-based compensation will be made on the net capital appreciation of Account assets for the period from the first day of the period to the date of termination.

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

In addition to the management fee and performance-based compensation, if any, an Account Client is responsible for any fees, expenses or charges incurred by or on behalf of the Account related to (i) custodial services provided for the Account, (ii) transactions effected for the Account, including brokerage and execution charges, markups and commissions, and (iii) any other service provided for the Account by any person other than BRCM (“***Additional Fees***”). Please see the discussion below in “*Item 12. Brokerage Practices*”, for a description of brokerage and execution charges.

All or a portion of the Additional Fees may be paid to BRCM and/or a portfolio manager to the extent that the Client’s brokerage account is maintained at B. Riley. If an Account Client or a Consulting Client directs brokerage to B. Riley, the Client will pay commissions and fees to B. Riley. The fee that an Account Client or a Consulting Client pays to BRCM for advisory services will not be reduced by any fees that are paid to B. Riley or another third party.

B. Riley or LTCO may receive distribution or service fees from the sale of certain mutual funds (including money market funds) pursuant to a Rule 12b-1 distribution plan or other such plan, as compensation for distribution or administrative services and are distributed from the fund’s total assets. In addition, B. Riley and LTCO receive compensation in connection with cash held in the brokerage account. B. Riley and LTCO receive compensation from the custodian based on the value of credit balances in the accounts. . In addition, if cash is swept into a money market fund or bank deposit sweep program, B. Riley receives compensation based on the value of assets in these funds/programs as a broker-dealer. BRCM may participate in some or all of these revenues collected by B. Riley. Thus, BRCM’s portfolio managers have an incentive to recommend that the Client selects a money market fund or bank deposit sweep program that pays more compensation to B. Riley than other funds. As described above, the BRCM portfolio managers, as well as registered representative of B. Riley that are also employees of BRCM, will generally receive more compensation if brokerage is executed at B. Riley rather than being directed to another broker-dealer. Therefore, the BRCM portfolio managers, as well as registered representatives of B. Riley that are also employees of BRCM, have an incentive to recommend investment products based on the compensation they receive rather than on a Client’s needs. Clients have the option to direct brokerage to a broker-dealer that is not related to BRCM. BRCM has policies and procedures in place to ensure that each security recommended to a Client is consistent with such Client’s investment goals.

In addition, Clients may purchase securities through broker-dealers in initial public offerings (“***IPO***”) and/or secondary offering (“***new issue***”) transactions. If B. Riley acts as an underwriter or manager or as a member of the selling group for such offerings, it will receive compensation equal to either all or a portion of the “gross spread” (i.e., the difference between the price the Client pays for the security and the price at which B. Riley purchased the securities). The advisory 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 related to each IPO. Further details of potential additional compensation to BRCM portfolio managers are discussed below in “*Item 12 - Brokerage Practices.*”

If a Consulting Client chooses to execute any transactions recommended by BRCM through B. Riley, BRCM will receive additional compensation. For example, if the Consulting Client decides to implement a portion of the recommendations through LAMP, as part of the total advisory fee that is negotiated with LAMP, BRCM will receive additional compensation. Portfolio managers of BRCM will generally receive a portion of the advisory fees for services rendered under the LAMP program.

BRCM's portfolio managers generally manage multiple portfolios for various Clients. When a portfolio manager manages more than one Client account, a potential conflict exists for the portfolio manager to intentionally or unintentionally treat one account more favorably than another. This potential conflict can be most apparent when one portfolio has a higher fee or a different fee structure than another portfolio. Another potential conflict may arise if BRCM manages accounts of its principals and employees on a side-by-side basis with third-party Client accounts. BRCM has internal review policies and oversight to ensure that no one Client is intentionally or unintentionally favored at the expense of another.

In addition, each mutual fund, exchange-traded fund (ETF) or private fund in which a Client may invest also bears its own investment advisory fees and other expenses.

#### ***D. Refunds***

To the extent an Account Client pays the management fee in advance, if the Account Client withdraws a portion of its Account or terminates its investment advisory agreement on a date other than the end of a period, any unearned portion of the management fee (calculated from the date the agreement is terminated to the last day of the period) paid at the beginning of the period will be refunded to the Account Client by BRCM at the same time as the payment of liquidated account assets.

#### ***E. Sales Compensation***

Subject to applicable law, BRCM may employ solicitors, including B. Riley, to whom it will pay either a portion of the advisory fees received from Account Clients referred by such solicitors or cash at BRCM's own expense. In such cases, this arrangement will be disclosed in writing to the Account Client and BRCM will comply with any other applicable requirements of Rule 206(4)-3 under the Advisers Act. In particular, BRCM will ensure that each solicitor provides Account Clients with a current copy of BRCM's Form ADV brochure and the solicitor's written disclosure document.

#### **Third-Party Programs**

Clients participating in the third-party programs and/or Wrap Programs may pay other fees charged by third parties such as fees charged by managers.

#### **Registered Investment Companies**

##### ***A. Types of Fees***

The fees and compensation paid to BRCM by each Investment Company are described in the Investment Company's Prospectus. A copy of each Investment Company's Prospectus is available through the SEC's website at [www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html).

##### ***B. Payment Method***

The fees and compensation paid to BRCM will be paid to BRCM by the Investment Company in accordance with BRCM's investment advisory agreement.

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

In addition to the fees and compensation described above, an Investment Company investor will indirectly bear its *pro rata* share of the fees, expenses or charges described in the Investment Company's Prospectus. Such fees, expenses and charges include, but are not limited to, fees incurred for legal, audit and custodial services provided to the Investment Company and transactions effected for the Investment Company such as brokerage and execution charges, markups and commissions. Please see the discussion below in "Item 12. Brokerage Practices" for a description of brokerage and execution charges.

***D. Refunds***

Not applicable.

***E. Sales Compensation***

Neither BRCM nor any of its affiliates, including B. Riley, will receive any compensation in connection with the distribution of shares with respect to any related Registered Investment Companies.

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

BRCM may receive performance-based compensation from certain Funds and certain Accounts. Fees based on performance will only be charged in accordance with the provisions of Rule 205-3 under the Advisers Act. Performance-based compensation may create an incentive for BRCM to cause a Fund or Account to make investments that are riskier than it would otherwise make. In addition, since BRCM's performance-based compensation may be calculated on a basis which includes unrealized appreciation of the assets held by a Fund or in an Account, it may be greater than if such compensation were based solely on realized gains.

In the event that some Clients are charged performance-based compensation but not others, a conflict may arise where BRCM has an incentive to treat some Clients preferentially as compared to others because those Clients pay performance-based compensation or because BRCM or one of its portfolio managers or affiliates has an interest in the Client account. BRCM has adopted a policy to allocate portfolio transactions and investment opportunities across multiple Client accounts on a fair and equitable basis over time. All eligible Clients that can participate in a transaction share the same price on a *pro rata* allocation basis in an attempt to mitigate any conflict of interest. Investment opportunities are allocated among similarly managed Client portfolios to maintain consistency of portfolio strategy, taking into account cash availability, investment restrictions and guidelines, and portfolio composition.

Since management fees and performance-based compensation paid to BRCM by accounts and certain funds are based on the net asset value of the Fund or Account, a conflict may also arise when BRCM or a related person is valuing the assets held by the Fund or in an Account. Assets will generally be valued at fair value by BRCM or its related person in accordance with U.S. generally accepted accounting principles ("**GAAP**").

BRCM may manage certain Client accounts on a side-by-side basis. Potential conflicts of interest may exist when BRCM buys or sells securities for multiple Client accounts. BRCM has adopted policies and procedures with the aim to ensure the fair and equitable treatment of all Client accounts managed side-by-side by BRCM.

BRCM's portfolio managers generally manage multiple portfolios for various Clients. When a portfolio manager manages more than one Client account, a potential conflict exists for the portfolio manager to intentionally or unintentionally treat one account more favorably than another. This potential conflict can be most apparent when one portfolio has a higher fee or a different fee structure than another portfolio, including performance-based compensation. Another potential conflict may arise if BRCM manages accounts of its principals and employees on a side-by-side basis with third-party Client accounts. BRCM has internal review policies and oversight to ensure that no one Client is intentionally or unintentionally favored at the expense of another.

## **Item 7. Types of Clients**

### Private Investment Funds

BRCM, through its division, BRAM, serves as investment adviser to the following Funds: BRC Emerging Managers Fund of Funds, LP, a Delaware limited partnership, BRC Partners Opportunity Fund, LP, a Delaware limited partnership, MKCA Opportunity Fund, LLC, a Delaware limited liability company, and GACP I, L.P., a Delaware limited partnership.

BRCM generally requires investors in a Fund to make a minimum initial investment of at least \$250,000; however, BRCM may, in its sole discretion, accept lesser amounts or waive the minimum investment required. Investors in a Fund must be “*Accredited Investors*,” as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended (the “*Securities Act*”), and, to the extent a Fund is charged performance-based compensation, investors in the Fund must be eligible to enter into a performance-based compensation arrangement under the Advisers Act. Notwithstanding the foregoing, BRCM may allow up to 35 individuals who are not Accredited Investors to invest in a qualifying Fund, pursuant to Rule 506 of Regulation D promulgated under the Securities Act. BRCM generally requires Fund investors to make representations concerning their financial sophistication and ability to bear the risk of loss of their entire investment in the Fund. The investor requirements may be waived by BRCM in its sole discretion.

### Separately Managed Accounts

BRCM generally requires Account Clients to initially provide and maintain a minimum of \$250,000 in assets under management. However, the Account minimum may be waived by BRCM in its sole discretion. To the extent an Account is charged performance-based compensation, the Account Client must be eligible to enter into a performance-based compensation arrangement under the Advisers Act.

### Consulting Clients

BRCM provides personal consultations to Consulting Clients. Consulting services are offered on an hourly or fixed fee project basis. BRCM provides each Consulting Client with a periodic performance review of the assets identified in the Consulting Client’s consulting services agreement. The Consulting Client has sole responsibility for determining whether to implement any recommendations made during any personal consultation. The Consulting Client may, but is not required to, implement any of these recommendations through BRCM as investment adviser.

### Third-Party Programs, Wrap Programs, Account Clients and Consulting Clients

Account Clients, Consulting Clients and Clients using the third-party programs and/or Wrap Programs offered by BRCM include:

- individuals, including high net worth individuals,
- small business owners,
- pension and profit sharing plans, including the plan participants,
- trusts,
- charitable organizations, and
- corporations, LLCs, partnerships or other business entities.

### Registered Investment Companies

BRCM serves as the investment adviser to the following registered investment company: B. Riley Diversified Equity Fund, a series of the World Funds Trust, a Delaware statutory trust.

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

BRCM offers a variety of programs that invest in a wide range of investment opportunities. BRCM offers investors services through separately managed accounts, consulting services, third-party programs, open-end and closed-end private investment vehicles, FOHFs, and registered investment companies. A summary of each program is below.

***Separately Managed Accounts.*** BRCM's portfolio managers advise Accounts independently based on each Account Client's financial situation and investment objectives and, subject to the terms of an agreement between BRCM and each such Account Client, BRCM's portfolio managers may invest in a wide range of equity securities, debt securities, and/or any other investments the portfolio managers feel is in the best interest of the Client.

***Wrap Fee Accounts.*** BRCM's portfolio managers advise Accounts independently based on each Account Client's financial situation and investment objectives and, subject to the terms of an agreement between BRCM and each such Account Client for an all-inclusive Wrap Fee.

***Consulting Services.*** BRCM offers personal consultations to individual Clients based on their individual questions, financial needs and personal circumstances. BRCM counsels Clients on the appropriate portfolio investments, including by not limited to equity and debt securities, to achieve their respective stated goals. The Client is ultimately responsible for determining whether to implement any recommendations made by BRCM.

***Third-Party Programs.*** BRCM advises Clients on two third-party programs. Account Clients inform BRCM of their goals and BRCM utilizes a variety of specialized third-party investment managers who invest across a wide range of investment assets, including but not limited to debt and equity securities.

***Open-End Private Investment Funds.*** BRCM's open-end private investment vehicles (other than FOHFs) predominantly invest in publically traded securities, with an emphasis on, but not limited to, small to mid-capitalization U.S. companies.

***Closed-End Private Investment Funds.*** BRCM currently advises one closed-end private investment fund which invests primarily in senior secured loans and second lien secured loans of middle market public and private U.S. companies.

***Fund of Hedge Funds.*** BRCM's strategy regarding the FOHFs it manages involves investing in a diversified group of underlying private investment funds, including private investment funds and other investment opportunities managed by BRCM.

***Registered Investment Company.*** BRCM currently advises one open-end registered investment company which invests primarily in the common shares of U.S. companies selected from the B. Riley Research Group's "Buy" list.

Information regarding the specific investment strategies and methods of investment analysis with respect to each of the above programs is provided below.

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

#### **Separately Managed Account Services**

Portfolio managers will perform security analysis, and methods used may include charting, fundamental, technical, or cyclical analysis. The main sources of information that the portfolio manager may use include financial newspapers and magazines, inspection of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the SEC 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 in an 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.

#### Wrap Program

BRWM's Advisory Program is administered through the BRAP and the LAMP programs. Account Clients enter into an investment advisory agreement with BRWM pursuant to which BRWM agrees to provide the Account Client with investment advisory services, and arranges for the execution of securities transactions for which Account Clients pay a Wrap Fee. BRWM in turn pays each of these service providers a portion of the Wrap Fee in connection with the services provided. Information about the Wrap Program and the manner in which Wrap Program accounts are managed, including all fees and charges, is set forth in a separate Wrap Program brochure that is available upon request.

#### Consulting Services

Portfolio managers assist Consulting Clients in the selection of other money managers or asset allocation programs. Based on specific information provided by the Consulting Client to the portfolio manager, including but not limited to the Consulting Client's investment objectives, investment restrictions or limitations, and risk tolerance, the portfolio manager will assist the Consulting Client in arranging for those objectives and restrictions to be implemented, including by selecting managers, funds or portfolios, explaining portfolio strategies and transactions, and answering questions. The portfolio manager may also be asked to evaluate the overall investment strategy and performance of a third-party money manager or asset allocation program. Factors to be considered in monitoring third-party manager performance may include comparing Consulting Client portfolio performance relative to certain market indices and other money managers.

#### Third-Party Programs

Factors BRCM considers in selecting and monitoring third-party program performance may include comparing the performance of accounts in the program relative to certain market indices or asset allocation objectives, other money managers, strategies, and or programs. Other factors include allocation and or manager risk analysis, comparison of expenses, and other qualitative factors and analyses. Clients investing in a third-party program will receive a disclosure brochure setting forth the material risks related to that program or the specific portfolio managers associated with the program.

#### Open-End Private Investment Funds (non-FOHF)

Investments for each Client are identified and selected by BRCM. The cornerstone of BRCM's investment process is a disciplined investment approach characterized by fundamental (bottom-up) analytical research of individual stocks. BRCM's analysis of possible investments generally includes an analysis of financial and accounting information about the company available to BRCM, management inquiries and industry studies. BRCM also analyzes the corporate governance and related legal issues of a company. BRCM's core investment thesis is that by focusing on select small-capitalization companies, a sector which BRCM has substantial knowledge accumulated over a number of years, BRCM will be able to quickly identify business trends or opportunities to narrow valuation

gaps that will facilitate opportunistic investing. BRCM may take an activist approach with respect to an investment to encourage the company's management to make operational or financial changes to unlock value in the company. BRCM may also invest a portion of a Client's assets in private placement or otherwise illiquid securities, including by acquiring all or a control position in a company through an acquisition or otherwise. BRCM believes that its Clients can benefit from proper diversification of risk while maintaining a discipline of individual stock selection based on a systematic identification process.

***Investment in securities involves risk of loss that investors in a Fund or Account Clients should be prepared to bear. There can be no assurance that an Account Client's investment strategies will be achieved. Further, many of the investment techniques and activities described above are high risk activities that could result in substantial losses under certain circumstances.***

#### Open-End Private Investment Funds (FOHF)

BRCM, as general partner of a FOHF, will seek to diversify the FOHF's capital investments by allocating capital to a select group of emerging private investment fund managers, including hedge fund managers, that employ various investment strategies, including, but not limited to: convertible arbitrage, merger arbitrage, capital structure arbitrage, equity long/short, long biased, equity market neutral, short biased, distressed, global macro, managed futures, and master limited partnerships. BRCM seeks to achieve consistent returns by identifying, researching and, in some cases, partnering with, premier emerging fund managers and by conducting due diligence on each Portfolio Fund. BRCM intends to identify and allocate capital to emerging managers of funds that focus on achieving superior returns with low correlation to the market. BRCM intends to diversify the FOHF's investments by allocating capital to managers employing various investment styles including industry sector specialties, market capitalization and differences in investment time horizons. Notwithstanding the foregoing, the FOHF does not follow a rigid investment policy and is not restricted from participating in any market, strategy or investment. BRCM reserves the right to modify and adjust its investment program as may be necessary. Accordingly, the FOHF's assets may be allocated among whatever investment strategies BRCM, as the general partner, considers appropriate under prevailing market conditions. The FOHF may not be widely diversified among Portfolio Funds and among investment strategies.

BRCM manages and constructs a FOHF's investment strategy by first developing a thematic view of the markets by analyzing economic trends, investor psychology and market fundamentals and use this "big-picture" view to serve as a basis for Portfolio Fund manager allocations. BRCM will generally identify equity fund managers with track records of uncovering companies that are mispriced or misunderstood in the market while focusing on capital preservation in abnormal markets. BRCM will, in its discretion, also allocate the FOHF's capital to emerging fund managers with no prior fund management experience or track record. BRCM will leverage contacts in the industry, consultants, vendors, capital introduction/third party marketers, brokers/prime brokers, investors and other hedge funds to identify emerging equity fund managers.

Once acceptable Portfolio Fund managers have been identified, BRCM will generally allocate a majority of a FOHF's assets to "core managers". "Tactical allocations" will be considered for the remaining portion of the FOHF's assets. The FOHF's "core managers" will generally consist of managers who demonstrate less volatile returns and greater diversification of positions. The "core managers" styles may include value investors, income-based funds and market-neutral strategies. Portfolio Fund Managers that may be selected for "tactical allocations" may have greater position concentration, slightly higher volatility and longer investment duration. Portfolio Fund Managers that may be selected for a "tactical allocation" may pursue aggressive growth, activist and special situation strategies. By combining selected "core managers" and "tactical allocations," BRCM intends to mitigate tail risk and attempt to provide investors with steady returns regardless of the performance of the broader markets.

BRCM believes that the utilization of a diverse group of Portfolio Funds will help minimize overall risk to a FOHF while maximizing the ability to achieve the consistent realization of the FOHF's investment objective over time. The FOHF does not intend to employ debt or margin in purchasing interests in Portfolio Funds. The Portfolio Fund managers may, however, employ debt or other forms of financial leverage, which may have a material impact on the FOHF's performance.

***Investing in securities involves a risk of loss that investors in a FOHF should be prepared to bear. There can be no assurance that a FOHF will be able to make and realize any particular investment or generate returns. Investors in a FOHF should carefully consider, among other factors, the following material risks involved with BRCM's investment strategies.***

Investors in a FOHF are requested to refer to the offering documents of the applicable FOHF for more complete information on investment strategies employed and the corresponding risks associated with such investment strategies. While BRCM intends to manage each FOHF pursuant to the investment strategy described in the offering documents of the applicable FOHF, BRCM has wide latitude to act upon any investment strategy or to change any investment strategy to achieve the investment objective of the FOHF, all without obtaining the consent of investors. Prospective investors should carefully read the offering documents of the applicable FOHF and consult with their own counsel and advisers as to all matters concerning an investment in the FOHF.

#### Closed-End Private Investment Funds (non-FOHF)

Investments for each Client are identified and selected by BRCM. BRCM's investment process involves conducting rigorous and comprehensive due diligence, robust transaction sourcing and origination, disciplined income-oriented investment, and the use of proprietary in-house channels to identify significant investment opportunities in debt securities including, senior secured loans, second lien loans, unitranche loans, first-in-last out loans, bridge loans, and debtor-in-possession loans. BRCM's core investment thesis is that by targeting public and private companies in the middle market that generate between \$10 million and \$500 million in annual revenues at the time of investment, BRCM will be able to capitalize on the expertise it has developed over a number of years to overcome competition and generate robust returns. BRCM will invest in opportunities that involve targets that have significant asset coverage and/or enterprise values. BRCM will also invest in opportunistic situations and in companies that have defensible long-term business models.

#### Registered Investment Company

Investors in the Registered Investment Company are requested to refer to the governing documents of the Registered Investment Company for more complete information on investment strategies employed and the corresponding risks associated with such investment strategies. While BRCM intends to manage each the Registered Investment Company pursuant to the investment strategy described in the prospectus of the Registered Investment Company, BRCM has wide latitude to act upon any investment strategy or to change any investment strategy to achieve the investment objective of the Registered Investment Company, all without obtaining the consent of investors. Prospective investors should carefully read the prospectus of the Registered Investment Company and consult with their own counsel and advisers as to all matters concerning an investment in the Registered Investment Company.

### ***B. Material Risks Associated With Investment Strategies and Portfolio Investments***

#### Investment Strategy Risks

Acquiring interests in the Funds (including the FOHFs) or the Investment Companies and/or opening an Account with BRCM is intended for sophisticated investors who can accept a high degree of risk in their portfolio, do not need regular current income from their investment with BRCM and can accept a potential loss of their entire investment. Investment risks specific to the investment strategy of each Fund (including each FOHF) are described in the Offering Memorandum of the Fund, investment risks specific to the investment strategy of each Investment Company are described in the Prospectus of the Investment Company and risks specific to any investment strategy employed by BRCM in managing an Account will be explained to the Client prior to the opening of the Account.

#### Investment Strategy Risks for Open-End Private Investment Funds

Such risks may include (but are not limited to) the following:

***Concentration.*** Client accounts may hold a relatively small number of securities. Losses incurred in such securities could have a disproportionate effect on the account's overall financial condition.

**Portfolio Management.** The performance of a Client account depends on the skill of BRCM and its portfolio manager(s) in making appropriate investment decisions.

**Leverage.** The use of leverage by buying securities on margin or use of certain derivatives is a speculative technique that involves special risk considerations. Interest costs on borrowings may fluctuate with changing market rates of interest and may partially offset or exceed the return earned on borrowed funds. Interest on borrowings will be an expense of a Client account and will affect the investment performance of the account. To the extent a Client account is leveraged, the value of its assets will tend to increase more when its portfolio securities increase in value, and to decrease more when its portfolio securities decrease in value, than if its assets were not leveraged.

**Activist Investing.** There can be no assurance that the management of any company in which a Client invests will agree or acquiesce to BRCM's involvement in the affairs of the company, or that the strategies that BRCM hopes to implement will be effective. Portfolio companies may be hostile to BRCM's activities and may respond to BRCM's proposals by litigation or other defensive measures. Such measures may adversely affect the value of a Client's investment and may result in high transaction expenses, particularly if BRCM resorts to measures to protect the value of a Client's investment that involve litigation or shareholder governance activities.

**Short Selling.** Short sales that are not part of a hedging strategy are speculative and involve special risk considerations. Since a short seller in effect profits from a decline in the price of the securities sold short without the need to invest the full purchase price of the securities on the date of the short sale, returns will tend to increase more when the securities sold short decrease in value, and to decrease more when the securities sold short increase in value, than would otherwise be the case if the short seller had not engaged in such short sales. Short sales theoretically involve unlimited loss potential as the market price of securities sold short may continuously increase.

**Portfolio Turnover.** Buying and selling securities generally involves some expense to a Client account, such as commissions and other transaction costs. Generally, the higher an account's portfolio turnover, the greater its brokerage costs and the greater the likelihood that it will realize taxable capital gains. Increased brokerage costs may adversely affect an account's performance. The advisory activities of each Client, absent an express investment restriction, may involve a high level of trading, which would generate substantial transaction costs.

**Highly Volatile Markets.** The prices of investments held by a Client account can be highly volatile. Price movements of forward contracts, futures contracts and other derivative contracts in which BRCM may invest Client assets are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies.

**Hedging Strategies.** Special risks are associated with the use of options, futures contracts and swaps as hedging techniques, including fluctuations in the volatility of the underlying security, fluctuations in prevailing interest rate and a lack of correlation between price movements in the hedging vehicle and in the portfolio securities being hedged which may result in a loss on both the hedged securities and the hedging vehicle. In addition, a decision as to whether, when and how to use a particular hedging strategy involves the exercise of skill and judgment which are different from those needed to select portfolio securities, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior, currency fluctuations or interest rate trends. If BRCM is incorrect in its forecasts relating to a hedge, a Client may be in a worse position than if BRCM had not engaged in the hedging transaction. The potential loss incurred by a Client in swaps, futures and writing options on futures is unlimited. There can be no assurance that a liquid market will exist at a time when BRCM, on behalf of a Client, seeks to close out an option position or futures or swap contract.

**Dependence on Key Personnel.** The success of a Client account will be highly dependent on the expertise and performance of BRCM's senior investment professionals. There can be no assurance that these senior investment professionals will continue to be associated with BRCM or any of its affiliates throughout the life of a Fund or Investment Company or during the term of the investment advisory agreement with an Account Client, as they are under no contractual obligation to remain with the BRCM or any of their affiliates for any specified period of time. The loss of the services of one or more of these individuals could have a material adverse effect on the performance of BRCM as well as the Client accounts.

**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 Client 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.** The investment strategies used to manage accounts may include long-term purchases, short-term purchases, selling securities within thirty days, short sales, margin transactions, and option writing. 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](http://www.optionsclearing.com). The information available on, or that can be accessed through, [www.optionsclearing.com](http://www.optionsclearing.com) is not part of this Form ADV.

**Market Risk.** Stock prices are volatile and are affected by the real or perceived impacts of such factors as economic conditions and political events. The performance of a Client account's investments could be adversely affected by macroeconomic factors, including general economic conditions affecting capital markets and participants therein (such as the obligations on or issuers of the Client's investments). Such macroeconomic factors include (i) the economic downturns and uncertainties affecting economies and capital markets worldwide, (ii) continuing military conflicts, incidents of terrorism and domestic unrest occurring outside the United States and other consequences thereof and similar events, (iii) concerns about financial performance, accounting and other issues relating to various companies and (iv) recent and proposed changes to laws and regulations affecting the financial industry, including those related to banking, credit default swaps and other derivatives, mortgage lending, accounting and reporting standards and other exogenous factors in general.

**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 and consistent with its fiduciary duties, even though 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.

**No Assurance of Investment Return.** BRCM cannot provide assurance that it will be able to choose, make or realize investments for a Client account in any particular company or portfolio of companies. There can be no assurance that a Client account will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the types of companies and transactions described herein. The marketability and value of any such investment will depend upon many factors beyond the control of BRCM. The expenses of a Client account may exceed its income.

**Macroeconomic Factors.** The performance of a Client account's investments could be adversely affected by macroeconomic factors, including general economic conditions affecting capital markets and participants therein (such as the obligations on or issuers of the Client's investments). Such macroeconomic factors include (i) the economic downturns and uncertainties affecting economies and capital markets worldwide, (ii) continuing military conflicts, incidents of terrorism and domestic unrest occurring outside the United States and other consequences thereof and similar events, (iii) concerns about financial performance, accounting and other issues relating to various companies and (iv) recent and proposed changes to laws and regulations affecting the financial industry, including

those related to banking, credit default swaps and other derivatives, mortgage lending, accounting and reporting standards and other exogenous factors in general.

**Foreign Investments.** Investments may be made in non-U.S. securities and other instruments denominated in non-U.S. currencies and/or traded outside of the United States. Such investments require consideration of certain risks not typically associated with investing in United States securities or property. Such risks include unfavorable currency exchange rate developments, restrictions on repatriation of investment income and capital, imposition of exchange control regulation by the United States or foreign governments, confiscatory taxation and economic or political instability in foreign nations. In addition, there may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the United States, and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies.

**Small to Medium Cap Stocks.** Client accounts may have significant investments in smaller-to-medium sized companies with market capitalizations of less than \$1 billion. These securities often involve greater risks than the securities of larger, better-known companies.

**Debt Securities.** Client accounts may invest in unrated or low grade debt securities which are subject to greater risk of loss of principal and interest than higher-rated debt securities. Client accounts may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. Client accounts may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

#### Investment Strategy Risks for Closed-End Private Investment Funds

Such risks may include (but are not limited to) the following:

**Lack of Sufficient Investment Opportunities.** It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. There can be no assurance that a Fund will be able to locate, consummate and exit investments that satisfy a Fund's rate of return objectives or realize upon their values or that it will be able to invest fully its committed capital. However, investors will be required to pay annual management fees during the investment period based on the full amount of their commitments.

**Limitations of Due Diligence.** BRCM's due diligence may not reveal all of an investment's liabilities and may not reveal other weaknesses in its business. There can be no assurance that BRCM's due diligence processes will uncover all relevant facts that would be material to an investment decision. Before making an investment in, or a loan to, a company, BRCM will assess the strength and skills of the company's management and other factors that it believes are material to the performance of the investment.

**Illiquidity; Lack of Current Distributions.** An investment in a Fund should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be disposed at any time, it is not generally expected that this will occur for a number of years after the initial investment. It is unlikely that there will be a public market for the investments held by a Fund at the time of their acquisition. A Fund will generally not be able to sell the securities of portfolio companies publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In addition, in some cases a Fund may be prohibited by contract or regulatory reasons from disposing of certain investments for a period of time. Before any investment is sold, there may be no current return on the investment. Furthermore, the expenses of operating a Fund (including the annual management fee payable to the manager) may exceed its income, thereby requiring that the difference be paid from a Fund's capital.

**Material, Non-Public Information.** By reason of their responsibilities in connection with other activities of BRCM and its affiliates, certain employees of BRCM and its affiliates may acquire confidential or material nonpublic information or be restricted from initiating certain transactions. A Fund will not be free to act upon any such information. Due to these restrictions, a Fund may not be able to initiate a transaction that it otherwise might have initiated.

**Reliance on the Adviser.** Control over the operation of a Fund will be vested entirely with BRCM, and a Fund's profitability will depend largely upon the business and investment acumen of BRCM's principals. The loss of service of one or more of the principals could have an adverse effect on a Fund's ability to realize its investment objectives.

**Reliance on Portfolio Company Management.** The performance of a Fund may depend on the skill of a portfolio company's management team. Although BRCM will be responsible for monitoring the performance of each investment and intends to invest in companies operated by strong management, the day-to-day operations of portfolio companies will be the responsibility of the portfolio companies' management teams.

**Need for Follow-On Investments.** Following its initial investment in a given portfolio company, a Fund may be called upon to provide follow-on funding for a portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that a Fund will make these follow-on investments or that a Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment, may diminish a Fund's ability to influence such portfolio company's future development or may result in a lost opportunity for a Fund to increase its participation in a successful operation.

**Investments in Less Established Companies.** A Fund may invest in smaller, less established or development stage companies. Investments in such companies may involve greater risks than are generally associated with investments in more established companies. Less established and development stage companies tend to have a lower capitalization and fewer resources and, therefore, are often more vulnerable to financial failure. Such companies may also have shorter operating histories on which to judge future performance.

**Risk of Inaccurate Projections.** Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by each company's management. The profitability of a Fund's investment will depend significantly on the accuracy of projections and the degree to which the results set forth in the projections differ from actual results.

**Dilution from Subsequent Closings.** Investors subscribing for interests at subsequent closings will participate in existing investments of a Fund, diluting the interest of existing investors therein. Although later-admitted investors will contribute their *pro rata* share of previously-made capital contributions (plus an additional amount thereon), there can be no assurance that this payment will reflect the fair value of the Fund's existing investments at the time such additional investors subscribe for interests.

#### Special Investment Strategy Risks for Open-End Private Investment Funds

Such risks may include (but are not limited to) the following:

**Restrictions on Transfers and Withdrawals – The Lock-Up Period.** An investment in a Fund provides limited liquidity since the interests in the Fund are not freely transferable and investors have limited rights of withdrawal. In particular, capital contributions may be subject to a one (1) year lock-up period or longer. An investment in a Fund is suitable only for sophisticated investors who have no need for more immediate liquidity in this investment.

**Restrictions on Transfers and Withdrawals – Suspension of Withdrawals.** The right of any investor to withdraw monies from a Fund is subject to (i) the provision by the Fund's general partner for (a) Fund liabilities in accordance with GAAP and (b) reserves for contingencies; and (ii) if the Fund is a FOHF, the limitation on or suspension of the FOHF's ability to withdraw capital from the Portfolio Funds. In addition, the general partner of a Fund may, in its

sole discretion during the existence of any state of affairs that, in its opinion, make the determination that the price, value or disposition of the Fund's investments is impractical or prejudicial to the non-withdrawing investors.

***Business and Regulatory Risks of Investment Funds.*** Legal, tax and regulatory changes could occur during the term of a Fund (including a FOHF) that may adversely affect the Fund, the general partner of a Fund and/or the Portfolio Funds, as applicable. The regulatory environment for private investment fund, including hedge funds and hedge fund of funds, is evolving, and changes in the regulation of these funds may adversely affect the value of investments held by the Fund and/or Portfolio Funds. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on a Fund could be substantial and adverse.

**An investment in a Fund is speculative, and prospective investors should be aware that an investment in a Fund involves a high degree of risk. Accordingly, prospective investors should carefully consider the risk factors in this Brochure and the information in a Fund's offering documents. The foregoing summary does not purport to be a complete explanation of the terms, conditions and corresponding risks associated with an investment in a Fund, and is qualified in its entirety by a Fund's offering documents and related offering materials referenced therein. Prospective investors should read all of a Fund's offering documents relating to investing with BRCM.**

#### Special Investment Strategy Risks for FOHFs

Such risks may include (but are not limited to) the following:

***Conflicts of Interests in Allocating to Portfolio Funds.*** BRCM will determine the allocation of assets to the Portfolio Funds on whatever basis it deems appropriate. Such allocations may be made to Portfolio Funds with which BRCM, or its affiliated entities, has other business dealings and may create either an incentive or a disincentive for BRCM to reduce or eliminate the allocation to such Portfolio Fund.

***Investments in Portfolio Funds.*** Investing in a FOHF presents certain risks that are not present in a direct investment in a Portfolio Fund or similar hedge fund including, but not limited to, multiple layers of expenses and fees, the lack of control over the Portfolio Funds by the general partner of the FOHF, the FOHF's reliance on the managers of Portfolio Funds for the FOHF's calculation of net asset value, the possibility of total failure of a Portfolio Fund, and the possibility of the suspension of an investor's right to withdraw from the FOHF as a result of a Portfolio Fund's suspension of its investor's right to withdraw therefrom. These and other risks of FOHF investing are discussed in more detail below and in the applicable FOHF's Offering Memorandum.

***Historical Performance of Portfolio Funds.*** The governing documents of a FOHF may provide that the FOHF's investors may receive information regarding the nature and identity of Portfolio Funds. Prospective investors are advised that the historical performance, if any, of any Portfolio Fund is not indicative of the future performance of those Portfolio Funds or the FOHF, nor may such historical performance be considered as a prediction or projection of the potential or future performance of the FOHF. Past performance is not an indicator of future results. The historical performance of the Portfolio Funds may not be considered as a substitute for the FOHF's and BRCM's lack of performance and operating history. Investing in a FOHF entails certain unique risks that must also be considered before investing. No assurance can be given that a FOHF will be successful in obtaining suitable Portfolio Fund investments or that, if the allocations to Portfolio Funds are made, the objectives of the FOHF will be achieved. Investors in a FOHF are advised that investing in securities involves risk of loss that investors should be prepared to bear.

***Failure of a Portfolio Fund.*** Although BRCM will carefully select the Portfolio Funds, it is possible a FOHF could lose all or a portion of its investment in a particular Portfolio Fund because of financial irregularities or trading losses. There are no requirements as to concentration or diversification imposed on BRCM with respect to the allocation of assets between and among Portfolio Funds, although a FOHF may intend to invest in a relatively

diverse portfolio of Portfolio Funds. No assurance can be given that the failure of one or more Portfolio Funds will not have a material adverse effect on a FOHF's overall performance.

***Multiple Layers of Fees and Expenses.*** The management fee payable to BRCM will be in addition to the amounts indirectly payable by a FOHF as a limited partner to the Portfolio Fund Managers of the Portfolio Funds for fees, expense reimbursements and carried interests (*i.e.*, incentive allocations) with respect to such Portfolio Funds. Because of these multiple layers of expenses, a higher gross return will be required to be earned on the individual investment strategies being employed than an investor would need to realize if such allocations were undertaken on their own in order to achieve an equivalent return. A FOHF will be subject to management and performance-based allocations by its Portfolio Funds even if the FOHF's overall returns are negative.

***Lack of Management Control Over the Portfolio Funds.*** BRCM will not have the right to participate in the management, control or operation of the Portfolio Funds or to remove the Portfolio Fund Managers thereof. In addition, a FOHF may have limited opportunities to evaluate the relevant economic, financial and other information that will be utilized by the Portfolio Funds in their selection, structuring, monitoring and disposition of investments. BRCM's lack of control may also limit its ability to ensure that a Portfolio Fund Manager remains focused and consistent with its stated investment strategy. As a result, BRCM will be unable to prevent, restrict or control a Portfolio Fund Manager's deviation from the Portfolio Fund's investment strategy or "*style drift*" and any losses resulting therefrom. The lack of control experienced by BRCM could result in substantial losses that might otherwise be avoidable at the Portfolio Fund level which, in turn, could have a material adverse impact on the performance of a FOHF.

***Emerging Manager Risk.*** A FOHF's investment program may be focused on allocating FOHF capital to a select group of new or emerging Portfolio Fund Managers. BRCM may allocate to a new or emerging manager with little or no prior history of performance or experience in managing a fund. Certain Portfolio Funds may have a limited operating history on which BRCM can evaluate the potential performance of the Portfolio Fund. Further, due to lack of experience, new and emerging Portfolio Fund Managers may be more likely to deviate from the Portfolio Fund's stated investment strategy or be unable to accurately or adequately evaluate and manage the risks associated therewith. There can be no assurance that BRCM will be able to successfully identify emerging Portfolio Fund Managers that will be appropriate for a FOHF's investment strategy and objective or that will be able to achieve or sustain profitability.

***Risk Management Control Issues.*** Portfolio Fund Managers may use proprietary investment strategies that are not fully disclosed to BRCM. These strategies may involve risks under certain market conditions that have not been anticipated by BRCM. A FOHF's inability to control the frequency, quantity or quality of information obtained from Portfolio Funds regarding their investment portfolios may make it difficult or impossible for BRCM to implement its risk management strategies as intended. There can be no assurance or guarantee that a FOHF will be profitable even if BRCM is able to implement its risk management strategies as intended.

***Withdrawal of Fund Capital from Portfolio Funds.*** A FOHF will likely be subject to significant withdrawal restrictions imposed by each of its Portfolio Funds. As a result, investors in a FOHF will also be subject to significant withdrawal restrictions imposed by BRCM as a direct result of the FOHF's inability to withdraw capital from the Portfolio Funds and/or the restrictions imposed by such Portfolio Funds. Therefore, in certain circumstances, BRCM may not be permitted to withdraw invested FOHF assets from a particular Portfolio Fund at a time which would be most advantageous to the FOHF or at a time in which withdrawals are permitted under the terms of the FOHF's LPA. In this regard, BRCM has the right to suspend in whole or in part, certain withdrawal rights of the investors to the extent the FOHF is unable to obtain liquidity from its investments in one or more of the Portfolio Funds. Restrictions on withdrawals at the level of the individual Portfolio Funds could have a material adverse effect on a FOHF, as well as the ability of investors to liquidate their investments in the FOHF during permitted withdrawal periods.

***Calculation of Net Asset Value.*** BRCM's ability to assess the accuracy of the valuation of a FOHF's portfolio of Portfolio Funds is limited because the FOHF will not always have access to current information regarding the composition of the Portfolio Funds' portfolios. The net asset values received by BRCM from the Portfolio Funds will typically be estimates only, subject to revision through the end of the annual audit for such Portfolio Funds. In addition, should a Portfolio Fund suspend withdrawals, allocate to a side pocket or otherwise suspend or delay

calculation of its net asset value for any reason, a FOHF will be unable to calculate its own net asset value. Any such occurrence may cause delays in the filing of the FOHF's and the investors' tax returns. Revisions to a FOHF's gain and loss calculations will be an ongoing process, and no net capital appreciation or depreciation figure can be considered final until the FOHF's annual audit is completed.

***The FOHFs and certain Portfolio Funds Are Not Registered Under the Investment Company Act of 1940.*** Neither the FOHFs nor certain Portfolio Funds selected by BRCM are registered under the Investment Company Act and thus are (i) different in many ways from open-end investment companies ("***Mutual Funds***") so registered and (ii) not subject to the provisions of the Investment Company Act designed for investor protection.

***Turnover.*** Portfolio Funds may invest on the basis of certain short-term market considerations. The turnover rate within the Portfolio Funds could be significant, potentially involving substantial brokerage commissions, fees and other transaction costs. A FOHF has no control over this turnover. In addition, the withdrawal of a FOHF from a Portfolio Fund could also involve expense to the FOHF under the terms of the FOHF's subscription with the Portfolio Fund. Frequent trading of securities by a Portfolio Fund Manager can negatively impact the investment performance of a Portfolio Fund, and therefore, as a result, the investment performance of the FOHF, particularly through increased brokerage commissions and other transaction costs and taxes.

***Portfolio Fund Manager Misconduct or Bad Judgment.*** It will be difficult, and likely impossible, for a FOHF's general partner to protect the FOHF from the risk of Portfolio Fund Manager fraud, misrepresentation or material strategy alteration. The Portfolio Funds generally are private and have not registered their securities or investment adviser operations under federal or State laws.

***Dependence on Key Principals of Portfolio Fund Managers.*** Some of the Portfolio Fund Managers to whom a FOHF may allocate capital may consist of only one or a limited number of principals. If the services of any of such principals became unavailable, the FOHF might sustain losses.

***Trading Strategies May Not Be Successful.*** There can be no assurance that any of the trading strategies used by the Portfolio Funds in which a FOHF is invested will produce profitable results, and the past performance of the business ventures or investment funds managed by affiliates of BRCM, the Portfolio Funds and the Portfolio Fund Managers into which a FOHF will invest are not indicative of the future profitability of the FOHF or the Portfolio Funds. Profitable investing is often dependent on anticipating trends or trading patterns. In addition, markets experiencing random price fluctuations, rather than defined trends or patterns, may generate a series of losing trades. There have been periods in the past when the markets have been subject to limited and ill-defined price movements, and such periods may recur. Any factor that may lessen major price trends (such as governmental controls affecting the markets) may reduce the prospect for future trading profitability. Any factor which would make it difficult to execute trades, such as reduced liquidity or extreme market developments resulting in prices moving the maximum amount allowed in a single day could also be detrimental to profits or cause losses. Increases in margin levels on securities may occur in the future. Such increased margin and other potential regulatory changes may adversely impact the trading strategies. No assurance can be given that the trading techniques and strategies employed by the Portfolio Fund Managers will be profitable in the future or will be able to avoid incurring substantial losses.

***Risk of Litigation.*** The Portfolio Fund Managers selected by a FOHF might become involved in litigation as a result of investments made by Portfolio Funds. Under such circumstances, the FOHF could be named as a defendant in a lawsuit (including but not limited to claw-back actions) or regulatory action.

***Misuse of Confidential Information.*** In trading public securities, there are consequences for trading on insider information, and the BRCM expects that Portfolio Fund Managers will use only public information. Portfolio Fund Managers may be charged with misuse of confidential information. If that were the case, the performance records of these Portfolio Fund Managers could be misleading. Furthermore, if a Portfolio Fund Manager or entity with which a FOHF invests has engaged in the past or engages in the future in such misuse, the FOHF could be exposed to losses, fines, and penalties.

***Other Clients of the Portfolio Fund Managers.*** The Portfolio Fund Managers utilized by a FOHF have responsibility for investing the funds allocated to them. The Portfolio Fund Managers also manage other accounts (including other accounts in which the Portfolio Fund Managers may have an interest) and may have financial and

other incentives to favor such accounts over the Portfolio Fund in which the FOHF is an investor. When investing on behalf of other clients, as well as the Portfolio Fund, Portfolio Fund Managers must allocate their resources, as well as limited market opportunities. Doing so not only could increase the level of competition for the same trades the Portfolio Fund might otherwise make, including the priorities of order entry, but also could make it difficult or impossible to take or liquidate a particular position at a price indicated by a Portfolio Fund Manager's strategy.

***Availability of Portfolio Funds.*** A number of the Portfolio Funds in which a FOHF may seek to invest may significantly limit investor access due to investor demand exceeding Portfolio Fund size or capacity, or for other reasons. These Portfolio Funds may include funds which may be included in other investment products or accounts managed by BRCM. There can be no assurance that a FOHF will be permitted to invest, or to invest as much as BRCM would otherwise recommend, in each Portfolio Fund in which it may seek to invest, and any such failure to gain admittance to, or to be permitted to invest as much as BRCM would recommend in, one or more such Portfolio Funds could adversely affect the investment performance of the FOHF. Although BRCM may obtain an agreement from a Portfolio Fund Manager to keep a certain amount of "*capacity*" available to BRCM, BRCM may not be able to make all of that capacity available to a FOHF.

***Changes in Allocations.*** BRCM expects from time to time to change the percentage of a FOHF's assets allocated to each Portfolio Fund, as well as to terminate and retain new Portfolio Fund Managers from time to time. These changes will be made in BRCM's discretion. A FOHF's success will depend on BRCM's ability to identify and allocate the FOHF's assets among new and existing Portfolio Funds.

***Valuations.*** BRCM will be required to rely on the Portfolio Fund Managers' valuations of a FOHF's investments in their respective Portfolio Funds. Portfolio Fund Managers, from time to time, revise their valuations and valuation methods, sometimes materially. Investments for which market quotations are not available will be valued by BRCM at such values as it may reasonably determine and may not be independently valued or verified by a third party. Such valuations may affect the amount of the management fees paid to BRCM.

***Withdrawal Date Valuation of Portfolio Funds Without Corresponding Withdrawal Rights.*** When interests in a FOHF are withdrawn, the withdrawal value will reflect, among other things, the net asset values of the FOHF's investments in Portfolio Funds as of the withdrawal date. However, certain Portfolio Funds may not permit the FOHF itself to make the same withdrawals as investors in the FOHF may make from the FOHF. The FOHF will bear the risk of any declines, as well as have the profit potential of any increases, in the net asset value of its existing investments in such Portfolio Funds from the date as of which a withdrawing investor's capital account is valued until the FOHF is itself able to withdraw capital from such Portfolio Funds to reflect such withdrawal.

#### Special Investment Strategy Risks for Closed-End Private Investment Funds

Such risks may include (but are not limited to) the following:

***Risk of Private Debt Investments.*** Debt instruments are subject to credit and interest rate risks. Credit risk refers to the likelihood that an obligor will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an obligor are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument and securities and other debt instruments which are rated by rating agencies are often reviewed and may be subject to downgrade. Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) or directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

***Debt Obligations - Assignments and Participations.*** A Fund may occasionally acquire and hold interests in loans either directly (by purchase from the issuer or by assignment) or indirectly (by way of participation). Holders of participation interests are subject to additional risks not applicable to a holder of a direct interest in a loan. The

purchaser of an assignment of a loan obligation typically succeeds to all the rights and obligations of the selling institution and becomes a lender under the loan or credit agreement with respect to the loan obligation. As a purchaser of an assignment, the Fund generally will have the same voting rights as other lenders under the applicable loan agreement. Assignments are, however, arranged through private negotiations between assignees and assignors, and in certain cases the rights and obligations acquired by the purchaser of an assignment may differ from, and be more limited than, those held by the assigning selling institution.

**Priority of Debt Instruments and Loans.** A Fund may invest in secured debt issued by companies that have or may incur additional debt that is senior to the secured debt owned by the Fund. In the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of any such company, the owners of senior secured debt (*i.e.*, the owners of first priority liens) generally will be entitled to receive proceeds from any realization of the secured collateral until they have been reimbursed. At such time, the owners of junior secured debt (including, in certain circumstances, a Fund) will be entitled to receive proceeds from the realization of the collateral securing such debt. There can be no assurances that the proceeds, if any, from the sale of such collateral would be sufficient to satisfy the loan obligations secured by subordinate debt instruments. To the extent that a Fund owns secured debt that is junior to other secured debt, the Fund may lose the value of its entire investment in such secured debt.

**Default Risk.** It is possible that the issuer of a note or other instrument in which the Partnership invests may default on its debts in which case the Partnership may lose most or all of its investment in that instrument, thus subjecting the Partnership to significant loss. A significant downturn in the economy or a particular economic sector could have a significant impact on the business prospects of the companies with respect to which the Partnership is holding loans. Such adverse developments may adversely affect the ability of such borrowers to comply with their loan repayment obligations, as well as the ability of the Partnership's subsidiaries to obtain leverage at desired levels, cost or terms.

#### Special Investment Strategy Risks for the Registered Investment Company

Such risks may include (but are not limited to) the following:

**Risks of Investing in Common Stocks.** Overall stock market risks may affect the value of Registered Investment Company. Factors such as domestic economic growth and market conditions, interest rate levels, and political events affect the securities markets. When the value of the Equity Fund's investments goes down, your investment in the Equity Fund decreases in value and you could lose money.

**Risks of Investment Selection and Asset Allocation.** The Equity Fund's ability to achieve its investment objective is dependent on the Adviser's ability to identify profitable investment opportunities for the Equity Fund. Additionally, the Equity Fund is subject to the risk that the Adviser may allocate the Equity Fund's assets to sectors or securities selected by the Research Group as "Buy" securities that do not perform as well as other sectors or securities.

**Sector Risk.** Sector risk is the possibility that all stocks within the same group of industries will decline in price due to sector-specific, market, or economic developments. The Equity Fund may be overweight in certain sector or sectors at various times.

**Rebalancing Risk.** Rebalancing activities, while undertaken to maintain the Equity Fund's investment risk-to-reward ratio, may cause the Equity Fund to underperform other funds with similar investment objectives.

**Risks of Small and Mid Capitalization Companies.** The Equity Fund may invest in the securities of mid, small or micro capitalization companies, which may subject the Equity Fund to additional risks. The earnings and prospects of these companies are more volatile than larger companies. These companies may have limited product lines and markets, more volatile market prices, less capital, a shorter history of operations, less experienced management, and may experience higher failure rates than do larger companies. The earnings and prospects of smaller companies are more volatile than larger companies, and smaller companies may experience higher failure rates than do larger companies. Additionally, the trading volume of securities of such companies is normally less than that of larger companies and, therefore, may disproportionately affect their market price, tending to make prices fall more in response to selling pressure than is the case with larger companies.

**Portfolio Turnover Risk.** The Equity Fund's investment strategy involves active trading and will result in a high portfolio turnover rate. A high portfolio turnover can result in correspondingly greater brokerage commission expenses. A high portfolio turnover may result in the distribution to shareholders of additional capital gains for tax purposes, some of which may be taxable at ordinary income rates. These factors may negatively affect performance.

**Focus Risk.** While the Equity Fund is diversified for purposes of the Investment Company Act of 1940, the Equity Fund may, at times, hold the securities of a small number of issuers. At such times where the Equity Fund may hold the securities of fewer issuers, the performance of these issuers could have a substantial impact on the Equity Fund's performance.

**C. Limited History of Operations Risk.** *The Equity Fund was recently formed in February 2014. Accordingly, investors in the Equity Fund bear the risk that the Equity Fund may not be successful in implementing its investment strategy, may not employ a successful investment strategy, or may fail to attract sufficient assets to realize economies of scale, any of which could result in the Fund being liquidated at any time without shareholder approval and at a time that may not be favorable for all shareholders. Such liquidation could have negative tax consequences.***Portfolio Investment Risks**

Except with respect to FOHFs, BRCM generally provides investment advice to Clients on a wide variety of U.S. and foreign investment products, but does not invest in any particular type of investment product (absent an express investment guideline in a Fund's Offering Memorandum, an Investment Company's Prospectus or an investment advisory agreement with an Account Client). Risks specific to the types of investments that a Client may hold in its portfolio may include (but are not limited to):

**Equity Securities.** By investing in stocks, BRCM may expose a Client account to a sudden decline in the share price or to an overall decline in the stock market. The value of investments held in a Client account will fluctuate daily and cyclically based on changes in the issuer's financial condition and prospects and on overall market and economic conditions.

**Fixed Income Securities.** The prices of fixed income securities respond to economic developments, particularly interest rate changes, as well as to perceptions of an issuer's creditworthiness. Generally, fixed income securities decrease in value if interest rates rise and increase in value if interest rates fall, with lower rated securities more volatile than higher rated securities. The duration of these securities affects risk as well, with longer term securities generally more volatile than shorter term securities.

**Small-Cap Companies.** Investments in small-cap companies may involve greater risks than investments in larger, more established companies, such as limited product lines, distribution channels and financial and managerial resources. The securities of small-cap companies may have greater price volatility and less liquidity than the securities of larger capitalized companies, and may be more difficult to value.

**Preferred Securities.** Preferred securities offers a stated dividend rate payable from a corporation's earning, which may be cumulative or non-cumulative, participating, or auction rate. If interest rates rise, the fixed dividend on preferred securities may be less attractive, causing the prices to decline. Preferred securities may have mandatory sinking fund provisions and call/redemption provisions prior to maturity, a negative feature when interest rates decline. Preferred securities are generally subordinate to the rights associated with an issuer's debt securities in terms of priority to corporate income and liquidation payments, and therefore are subject to greater credit risk than more senior debt instruments. Preferred securities may be substantially less liquid than many other securities.

**Convertible Securities.** Like other fixed income securities, the market value of a convertible debt security tends to vary inversely with the level of interest rates. A convertible security may be subject to redemption at the option of the issuer at a price established in the instrument governing the convertible security. If a convertible security held by a Client is called for redemption, the Client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party.

**Foreign Securities.** Foreign investments tend to be more volatile than U.S. securities, and are subject to risks that are not typically associated with U.S. securities. For example, such investments may be adversely affected by

changes in currency rates and exchange control regulations, unfavorable political, social and economic developments and the possibility of seizure or nationalization of companies or imposition of withholding taxes on income. Moreover, less information may be publicly available concerning certain foreign issuers than is available concerning U.S. companies. Foreign markets tend to be more volatile than the U.S. market due to economic and political instability, social unrest and regulatory conditions in some countries.

***Exchange-Traded Funds (“ETFs”).*** The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile and ETFs have management fees that increase their costs. ETFs are also subject to other risks, including the risk that their prices may not correlate perfectly with changes in the underlying index, and the risk of possible trading halts. A sector ETF may also be adversely affected by the performance of that specific sector or group of industries on which it is based. To the extent a Client invests in leveraged ETFs, the value of a leveraged ETF will tend to increase more when it’s underlying index increases in value, and to decrease more when it’s underlying index decreases in value, than if the ETF was not leveraged.

***Swap Agreements.*** BRCM may enter into equity, debt, interest rate, index, currency rate, total return and other types of swap agreements on behalf of a Client. Depending on their structure, swap agreements may increase or decrease a Client’s exposure to long-term or short-term interest rates (in the United States or abroad), foreign currency values, mortgage securities, corporate borrowing rates, or other factors such as security prices, baskets of securities, or inflation rates. In addition, if counterparty’s creditworthiness declines, the value of a swap agreement would be likely to decline, potentially resulting in losses.

***Emerging Market Securities.*** Many of the risks with respect to foreign investments are more pronounced for investments in developing or emerging market countries, which include several countries in Asia, Latin America, Eastern Europe, Africa, and the Middle East. The economies of many of these countries depend heavily upon international trade and are therefore significantly affected by protective trade barriers and economic conditions of their trading partners. Many of these countries may also have government exchange controls, currencies with no recognizable market value relative to the established currencies of developed market economies, little or no experience in trading in securities, no financial reporting standards, a lack of banking or securities infrastructure, and a legal tradition which does not recognize rights in private property.

***High Yield Bonds.*** Fixed income securities that are below investment grade or unrated involve greater risks of default and are more volatile than investment grade securities. High yield bonds involve a greater risk of price declines than investment grade securities due to actual or perceived changes in an issuer’s creditworthiness. In addition, issuers of high yield bonds may be more susceptible than other issuers to economic downturns, which may result in a weakened capacity of the issuer to make principal or interest payments. High yield bonds are subject to a greater risk that the issuer may not be able to pay interest or dividends and ultimately to repay principal upon maturity.

***Derivatives.*** Derivatives involve the risks separate from the risks of the underlying instrument, including improper valuation and ambiguous documentation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying instrument. Derivatives are also subject to other risks, such as the risk of an illiquid secondary market which may result in significant, rapid, and unpredictable changes in the prices for such derivatives, risks relating to the financial soundness and credit worthiness of the counterparty, and the risk of the failure of any of the exchanges on which a Client account’s positions trade or of their clearinghouses. The use of a derivative is speculative if BRCM is primarily seeking to enhance returns, rather than offset the risk of other positions. When BRCM invests Client assets in derivatives for speculative purposes, the Client account will be fully exposed to the risks of loss of that derivative, which may sometimes be greater than the cost of the derivative.

***Illiquid Investments.*** Investments in private companies or securities that are thinly traded or subject to transfer restrictions generally will be difficult or impossible to sell at prices comparable to the market prices of similar securities that are publicly traded. No assurance can be given that any illiquid investment will be ever eligible to be traded on a public market. It is highly speculative as to whether and when an illiquid investment will be able to be liquidated.

***Investments in Financially Distressed Companies.*** Investing in assets or liabilities of companies that are, or appear to be, in financial distress or emerging from financial distress, including companies that have undergone, are undergoing or are likely to undergo major restructurings or bankruptcy reorganizations involves a high degree of risk. At times there is very limited liquidity in such securities. Realization of capital appreciation may depend on the successful implementation of reorganization plans and such an investment will also involve a high degree of “control risk.” Generally, BRCM will not be in a position to control the pace or outcome of any restructurings or reorganization. Discretionary bankruptcy classifications, limitations on trading in claims, litigation, delays and other unpredictable events may significantly reduce the value of an investment regardless of BRCM’s accuracy as to the underlying value of the enterprise. Litigating any lawsuit or serving on equity or creditors’ committees may be costly, consume significant time and attention and can also restrict the Client account from trading securities or claims related to the insolvency or impose additional duties on BRCM.

***Commodities.*** A Client account’s exposure to commodities markets may subject the account to greater volatility than investments in traditional securities. The value of commodity-related instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or risks affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments.

***Real Estate-Related Investments.*** Because BRCM may invest a portion of Client assets directly or indirectly in companies principally engaged in the real estate industry and other real estate-related investments, an account’s performance may be linked to the performance of the real estate markets. Property values may fall due to increasing vacancies or declining rents resulting from economic, legal, cultural or technological developments. Real estate companies are subject to legislative or regulatory changes, adverse market conditions and increased competition. The general performance of the real estate industry has historically been cyclical and particularly sensitive to economic downturns. Changes in prevailing real estate values, interest rates and changing demographics may affect the value of securities of issuers in the real estate industry.

Not all possible risks are described above. The foregoing summary does not purport to be a complete explanation of the terms and conditions associated with an investment with BRCM. Prospective investors should read all of the relevant offering documents, including all agreements referenced therein or attached thereto and any other such agreements related to investing with BRCM for more complete information on the investment strategies employed and the corresponding risks associated with such investment strategies.

INVESTORS IN A FUND SHOULD BE AWARE THAT THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL RISKS INVOLVED IN CONNECTION WITH AN INVESTMENT IN THE FUND OR A FOHF’S INVESTMENTS IN THE PORTFOLIO FUNDS. PROSPECTIVE INVESTORS SHOULD READ A FUND’S OFFERING DOCUMENTS, CONSULT WITH THEIR OWN LEGAL, TAX, ACCOUNTING, COMPLIANCE AND INVESTMENT ADVISERS AND SIMULTANEOUSLY CONDUCT THEIR OWN INDEPENDENT DUE DILIGENCE INVESTIGATION AND ANALYSIS REGARDING THE FUND, BRCM, THE PRINCIPALS OF BRCM, AND THE PORTFOLIO FUNDS BEFORE DETERMINING TO INVEST IN THE FUND.

**Item 9. Disciplinary Information**

- A. None.
- B. None.
- C. 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.
  - 1. None.
  - 2. 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 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.

## **Item 10. 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 BRC Emerging Managers Fund of Funds, LP, BRC Partners Opportunity Fund, L.P., MKCA Opportunity Fund, LLC, Great American Capital Partners, LLC ("**GACP**"), which is the general partner to GACP I, L.P., all private investment funds 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, and B. Riley Capital Markets, LLC, a holding company that owns B. Riley, and therefore has the ability to influence the management and operation of all of the above mentioned entities.

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, 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 and to act as placement agent in connection with the sale and distribution of interests in the funds, and to utilize B. Riley's research reports which are generally published on a regular basis.

As indicated above some of BRCM's PMs are registered representatives of B. Riley. These affiliations, and associated conflicts of interest, are described throughout this brochure.

Subject always to BRCM's duty and policy to obtain the best execution of its Clients' transactions, BRCM intends to direct substantially all of the Clients' brokerage transactions to B. Riley. Further, B. Riley may make a market in the securities in which BRCM recommends one or more of its Clients should invest. In executing trades for a Client, B. Riley may charge the Client customary brokerage commissions or markups, fees and expenses in connection with the transaction. Consequently, B. Riley will share in a portion of the revenues normally and customarily generated by a broker-dealer from the securities transactions of the Clients. In relation to these activities, certain employees of BRCM are registered representatives of B. Riley. Although Clients may have accounts that trade at B. Riley, registered representatives that are also employees of BRCM may receive payment related to the execution of those trades.

BRCM has no obligation to effect any particular volume of transactions through B. Riley and BRCM must establish that the use of B. Riley is appropriate. In all cases in which portfolio securities transactions are directed to B. Riley (or to any other broker), BRCM will determine in good faith that the brokerage commissions or markups, fees and expenses charged in connection with such transactions are reasonable in relation to the value of the brokerage, research and other services provided by that broker, viewed in terms of either the specific transaction or BRCM's overall responsibilities to its Clients. BRCM expects that any brokerage commissions paid to B. Riley are among the lowest available consistent with best execution; however, BRCM is not required to select the broker or dealer that charges the lowest transaction cost in connection with executing trades for a Client. B. Riley has advised BRCM that such rates are the same, or lower, than those that it charges its other Clients for similar services.

BRCM intends to utilize B. Riley as placement agent for one or more Funds and interests in the Funds may be recommended to BRCM's other Clients. In connection with B. Riley's role as placement agent to a Fund, B. Riley's registered representatives may be paid a commission or finder fees by BRCM out of BRCM's fees earned advising the Fund and/or other Clients. In addition to the Funds, B. Riley will refer related limited partnerships or limited liability companies sponsored/managed by BRCM to potential investors, and, as a result, may receive a portion of the administrative or management fees paid to BRCM. Additional information on referral arrangements with B. Riley and its other affiliates is in "*Item 14 Client Referrals and Other Compensation.*"

B. Riley, BRCM and the IARs of BRCM, as well as BRCM's other affiliates use or will use B. Riley's proprietary research, asset allocation and manager search information provided by BRCM. Information on these services is in

*“Item 4 Advisory Business.”* Research products or services provided to BRCM and/or its Clients by B. Riley may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities and other products or services (e.g., quotation equipment and computer-related costs and expenses) providing information to BRCM which enhances its investment decision-making performance. All investment advisory arrangements with related parties are conducted on an arm’s length basis so as to neither advantage nor disadvantage other Clients or BRCM’s related parties. In addition, BRCM and/or its Clients will receive copies of research products and/or services from B. Riley at the same time as B. Riley provides copies of such research products and/or services to other Clients. BRCM and/or its Clients will not be given preferential access to such research products and/or services by B. Riley.

BRCM may recommend that certain Clients invest in securities of issuers with which B. Riley has an investment banking relationship or seeks to do business. Accordingly, B. Riley and/or its affiliates may receive compensation for investment banking services or other similar services from the issuers of securities in which BRCM recommends that one or more its Clients should invest. Therefore, BRCM could also have an incentive to recommend Clients invest in securities of issuers based on B. Riley’s investment banking relationship with such issuers. BRCM will not recommend that a Client invest in the securities of an issuer with which B. Riley has an investment banking relationship or seeks to do business unless BRCM has determined that such recommendation is in the best interests of the Client.

BRCM may recommend that a FOHF Client invest in a Portfolio Fund or with a Portfolio Fund Manager that is a brokerage client of B. Riley, in which case B. Riley and/or its affiliates will receive commissions from such Portfolio Fund or Portfolio Fund Manager. Therefore, BRCM could also have an incentive to recommend that FOHF Clients invest in Portfolio Funds or with Portfolio Fund Managers based on B. Riley’s brokerage relationship with such Portfolio Funds or Portfolio Fund Managers. However, there is no obligation or requirement that the Portfolio Funds or Portfolio Fund Managers trade through B. Riley and there will be no expectation that a Portfolio Fund or a Portfolio Fund Manager trade through B. Riley as a result of BRCM recommending that a FOHF Client invest in such Portfolio Fund or with such a Portfolio Fund Manager. BRCM will not recommend that a FOHF Client invest in a Portfolio Fund or with a Portfolio Fund Manager with which B. Riley has a brokerage relationship unless BRCM has determined that such recommendation is in the best interests of the FOHF Client.

BRCM may recommend that a Client invest in another Client. For example, BRCM may recommend that a FOHF Client invest in a Fund. When assets of a Client are invested in another Client, the investing Client will not pay any additional investment management fees in connection with such investment.

B. Riley has implemented procedures designed to address the foregoing conflicts of interest which include extensive written policies and protocols to ensure that all professionals and related persons within the firm are fully informed of the current regulations and that appropriate controls are in effect to address these conflicts and ensure compliance with all laws, rules and regulations related to the management of such conflicts of interest and the operation of its broker-dealer and asset management divisions.

ALL INVESTMENT ADVISORY AGREEMENTS ENTERED INTO BY BRCM WITH A CLIENT WILL BE EITHER PRECEDED THE PROVISION OF WRITTEN DISCLOSURES TO THE CLIENT REGARDING ANY MATERIAL CONFLICTS OF INTEREST RELATED TO BRCM, ITS REPRESENTATIVES, AND EMPLOYEES OR INCLUDE WRITTEN DISCLOSURES TO THE CLIENT REGARDING ANY MATERIAL CONFLICTS OF INTEREST RELATED TO BRCM, ITS REPRESENTATIVES, AND EMPLOYEES.

#### ***A. Current or Pending Registration as a Broker-Dealer***

Certain management personnel and employees of BRCM are registered representatives of B. Riley. 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.

Mark Klein, an IAR 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 and is also a registered

representative of B. Riley. 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 publicly traded fund focused on business development, and of Atlantic Alliance Corp., a special purpose acquisition vehicle 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 Wrap Accounts or separately managed accounts and/or the Consulting Clients to the extent that his involvement in investment-banking or other matters pertains to issuers in which any of the Accounts may invest.

***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. However, BRCM has claimed an exemption from registration as a commodity pool operator with respect to one or more Funds.

***C. Material Relationships related to the Advisory Business***

Bryant R. Riley is the Chairman of BRF, which indirectly owns B. Riley and which owns BRCM. BRCM is an investment adviser registered with the SEC that serves as the manager and investment adviser to one or more private investment funds. B. Riley is an affiliate of BRCM.

Investors in a Fund must understand that one or more Funds were formed as an investment product to be managed by BRCM, and that BRCM does not intend to cause any Fund to terminate its investment management relationship with BRCM absent BRCM's liquidation or bankruptcy. However, BRCM has a fiduciary duty to act in the best interest of each Fund that it manages, and investors in each Fund have the right to withdraw from the Fund at any time subject to any notice requirement, lock-up period or other withdrawal limitations described in the Fund's Offering Memorandum. BRCM may from time to time enter into a side letter agreement with one or more investors in a Fund which may, among other terms, provide for (i) withdrawal rights that are more favorable than the rights granted to all other Fund investors, (ii) a reduced management fee and/or performance-based compensation, or (iii) greater or more frequent transparency with respect to the Fund.

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 operation and portfolio management, and will 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.

Principals, officers and employees of BRCM ("***Covered Persons***"), members of their families and related persons of BRCM may invest, directly or indirectly, in a Fund, and may receive preferential fee terms in connection with such investments. BRCM may recommend to Clients the purchase or sale of securities in which it, or a Covered Person or related person thereof, has a financial interest. In addition, BRCM permits its Covered Persons to engage in personal securities transactions, subject to compliance with BRCM's Code of Ethics. For a general discussion of how resulting conflicts of interest are addressed, see discussion under "*Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*" below.

As discussed in Items 4 and 7 of this ADV, BRCM serves as the investment manager to the Funds and to certain Account Clients and provides consulting services to Consulting Clients. We do not believe that contemporaneous management of the Funds and the assets of Account Clients and the consulting services provided to Consulting Clients causes a conflict because their respective strategies and or portfolio holdings are

sufficiently different and allocations are made in accordance with the investment guidelines for each Fund and/or each Account Client or Consulting Client, as applicable.

Certain Clients may maintain brokerage accounts at B. Riley for which a BRCM IAR, in his/her dual capacity as a registered representative for B. Riley, may serve as broker. BRCM does not receive any compensation related to these brokerage accounts and does not act in an advisory capacity with respect to these accounts.

***D. Selection or Recommendation of Other Advisers***

BRCM may for certain Clients (*e.g.*, FOHF Clients) select other investment advisers following the investment program described in the Client's offering documents or investment advisory agreement, as applicable; however, BRCM will not receive compensation from such advisers for such selections. BRCM does not have other business relationships with other non-affiliated investment advisers that create a material conflict of interest.

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

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 310.689.2220 or via email to [mmarkunas@brileywealth.com](mailto:mmarkunas@brileywealth.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 R. 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.

## **Item 12. Brokerage Practices**

### **A. Brokerage Practices**

In selecting a broker or dealer for any transaction or series of transactions, BRCM's policy is to seek the best execution of orders at the most favorable price in light of the quality of brokerage and research services provided. In selecting a broker or dealer, BRCM does not necessarily solicit competitive bids and is under no obligation or duty to obtain the lowest commission or best net price for the Client in any transaction.

**Brokerage Practices.** Mr. Bryant R. Riley is the Chairman and a registered representative of B. Riley, BRCM's affiliated FINRA-registered broker dealer. Except in rare circumstances, B. Riley will not execute principal trades for Clients, but it may effect agency or agency cross transactions (*i.e.*, transactions in which B. Riley acts as broker for the parties on both sides of the transaction) for the account of the Client. A Client may designate B. Riley as introducing broker for all account trading. In those cases where the Client does not designate a specified broker for trading, BRCM allocates Client transactions to broker-dealers, including B. Riley, for execution on such markets, at such prices, and at such commissions as BRCM in good faith determines are most advantageous to the Client.

In choosing brokers and dealers, BRCM will not be required to consider any particular criteria. Generally, BRCM will seek to obtain the best combination of brokerage expenses and execution quality for transactions but, as discussed below, BRCM is not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. In evaluating execution quality, historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions will usually be a principal factor, but other factors will also be relevant, including the execution, clearance, and settlement and error correction capabilities of the broker or dealer generally and in connection with securities of the type and in the amounts to be bought or sold; the broker's or dealer's willingness to commit capital; its reliability and financial stability; the size of the transaction; the availability of securities to borrow for short sales; avoiding adverse market impact while building a position; the firm's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; confidentiality; and the market for the security. In particular, when trading in stocks with a small float, the most basic brokers and electronic trading would not provide the necessary level of execution. BRCM has no obligation to deal with any broker or dealer in executing transactions. BRCM discloses this policy to its Clients in advance, including the fact that BRCM may use the services of its affiliate, B. Riley, to affect a majority of transactions (which would result in B. Riley receiving commissions from the Clients) and that B. Riley may be engaged to be a Client's introducing broker.

**Wrap Accounts, Separately Managed Account Services, Consulting Services and Third Party Programs.** As described in "Item 5 - Fees and Compensation" above, BRCM may recommend that Account Clients, Consulting Clients or clients in third-party programs execute transactions through B. Riley as broker-dealer. If the client elects to execute transactions through B. Riley, the compensation paid by the Client for executing those transactions is negotiated separately with B. Riley, as the case may be, as part of a separate brokerage relationship between the client and the broker-dealer. If the client selects B. Riley for brokerage execution, BRCM may receive a higher level of compensation.

BRCM requires Account Clients and Consulting Clients to direct brokerage to a particular broker-dealer and to designate a custodian. This broker-dealer may be B. Riley or a third-party broker-dealer. The direction is given by the Client at the outset of an advisory relationship in the wrap account or separately managed account or consulting agreement, as applicable. As a result of the direction, the Client may be unable to achieve most favorable execution of account transactions. Transaction costs may be higher or lower depending on which broker-dealer the Client chooses. For example, the Client may pay higher brokerage commissions if it chooses a broker-dealer that other Clients have not chosen because BRCM may not be able to aggregate orders to reduce transaction costs, or the Client may receive less favorable prices.

If an Account Client directs brokerage to B. Riley, trades for the benefit of BRCM's Account Clients will be executed by B. Riley or through National Financial Services ("*NFS*") in a relationship that is designed to allow trading with multiple brokers while centralizing clearance and custody through NFS. NFS is responsible for custody, clearance and settlement services including matching trades with executing brokers and delivering account

confirms and statements. BRCM believes that this relationship, and the robust nature of the NFS trade management system, provides our Clients with reasonable access to best execution. NFS provides extensive analyses of execution speed and price to its customers. BRCM regularly reviews best execution reports provided by B. Riley and NFS.

NFS is obligated to seek best execution for its customers, including B. Riley, and its customer, BRCM. Best execution generally means lowest transaction cost (commission) for brokerage services rendered combined with best market price in order to minimize total purchase cost or maximize total sales proceeds. NFS's best execution policy applies to all transactions in all instruments, regardless of the client. NFS is not required to seek competitive bids and does not have an obligation to seek the lowest available commission cost. Thus, in any transaction, a client may pay commissions to a broker in an amount greater than an amount another broker might charge.

**Agency Cross Trades.** With appropriate Client authorization as required by applicable law, B. Riley may act as a broker in securities transactions involving Clients on one side and B. Riley's brokerage clients on the other side (an "Agency Cross Transaction"). In this regard, BRCM will ensure that the advisory Client receives the benefit of the transaction and comply with BRCM's legal and fiduciary responsibilities. B. Riley may receive compensation from parties on both sides of such transactions (the amount of which may vary) and, therefore, will have a potentially conflicting division of loyalties and responsibilities. Generally, the pricing of the Agency Cross Transaction is negotiated between the Client on one side and the brokerage client on the other side and is usually determined by the inside bid or offer.

**Capital Introduction.** A Fund's executing and prime brokers, and other affiliates, including B. Riley, may from time to time, refer potential clients to BRCM and/or the Fund or arrange for meetings with potential clients for BRCM and/or investors for the Fund, who are also often clients of B. Riley and/or another brokerage firm selected by BRCM. Although this may create a potential conflict of interest, capital introduction is not a consideration when selecting or retaining prime brokers or executing trades. While the meetings may be arranged by brokers of B. Riley, there is no guarantee that the brokerage clients will invest in a Fund or otherwise with BRCM. Standard commission rates will be paid to broker-dealers (including B. Riley) for trading by BRCM's Clients, as well as customary prime brokerage fees, if any. In addition, B. Riley's registered representatives may receive finders/referral fees based on any clients they introduce to BRCM that actually invest in a Fund and/or BRCM's other Clients, provided however, these finder/referral fees will be the responsibility of the Fund's general partner and will be paid, if at all, by the Fund's general partner out of the management fees and performance-based compensation earned by the general partner, if any, in the ordinary course of managing the Fund. Such fees will not under any circumstances be derived from the Fund's capital and will not have any direct adverse impact on the Fund's investors. Payment of the finder/referral fees, if any, will at all times be subject to and in accordance with the applicable rules, regulations and laws regarding payments of this nature.

**Soft Dollars.** In addition to execution quality, BRCM may consider the value of various research services or products, beyond execution, that a broker-dealer provides to BRCM or its Clients. Selecting a broker-dealer in recognition of such other services or products is known as paying for those services or products with "soft dollars." Because many of those services could benefit BRCM, it may have a conflict of interest in allocating Client brokerage business. In other words, BRCM could have an incentive to execute Client transactions through a broker or dealer that provides valuable services or products and pay transaction commissions charged by that broker or dealer which may be higher than BRCM might otherwise be able to negotiate. BRCM could also have an incentive to cause Clients to engage in more securities transactions than would otherwise be optimal in order to generate soft dollars with which to acquire research products and services.

BRCM will make decisions involving "soft dollars" in a manner that satisfies the requirements of the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended. That is, BRCM will generally determine, considering all appropriate factors (including those described here), that commissions paid are reasonable in relation to the value of all the brokerage and research products and services provided by the broker-dealer. In making that determination, BRCM may consider not only the particular transaction, and not only the value of brokerage and research services and products to a particular Client, but also the value of those services in BRCM's performance of its overall responsibilities to all of its Clients. In some cases, the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker

who did not provide research services or products might charge. Additionally, in some cases, a Client's transaction may be executed by a broker in recognition of services or products that are not used in managing that Client's account. Broker-dealers are not excluded from a Client's business simply because they have not provided research services or products, although BRCM may not be willing to pay the same commission to such broker as BRCM might have been willing to pay had the broker provided research products and services. Currently, BRCM does not receive any other soft dollar benefits for its Clients, except with the exception of research received from BRCM's affiliate broker dealer, B. Riley.

For these purposes, "research" means advice, analysis and reports used to provide lawful and appropriate assistance to BRCM in making investment decisions for its Clients. BRCM may acquire the following types of research: reports on or other information about particular companies or industries; economic data such as unemployment reports, inflation rates or gross domestic product figures; recommendations as to specific securities; financial publications relating to the value, availability or advisability of investing in securities, and issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of the accounts; and portfolio evaluation services and financial database software and services. In addition, the types of brokerage services that BRCM may obtain include execution clearing and settlement service, exchange of messages among brokers, custodians and institutions; and communication services related to the execution, clearing and settlement of securities transactions and other incidental services. Where a particular service or product that a broker or dealer is willing to provide for soft dollars has not only a "research" application, but is also useful to BRCM for non-"research" purposes, BRCM will allocate the cost of the product or service between its research and non-research uses and pay only the "research" portion with soft dollars. BRCM's interest in making such an allocation may differ from Clients' interests in that BRCM has an incentive to designate as great a portion of the cost as "research" as possible in order to permit payment with soft dollars.

When a broker-dealer provides research or other products or services in expectation of brokerage business, it generally suggests the level of business it would like to receive as compensation. Actual transactional business received by a particular broker or dealer during any period may be less than the suggested level, but may and typically will exceed that level. In other cases, a broker or dealer may establish "credits" based on brokerage commissions paid in the past, which may be used to pay, or reimburse BRCM, for specified expenses. In making its brokerage selections, BRCM may consider those suggestions as part of its evaluation of the factors described above.

**Brokerage for Client Referrals.** BRCM, in its capacity as an investment adviser and affiliate of B. Riley, a registered broker-dealer, and its related persons as registered representatives of B. Riley, and its affiliates, may receive Client referrals from B. Riley in selecting or recommending broker-dealers or third parties. BRCM might have an incentive to select a broker-dealer based on its interests in receiving Client referrals rather than its Clients' interest in receiving the most favorable execution. BRCM will not allocate Client brokerage business to a referring broker unless BRCM determines in good faith that the commissions and transaction costs payable to such broker are not materially higher than those available from other non-referring brokers offering services of similar execution quality.

**Directed Brokerage.** Certain Clients may direct that some or all account transactions be effected through specific brokers or dealers. In such case, the Client is responsible for negotiating the terms and conditions (including, but not limited to, commission rates) relating to all services to be provided by such brokers. BRCM will assume no responsibility for obtaining the best prices or any particular commission rates for transactions with or through any such broker for such Client's account. A Client must recognize that it may not obtain rates as low as it might otherwise obtain if BRCM had discretion to select brokers or dealers other than those chosen by the Client. Any Client providing instructions to BRCM regarding direction of brokerage transactions must notify BRCM in writing if the Client desires BRCM to cease executing transactions with or through any such broker or dealer.

BRCM routinely recommends, but does not require, that a Client direct BRCM to execute transactions through a specified broker-dealer, usually BRCM's affiliate, B. Riley.

**IPO Allocations.** According to its policies and procedures, BRCM generally allocates IPOs and new issue and other public offerings, on the basis of pre-established criteria across those eligible accounts seeking to purchase the securities and for which the securities are appropriate. IPOs and new issues will be restricted to certain Clients who are eligible to participate in new issue profits. Accounts which are not prohibited from participating in the profits

and losses associated with the purchase or sale of IPOs or new issues may participate in such transactions. IPOs and new issues will generally be allocated on a *pro rata* basis to all eligible Clients, as applicable, based on the asset size of each account, its risk tolerance, suitability of investment and other factors. As a result, certain Clients may have greater opportunities than other to invest in IPOs and new issues.

***B. Trade Aggregation***

Under BRCM's trade aggregation policy, orders for the same investment, including acquisition and disposition transactions, entered on behalf of more than one (1) Client may be aggregated (*i.e.*, blocked or bunched), subject to the aggregation being in the best interests of all participating Clients. The aggregated trade order must indicate the amount or percentage of the trade intended to be allocated to each participating Client. If the final allocation differs from the initially indicated allocation or is not allocated on a *pro rata* basis for partially filled orders, except in the case of *de minimis* changes in the allocations, a written rationale must be provided in the allocation statement. Please also refer to response to "A" above.

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

**Account Reviews.** All Client accounts are generally reviewed on an ongoing basis by BRCM's investment staff, including Bryant R. Riley, the Chief Executive Officer, and Michael Markunas, the Chief Compliance Officer. A review of a Client's account focuses on the review of performance (including market and portfolio-level correlation, volatility, and overall portfolio suitability) of the account's portfolio investments.

**Client Reports.** Following the end of each quarter in each fiscal year, BRCM and/or the qualified custodian of each Client's account will transmit to each Fund investor and Account Client unaudited financial information setting forth, *inter alia*, a statement of its net capital appreciation or net capital depreciation.

Portfolio managers review the accounts of Consulting Clients quarterly based on information provided to BRCM by the Consulting Client, the Consulting Client's custodian(s) or other third parties.

Each Fund's independent certified accountants will audit the Fund's books and records as of the end of each fiscal year. Each Fund will mail to its investors an annual report prepared by its independent certified public accountants setting forth a balance sheet of the Fund, a profit and loss statement showing the results of operations of the Fund and its net capital appreciation or net capital depreciation, a statement of such investor's capital account and the manner of its calculation and the Fund percentage as of the end of the prior fiscal year. After the end of each fiscal year, each investor in a Fund will be furnished the required tax information for preparation of their respective tax returns.

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

***Compensation by Non-Clients.*** No person (other than a Client) provides an economic benefit to BRCM for providing investment advice or other advisory services to BRCM's Clients.

***Compensation for Client Referrals.*** Subject to applicable law, BRCM may employ solicitors to whom it will pay either a portion of the advisory fees received from Clients referred by such solicitors or cash at BRCM's own expense. In such cases, this arrangement will be disclosed in writing to the Client and BRCM will comply with any other applicable requirements under Rule 206(4)-3 under the Advisers Act. In particular, BRCM will ensure that each solicitor provides Clients with a current copy of BRCM's Form ADV brochure and the solicitor's written disclosure document.

The Investment Companies may also pay various fees to broker-dealers and other financial intermediaries that provide distribution and other services related to such Investment Companies, including but not limited to distribution and servicing fees payable in connection with plans adopted pursuant to Rule 12b-1 under the Investment Company Act, administrative, recordkeeping, sub-accounting and/or networking fees, marketing support payments and payments in support of training and educational seminars sponsored by such financial intermediaries.

## **Item 15. Custody**

BRCM does not act as a custodian for Client assets. However, under Rule 206(4)-2 under the Advisers Act, BRCM may be deemed to have custody of Client assets.

### Private Investment Funds

BRCM may be deemed to have custody of a Fund's assets because of the authority it or a related party has over the Fund. It is BRCM's policy generally to cause the Fund with assets over which BRCM is deemed to have custody to be audited annually and to distribute audited financial statements, prepared in accordance with GAAP, to investors after the end of each fiscal year. In addition, upon the final liquidation of any Fund, BRCM will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Fund to all investors promptly after completion of the audit.

### Separately Managed Accounts

BRCM will not maintain possession or custody of the funds or securities placed in an Account. The assets transferred by an Account Client will typically be deposited with a qualified custodian selected in accordance with BRCM's investment advisory agreement with the Account Client. Where BRCM is deemed to have custody of an Account solely due to its ability to withdraw Client funds to pay its advisory fees, BRCM may comply with the custody rules under the Advisers Act by having a reasonable belief that a qualified custodian will send quarterly account statements to each Account Client. BRCM urges all Clients to compare the reports they receive from BRCM to the statements they receive from their custodians. Any issues or discrepancies should be communicated to BRCM promptly.

### Registered Investment Companies

Each Investment Company has made arrangements with qualified custodians as disclosed in the relevant Prospectus.

#### **Item 16. Investment Discretion**

BRCM has discretionary authority to make the following determinations without obtaining the consent of any Fund, any Investment Company or any Account Client before the transactions are effected:

- the securities that are to be bought or sold;
- the total amount of the securities to be bought or sold;
- the brokers through which securities are to be bought or sold; and
- the commission rates at which securities transactions for Client accounts are effected.

BRCM's discretionary authority is derived from an express grant of authority under the governing documents and/or an investment advisory agreement that BRCM enters into with each Client. BRCM will only buy and sell securities and other instruments for Clients on a discretionary basis in a manner consistent with each Client's stated investment objectives and restrictions. BRCM's discretionary authority with respect to an Account Client may be subject to the Client's ability to direct BRCM to effect brokerage business for its Account to a particular broker. See "*Item 12. Brokerage Practices*" above. BRCM's internal compliance policies may impose additional restrictions on the instruments and securities that may be bought and sold on behalf of Clients. In addition, with respect to certain accounts, such as Investment Companies, BRCM's authority to trade securities may be limited by certain securities, tax, and other laws that may, for example, require diversification of investments and impose other limitations.

## Item 17. Voting Client Securities

Generally, and except to the extent that an Account Client otherwise instructs BRCM in writing, BRCM will vote (by proxy or otherwise) in all matters for which a vote is solicited by, or with respect to, issuers of securities beneficially held by a Fund, an Investment Company or in an Account in accordance with BRCM's proxy voting policies and procedures (the "**Policies**").

The Policies require BRCM to vote proxies received in a manner consistent with the best interests of its Clients. The Policies also require BRCM to vote proxies in a prudent and diligent manner intended to enhance the economic value of the assets of the Client that beneficially owns the voting securities. However, the Policies permit BRCM to abstain from voting proxies in the event that the Client's economic interest in the matter being voted upon is limited relative to its overall portfolio or the impact of the vote will not have an effect on the outcome of the matter up for vote or on the Client's economic interests.

With respect to Clients participating in third party programs, BRCM is expressly precluded from taking any action or rendering any advice regarding voting of proxies solicited by, or with respect to, the issuers of any securities without written permission from the beneficial owner. BRCM's ability to vote proxies associated with the accounts of Account Clients and Consulting Clients depends on whether the Client has delegated such authority to BRCM. When written permission has not been provided, Clients expressly retain the authority and responsibility with respect to voting proxies for their accounts or will delegate discretion with respect to voting such proxies to a third party. If BRCM receives any proxy materials that pertain to securities held in these accounts, BRCM will forward the materials to the person designated by the Client.

Proxy voting for Wrap Program accounts is addressed in the appropriate brochures.

Certain of BRCM's proxy voting guidelines are summarized below:

- BRCM generally votes for: uncontested director nominees recommended by management; the election of auditors recommended by management, unless a dispute exists over policies; limiting directors' liability; and eliminating preemptive rights.
- BRCM votes against: proposals that make it more difficult to replace board members, including proposals to: stagger the board; overweight management on the board; introduce unequal voting rights; proposals to entrench the board or adopt anti-takeover measures; proposals to provide cumulative voting rights; and social issues.

Although many proxy proposals can be voted in accordance with BRCM's proxy voting guidelines listed above, some proposals will require special consideration, and BRCM will make a decision on a case-by-case basis in these situations, including proposals to: eliminate director mandatory retirement policies; rotate annual meeting locations and dates; grant options and stock to management and directors; and indemnify directors and/or officers.

The Policies include guidelines to follow when BRCM receives proxies and for the CCO to follow if a material conflict of interest arises between BRCM or its employees and its Clients to ensure that such conflict is resolved in the best interests of the Clients.

BRCM's proxy voting policy and procedures, as well as its proxy voting record, are available for Clients to review. Clients may review and discuss these documents upon request by contacting BRCM via phone at 310.689.2220 or via email to [mmarkunas@brileywealth.com](mailto:mmarkunas@brileywealth.com).

**Item 18. Financial Information**

A. Not applicable.

B. BRCM has discretionary authority of the securities that are to be bought or sold for certain Clients. However, BRCM does not have physical custody of Client funds or securities and does not require or solicit prepayment of more than \$500 in fees from Clients more than six (6) months in advance of services.

C. BRCM has no financial conditions that are reasonably likely to impair its ability to meet contractual commitments to the Clients and BRCM has not been the subject of a bankruptcy petition at any time during the past ten (10) years.

**Item 19. Requirements for State-Registered Advisers**

Not applicable.