

**ITEM 1.**

**STILWELL VALUE LLC**

PART 2A OF FORM ADV

THE BROCHURE

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NEW YORK, NY 10006

212-269-2005

DATED: March 2017

This brochure provides information about the qualifications and business practices of Stilwell Value LLC (the “Adviser”). If you have any questions about the contents of this brochure, please contact the Chief Compliance Officer (“**CCO**”), Michelle D. Bergman, Esq., at 212-269-2005 or [mbergman@stilwellgroup.com](mailto:mbergman@stilwellgroup.com).

The information in this brochure has not been approved or verified by the United States Securities Exchange Commission (“**SEC**”) or by any state securities authority.

Additional information about the Adviser is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2. MATERIAL CHANGES**

The following is a Summary of the Material Changes to this Part 2A disclosure brochure for Stilwell Value LLC (the “Adviser”) that have occurred since the filing of the last updating amendment in March 2016 by the Adviser.

Effective March 31, 2016, Mr. Joseph Stilwell returned as the managing member of the Adviser and the three individuals who were functioning as co-managing members of the Adviser ceased performing such function. During 2016, these individuals remained as members of the Adviser and employees of Stilwell Administration LLC.

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#### ITEM 4: ADVISORY BUSINESS

Stilwell Value LLC is a Delaware limited liability company and has its principal place of business in New York, New York. Stilwell Administration LLC is the management company for the Adviser, and together with the Adviser, is referred to from time to time herein as “Stilwell.” The Adviser serves as the investment adviser to the following funds (which are referred to herein from time to time as “Clients”): Stilwell Activist Fund, L.P. (“SAF”) and Stilwell Activist Investments, L.P. (“SAILP,” and, together with SAF, the “Activist Funds”); Stilwell Partners, L.P. (“SP”); Stilwell Associates, L.P. (“SA”); Stilwell Value Partners III, L.P. (“SVP-III”), Stilwell Value Partners IV, L.P. (“SVP-IV”) and Stilwell Value Partners VII, L.P. (“SVP-VII”). During 2016, as a part of the ongoing consolidation process which is described in more detail in the next paragraph, the ongoing investing activities of SVP-IV ceased because all of the investors in that entity either withdrew or transferred their interests to other affiliated funds and, thereafter, SVP-IV was dissolved. SVP-III, SVP-VII, and until December 31, 2016, the date upon which all of the investing activities of SVP-IV ceased, are collectively referred to herein from time to time as the “Value Funds.” Each of the Activist Funds, SP, SA and the Value Funds (collectively, the “Funds”) is organized as a limited partnership. The Adviser is the general partner of all of the Funds. The equity interests of the Adviser were being held in trust in the Stilwell Trust (“ST”) by an independent third-party trustee for the period from March 30, 2015 through March 30, 2016. Mr. Joseph Stilwell was the sole beneficiary of the ST. The Adviser was managed by three co-managing members of the Adviser (but not including Mr. Stilwell) for the period from March 30, 2015 through March 30, 2016. These co-managing members, who collectively have been employed by Stilwell for over fifteen years, acted, as they deemed necessary, upon majority vote pursuant to the limited liability company agreement of the Adviser. Effective March 31, 2016, Mr. Stilwell returned as the managing member of the Adviser and the three co-managing members ceased functioning as co-managing members. During 2016, these individuals remained as members of the Adviser and employees of Stilwell Administration LLC.

The Adviser has authority with respect to investment decisions and the investment objectives of each of the Funds. The principal investing activities of the Adviser are through SP, SA, the Activist Funds and SVP-VII. The objective of the Activist Funds is to achieve long-term capital appreciation by trading in publicly traded financial institutions and pursuing activist shareholder agendas with respect to those institutions. In the pursuit of achieving higher levels of shareholder value, the Adviser and/or its related entities may work with existing management and/or attempt to gain board representation, among other actions. The investment objective of SP is to achieve long-term capital appreciation through the acquisition of stock offerings of mutual companies—insurance companies and thrifts—that offer a likelihood of converting to public stock ownership and, subsequent to conversion, to hold positions in the publicly traded entities. SP has a wholly owned subsidiary, Camellia, LLC through which it holds some deposits at thrift and banking institutions throughout the United States. The Adviser is reaching the conclusion of a process of consolidating the Value Funds (other than SVP-VII) into SAF and SAILP that began in 2013. The Adviser expects to conclude the consolidation process of SVP-III during 2017.

In addition to the foregoing, the Adviser advises (i) SA, whose principal investment objective is to invest in various public and private securities, with a focus primarily on publicly traded domestic equities, undervalued financial or financially-related firms, businesses with a strong financial component or domestic or Canadian companies (whether or not financial related), and, as a part of its strategy may utilize leverage, and (ii) SVP-VII, whose principal investment strategy is to invest alongside the Activist Funds, however, SVP-VII may also may seek to invest in undervalued financial or financially-related firms, businesses with a strong financial component or domestic or Canadian companies (whether or not financial related).

The Adviser does not tailor its advisory services to the individual needs of investors and generally does not accept investor-imposed restrictions on the investments made in the limited partnerships. Although the Adviser typically does not allow individual investors to place limitations on its authority, the Adviser may, from time to time, enter into side letter arrangements with the limited partners in the Funds that modify various standard terms of the Funds.

The services of the Adviser may include, without limitation: (i) development of investment strategies; (ii) asset allocation; and (iii) portfolio management.

As of December 31, 2016, the Adviser managed \$236,761,268 on a discretionary basis.

## **ITEM 5. FEES AND COMPENSATION**

### **Management/Administration Fees**

In consideration for providing administrative, management and operational services, limited partners of the Activist Funds and SA pay an annual management fee equal to 1% of each such limited partner's capital account (as determined in accordance with GAAP). The limited partners of the SVP VII pay an annual management fee equal to 1% of the income tax basis of each such limited partner's account. SP's limited partners pay an annual management fee equal to 2% of their capital account (as determined in accordance with GAAP). Each of the above-described management fees is paid to Stilwell Administration LLC. The limited partners of SVP III do not pay a management fee.

Such above-described fees are generally paid in advance at the start of business on the first day of each fiscal quarter and are automatically deducted from each limited partner's capital account. In addition, the Funds are authorized to charge the management fee on a pro-rated basis for any period that is less than a full fiscal quarter and will be adjusted for contributions during the quarter. Management fees are generally not negotiable, although the Adviser has the right to negotiate fees at its discretion.

### **General Partner Expenses**

Each Fund also bears the responsibility for the day-to-day expenses of the applicable Fund and its operations, including but not limited to legal, auditing, custodial, administration and accounting fees and expenses. In addition, each Fund may, where applicable, bear its proportionate share of expenses related to specific activist strategies associated with proxy contests, travel and due diligence expenses related to investments, brokerage and other transactional costs and similar or related activities, as well as indemnification of the general partner, if applicable. Requirements of, and restrictions on, expense reimbursements and indemnification rights are more fully described in the private offering memoranda and limited partnership agreements of each Fund.

The Adviser receives performance-based compensation from the Funds as described below in Item 6.

### **Withdrawal Requests**

Generally, limited partners of SAILP may request to withdraw capital on a quarterly basis after an initial one year lock-up period. In addition, withdrawals are subject to review by the Withdrawal Committee of the Adviser as well as to liquidity restrictions and charges related to a withdrawal series' pro rata

share of fund related expenses (including margin, if any) applicable to such withdrawal series, as well as additional charges, which may be assessed at the discretion of the Adviser and are more fully described in the private offering memorandum and limited partnership agreement of SAILP.

Generally, limited partners of SAF may request to withdraw capital on an annual basis at year end, after an initial lock-up period of one year. In addition, withdrawals are subject to review by the Withdrawal Committee of the Adviser as well as to liquidity restrictions and charges related to a withdrawal series' pro rata share of fund-related expenses (including margin, if any) applicable to such withdrawal series, as well as additional charges, which may be assessed at the discretion of the Adviser and are more fully described in the private offering memorandum and limited partnership agreement of SAF.

Limited partners who request withdrawal from SAILP and SAF will typically have their Fund interests (including associated liabilities) placed into a withdrawal series. The investments underlying the Fund interests in the withdrawal series are liquidated over time, and the Fund interests are paid out quarterly, as and when funds become available from this liquidation activity.

Generally, limited partners of SP and SA may request to withdraw capital on an annual basis at year end, after an initial lock-up period of one year. Withdrawals are subject to review by the Withdrawal Committee of the Adviser, as well as to liquidity restrictions and additional charges which may be assessed at the discretion of the Adviser and are more fully described in the private offering memoranda and limited partnership agreements of each of SP and SA.

Generally, limited partners of the Value Funds may not withdraw capital for a period of two years measured from the date such limited partner's investment was accepted. Thereafter, as a general matter, limited partners are only permitted to make complete or partial withdrawals of their investments whenever the applicable Value Fund disposes of a substantial investment position. In addition, withdrawals are subject to review by the Withdrawal Committee of the Adviser as well as additional charges, which may be assessed at the discretion of the Adviser and are more fully described in the private offering memoranda and limited partnership agreements of the relevant Value Fund.

The information contained in this Item 5 is intended as a summary only. Investors are urged to refer to the relevant Fund's offering documents for a full explanation and disclosure on the compensation for the Adviser for its advisory services.

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

The Adviser charges performance-based fees (incentive allocation) on the Funds when such fee is determined to comply with Rule 205-3 the Advisers Act of 1940, as amended (the "Advisers Act"). The Adviser may charge performance fees to each limited partner equal to 20% of the net appreciation of the Fund for the applicable performance period, as more fully set forth in the relevant Funds' offering documents. In addition, the Funds have established a "high water mark" which must be achieved before the Adviser can again participate in the performance-based fee. In certain circumstances, in the case of a loss, some investors may be permitted to offset such losses against future gains in other Funds prior to being required to pay any performance-based fees.

Certain employees of Stilwell and their family members who are invested in the Funds may not pay incentive allocation on their investments. There may be other instances where the Adviser in its discretion temporarily waives or reduces the incentive allocation for investors.

Performance-based fee arrangements may create an incentive for an adviser to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher-fee-paying accounts over other accounts in the allocation of investment opportunities. The Adviser periodically reviews these performance fees to confirm that its Clients are treated fairly.

## **ITEM 7. TYPE OF CLIENTS**

The Adviser serves as an investment adviser to the Funds which are generally organized to invest in undervalued financial institutions and/or financially-related firms. Each Fund is offered as a private placement to “accredited investors” in accordance with Section 3(c)(1) of the Investment Company Act of 1940, as amended, with the exception of SAILP, which is offered as a private placement to “qualified purchasers” in accordance with Section 3(c)(7) of the Investment Company Act of 1940, as amended. The minimum initial capital contribution for investments in the Funds (subject to the discretion of the Adviser to accept a lower amount) is as follows:

SAILP: \$500,000

SA: \$100,000

SP and SAF: \$100,000

The Adviser may also accept additional capital contributions from existing investors in the Funds other than SVP-III which is closed to additional capital. SVP-VII may from time to time receive additional capital from its existing investor(s) or affiliated or related parties of its existing investor(s). There are no minimums for additional capital contributions. The Funds that are accepting additional capital typically accept such capital on a quarterly or monthly basis, as the Adviser deems appropriate.

## **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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

The investment strategies for each of the Funds vary but are set forth generally in Item 4 above. Investors are encouraged to review each Fund’s offering documents for a more thorough description. The Adviser’s research process for investments has been developed over the past twenty years and may involve, among other factors, information gleaned from company filings with the SEC, field research, and industry knowledge.

### **Risk Factors**

**General Risks of Securities Activities.** All securities investing and trading activities risk the loss of capital. Although the Adviser will attempt to moderate these risks, no assurance can be given that investment activities will be successful or that investors will not suffer losses, which may be significant. Some Funds are concentrated in securities of a single issuer or issuers in a single industry, so the risk of any

investment decision is increased. The Adviser believes that the following are some of the more significant risks:

**Business Risks.** All available Fund capital may be substantially invested (other than capital the Adviser decides to retain in cash) in securities and other intangible investment instruments and short sales of securities and publicly traded options, with particular emphasis on investments in smaller companies with less actively traded stocks. While these instruments are expected to be traded in the public market, markets for such instruments in general are subject to fluctuations and the market value of any particular investment may be subject to substantial variation. Notwithstanding the existence of a public market for particular securities, such securities may be thinly traded or may cease to be traded after the Funds invest in them. In addition to being illiquid, many of such securities may be issued by unseasoned companies and may be highly speculative. In addition, since some of the Funds have different investment objectives, this could result in some Funds buying particular securities while other Funds may be selling the same securities.

**Volatility and Interest Rate Risks.** A component of the Funds' investment approach may involve the purchase and sale of equity derivatives (e.g., options on stocks) which are frequently valued based on implied volatilities of such derivatives compared to the historical volatility of their underlying securities, and the level of interest rates. Fluctuations or prolonged changes in the volatility of securities and interest rates, therefore, can adversely affect the value of securities held long and short.

**Small Capitalization Companies.** Typically, the Funds will make investments in small capitalization and micro-capitalization companies (those with a market value of less than U.S. \$1 billion). Investments in small capitalization companies are generally more risky than investments in larger, better-known companies because, in part, small capitalization companies (i) tend to rely on more limited product lines and business activities, which make them more susceptible to setbacks or down turns; (ii) have more limited financial resources; and (iii) their securities tend to trade less frequently and are thus less liquid, often leading to greater price volatility and a larger spread between bid and offer prices. In addition, the prices of the securities of smaller companies may be subject to more abrupt or erratic market movements than larger, more established companies.

**Limited Diversification.** It is anticipated that Fund portfolio investments may not be diversified among industries or types of securities. Further, Fund portfolio investments may not be diversified among a wide range of issuers. No minimum level of capital is required to be maintained by the Funds. As a result of insufficient initial capitalization or subsequent losses or withdrawals, Funds may not have sufficient funds to diversify investments to the extent desired or currently contemplated. No standards have been established to limit the concentration of Fund portfolios. The degree of the market risk to which Funds are exposed will be inversely proportional to the degree to which a Fund's portfolio is diversified. Accordingly, Fund investment portfolios may be subject to more rapid change in value than would be the case if the Funds were required to maintain a wide diversification among industries, investment areas, types of securities and issuers.

**Leveraged Trading.** The Adviser may make margin purchases of securities and, in connection with these purchases, borrow money from brokers and banks for investment purposes. This practice, which is known as "leverage," is speculative and involves certain risks. Some of the Funds utilize leverage in order to increase the amount of capital available for investments. Trading equity securities on margin involves an initial cash requirement representing at least a percentage of the underlying security's value. Borrowings to purchase equity securities typically will be secured by the pledge of those securities.



Although leverage increases returns if the underlying Fund earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns if the Fund fails to earn as much on such incremental investments as it pays for such funds. Consequently, in the event the Adviser leverages a Fund's portfolio, fluctuations in the market value of the Fund's portfolio will have a significant effect in relation to the Fund's capital and the risk of loss and the possibility of gain will each be increased. The use of leverage will in this way magnify the volatility of changes in the value of an investment in a Fund.

**Hedging Risks.** If the Adviser were to utilize hedging against a decline in the value of a portfolio position, this does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus perhaps moderating the decline in the portfolio's value. Hedging transactions also may limit the opportunity for gain if the value of the portfolio position or portfolio, as the case may be, should increase. The degree of correlation between price movements of the securities used in a hedging strategy may vary.

**Market Risks.** Market movements may significantly and adversely affect the value of Fund portfolios.

**Limited Liquidity of Investments.** Many securities in which the Funds invest are thinly traded and relatively illiquid or may cease to be traded after the Funds invest. In such cases, a Fund may not be able to promptly liquidate its investments if the need should arise. In addition, a Fund's sales of thinly traded securities could depress the market value of such securities and thereby reduce a Fund's profitability or increase its losses.

**Limited Liquidity of Fund Limited Partnership Interests.** A Fund investment is suitable only for sophisticated investors who do not require immediate and complete liquidity in this investment. Fund interests in the limited partnerships are not freely transferable. No market for limited partnership interests can be expected to develop and it may be difficult or impossible to transfer any interests, even in an emergency.

**Privately Placed Securities.** Funds may purchase privately placed securities. Securities that have not been registered under the Securities Act of 1933, as amended, otherwise referred to as private placement securities, are subject to contractual and legal restrictions on resale and may not be readily marketable.

**Valuation.** Certain securities in which the Funds invest may not have a readily ascertainable market price and will be valued either by the Adviser or, in some circumstances, third-parties retained by the Adviser for that purpose. The valuations shall be conclusive. Revisions to the gain and loss calculations will be an ongoing process, and no net capital appreciation or depreciation figure can be considered final until the annual audit is completed.

**Economic Conditions.** Changes in economic conditions, including, for example, interest rates, inflation rates, industry conditions, competition, technological developments, political and diplomatic events and trends, tax laws and numerous other factors, can affect substantially and adversely the business and prospects of the Funds.

**Conflicts of Interest.** The Firm advises multiple Funds and, in the ordinary course of conducting its advisory and investment activities, conflicts of interest may arise between the Adviser and the Funds, between employees of Stilwell and the Funds and between and among the Funds.

For example, a conflict of interest may arise when the Adviser seeks to nominate third party nominees or Stilwell's employees and/or the managing member to hold board of director positions in order to advocate what the Adviser deems to be in the best interest of shareholders. While the Adviser believes it is in the best interest of the Funds to nominate such individuals to serve on board of directors, as board members, the individuals may determine that it is necessary for them to take actions as board members that may conflict with the best interests of the Funds.

Another example of a potential conflict of interest is when the Adviser incurs or pays expenses on behalf of one or more of the Funds. The Adviser has adopted expense allocation practices and procedures that seek to mitigate such conflicts.

Additional actual or potential conflicts of interest may arise from time to time, and the procedures that the Adviser has in place to mitigate some of such conflicts of interest are discussed in greater detail in other sections of this Brochure. At all times, the Adviser seeks to monitor and manage conflicts of interest as they arise and are identified.

**International Investing.** From time to time, the Funds may invest in the securities of non-US based companies either through securities exchanges in the US or foreign-based securities trading exchanges. Investments in non-US based companies and in non-US based markets involve certain risk factors that are not typically associated with investing in the United States. These risks include (i) differences relating to local securities markets, including potential price volatility in and relative illiquidity of some overseas securities markets, the absence of uniform accounting, auditing, and financial reporting standards, practices and disclosure requirements, and less government supervision and regulation; (ii) other differences in law and regulation, including fewer investor protections, less stringent fiduciary duties, different or uncertain regulations governing a company's activities, less developed bankruptcy laws and difficulty in enforcing contractual obligations; (iii) certain economic and political risks, including potential economic, political or social instability, exchange control regulations, restrictions on foreign investment and repatriation of capital (possibly requiring government approval), expropriation or confiscatory taxation, higher rates of inflation and reliance on a more limited number of commodity inputs, service providers and/or distribution mechanisms; and (iv) the possible imposition of local taxes on income and gains recognized with respect to securities and assets.

**Cyber-Security Risk.** Investment advisers, including the Adviser, increasingly rely on information and technology systems to conduct their business. Such systems might, in some circumstances, be subject to cybersecurity incidents or similar events that could potentially result in damage or interruption to these systems, unauthorized access to sensitive transactional and personal information, intentional misappropriation, corruption or destruction of data, or operational disruption. The Adviser has implemented certain technical and physical safeguards intended to protect the integrity of its information and technology systems and presently intends to upgrade its systems and implement additional technical and physical safeguards for this purpose. Nonetheless, despite reasonable precautions, cybersecurity incidents could potentially occur, and might in some circumstances result in the failure to maintain the security, confidentiality or privacy of sensitive data. Cybersecurity incidents experienced by third-party service providers may indirectly affect the Adviser.

## **Types of Securities**

**Options.** Options may be utilized in some of the Funds, although utilization of options is not a principal strategy of any of the Funds. Options transactions may be effected on securities exchanges or in the over-the-counter market. When options are purchased over-the-counter, a Fund bears the risk that the counterparty that wrote the option will be unable or unwilling to perform its obligations under the option contract. Options may also be illiquid and, in such cases, a Fund may have difficulty closing out its position. Over-the-counter options also may include options on baskets of specific securities.

There are risks associated with the sale and purchase of options. The seller (writer) of a call option which is covered (i.e., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the exercise price (less the premium received) of the call option, and gives up the opportunity for gain on the underlying security above the exercise price (plus the premium received) of the call option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option (less the premium received).

**Lending Portfolio Securities.** In order to generate additional income, some Funds may lend their portfolio securities. In connection with such lending activity, Funds will receive collateral from the borrower, consisting of cash, cash equivalents, U.S. government securities or irrevocable letters of credit, equal to at least 100% of the current market value of the securities loaned, but Funds might experience risk of loss, including the possibility of the borrower's breach of its agreement or a delay or failure in repayment.

**Short Sales.** A Fund may attempt to limit its exposure to a possible market decline in the value of its portfolio securities through short sales of securities. In a short sale, securities are sold that have been borrowed from a third-party lender, typically a brokerage firm. When borrowing securities for short sales, deposits of cash, securities or a combination thereof are required to be pledged, equal to or exceeding the market price of the securities borrowed. The amount of such deposits may increase or decrease to reflect changes in the market value of the borrowed securities. A short sale of a security involves the risk of an unlimited increase in the market price of the security that can in turn result in an inability to cover the short position and a theoretically unlimited loss. No assurance can be given that securities necessary to cover a Fund's short position will be available for purchase.

The Adviser refers investors and potential investors to each Fund's private offering memorandum for a detailed description of significant risk factors associated with an investment in the Funds.

## **ITEM 9. DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an investor's evaluation of the Adviser's integrity or the integrity of its management.

Except as set forth below, the Adviser has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, except as set forth below, no persons involved in the management of the firm have been subject to such action.

Following a routine examination of the Adviser conducted by the Staff of the Examination Division of the SEC in 2012, the Staff of the Enforcement Division of the SEC began a civil investigation of loan activity among and involving certain of the Funds (the “loan activity”). The investigation was concluded through a settlement among the SEC, the Adviser and Mr. Stilwell. On March 16, 2015, pursuant to offers of settlement proffered by each of Mr. Stilwell and the Adviser, the SEC issued an administrative order (the “Order”) against Mr. Stilwell and the Adviser which resolved the SEC’s investigation with respect to the loan activity. The Order set forth various findings of fact, including that the Adviser and Mr. Stilwell failed to adequately disclose the existence and terms of the loans and conflicts of interest arising from the loan activity, which Mr. Stilwell and the Adviser neither admitted nor denied. In turn, Mr. Stilwell and the Adviser agreed to cease and desist from any ongoing violations of various rules and regulations. In addition, the Adviser (i) was censured; (ii) repaid approximately \$240,000 of management fees paid during the loan activity period; and (iii) paid a civil money penalty of \$250,000. Mr. Stilwell (i) was suspended for a period of twelve months from association with the Adviser or its related business or any other broker/dealer or SEC regulated investment business; and (ii) paid a civil money penalty of \$100,000. Finally, the Adviser has retained an independent monitor for a period of three years, approximately one year of which remains. Mr. Stilwell’s suspension concluded on March 30, 2016, and he resumed his role as managing member of the Adviser effective March 31, 2016.

The Order resolved the SEC’s investigation.

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

Each of the entities advised by the Adviser are affiliates of one another. With the possible exception of certain arrangements described directly below, neither the Adviser nor its affiliates believe that any of these affiliations are, or will become, a conflict of interest.

For certain companies in which the Funds hold investment positions, the Adviser may nominate third party nominees or Stilwell’s employees and/or the managing member to hold board of director positions in order to advocate what the Adviser deems to be in the best interest of shareholders. Public company directors owe a duty of loyalty to the corporation and the Adviser believes that board service is in the interest of its Clients that are substantial owners in such companies. The Adviser’s employees/managing member who may hold board of director positions may be personally compensated for such board service by the bank or company on whose board they serve. This compensation poses a potential conflict of interest because the employee’s personal interest in retaining the board seat may create an incentive to maintain the Funds’ investment position that is separate and apart from the Funds’ investment interest.

#### **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

The Adviser has adopted a Code of Ethics for the purpose of guiding Stilwell and employees of the firm in their ethical obligations and in their personal securities trading activities. It is designed to comply with Rule 204A-1 under the Advisers Act.

The Code of Ethics is based upon the principle that the Adviser and its personnel owe a fiduciary duty to the Adviser’s Clients to conduct their affairs, including their personal securities transactions, in such a

manner as to avoid (i) serving their own personal interests ahead of Clients, (ii) taking inappropriate advantage of their position with the firm and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility. A copy of the Adviser's Code of Ethics shall be provided to any investor in the Funds or prospective investor upon request. The Code of Ethics in some circumstances permits employees to invest in the same securities as those in the Funds. The Adviser seeks to mitigate this potential conflict of interest by requiring pre-approval for all employee securities trades (whether in publicly traded securities or offerings by privately held issuers) except for securities of issuers with a market capitalization in excess of \$1 billion, which issuers have no securities that are held, managed or currently being researched by the Funds.

The Code requires all employees to comply with applicable federal securities laws and also requires that all employees report the personal securities holdings for all accounts covered by the employee investment policy ("covered accounts"), including those where the employee may have only an indirect beneficial interest. The CCO regularly reviews employee investment activity in the covered accounts to monitor compliance with the Code of Ethics in general and the firm's trading policy in particular. Annually, employees must certify that they will follow the Firm's Code of Ethics and provide all covered account brokerage statements to the CCO for review.

In addition, in 2013, as a result of the SEC investigation into certain of the Fund's loan activity that is described in detail above under Item 9. Disciplinary Information, in order to avoid any appearance of impropriety or conflict of interest with respect to inter-Fund loans, the Adviser instituted a policy whereby no inter-Fund loans will be made.

## **ITEM 12. BROKERAGE PRACTICES**

The Adviser has full discretion to select broker-dealers or others that execute transactions on behalf of the Funds. The commission rates paid by the Funds may not be at all times the lowest rates the Funds could have obtained, however the Adviser believes they will be competitive with rates paid by similar customers. The prime broker and the custodian may be changed at the Adviser's discretion.

The Adviser does not compensate or otherwise reward the brokers who trade on behalf of the Funds for investor referrals. The Adviser does not provide or offer direct brokerage for individual investors.

The term "soft dollars" refers to the receipt by an investment adviser of products and services provided by brokers, without any cash payment by the adviser, based on the volume of revenues generated from brokerage commissions for transactions executed for Clients of the Adviser. Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" to investment advisers who use "soft dollars" generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to an adviser in the performance of investment decision-making responsibilities. If the Adviser were to engage in any soft dollar arrangements, such arrangement would be designed to be within the safe harbor afforded by Section 28(e). While the Adviser does not currently participate in third-party soft dollar arrangements, it may, from time to time, receive proprietary research produced by its executing broker-dealers.

The Adviser may, in its discretion, aggregate orders being placed for execution at the same time for the accounts of two or more Clients, where it believes such aggregation is appropriate and in the best interest of its Clients. This practice may enable the Adviser to seek more favorable executions and net

prices for the combined order. When trades are aggregated, generally each participating account will be allocated securities on an average price basis. When the allocation is made on another basis, the Adviser records the considerations taken into account in making the allocation.

The Adviser is not obligated to aggregate orders or to include any particular account in an aggregated order if portfolio management decisions for different accounts are made separately or if the Adviser determines that aggregating trades would be inconsistent with the Adviser's investment management duties or with any investment objectives, guidelines or restrictions applicable to a particular Client. Orders placed for execution on an aggregated basis are subject to the Adviser's allocation policies and procedures. The Adviser will aggregate orders where appropriate for the Clients and consistent with its duty to seek best execution.

### **ITEM 13. REVIEW OF ACCOUNTS**

Client accounts are reviewed on an ongoing basis by the managing member of the Adviser. These reviews are designed to monitor and analyze Client transactions, positions and investment levels. Particular attention is given to changes in company fundamentals, industry outlook, market outlook, and price levels.

From time to time the Funds may engage in cross trades (e.g., inter-Fund transfers of shares). Generally, the Adviser engages in cross trades to (i) establish withdrawal series or (ii) redeem an investor's Fund interests. When a determination is made to engage in a cross trade, the Adviser will first obtain the approval of the CCO. The CCO will document the reasons for the cross trade and follow-up to confirm that it is executed in accordance with the Adviser's plans.

The Adviser provides investors in the Funds with annual audited financial statements and generally also provides the investors with either annual or quarterly written reports regarding Fund performance, depending upon the Fund. In addition, each investor typically receives monthly account statements.

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

The Adviser does, from time to time, engage in compensation agreements with non-supervised persons for referrals or introductions. These non-supervised persons are entitled to compensation from both the management fee and performance-based fees as determined by the Adviser. The fees paid to referral sources do not affect the fees limited partners pay to the Adviser.

### **ITEM 15. CUSTODY**

The Adviser is deemed to have custody of client assets because it serves as the general partner of the Funds. The Adviser will comply with Rule 206(4)-2 pursuant to section B(4) of that Rule. The Adviser does not have actual physical custody of any material level of the Funds' assets. Substantially all of the Funds' assets are in the custody of unaffiliated broker-dealers and banks. The Adviser retains independent accountants to prepare financial statements that are audited in accordance with GAAP. These financial statements are distributed to all limited partners (i.e., investors) within 120 days of the end of its fiscal year (December 31st).

From time to time, due to the nature of their investment strategy, the Funds may be required to take physical possession of registered stock certificates. Typically, the stock certificates represent a *de minimis* number of shares. All such stock certificates are kept in a locked fireproof safe in the Adviser's offices. In the future, if the Adviser is required to keep any significant number of securities in physical registered form, the Adviser plans to utilize a third-party custodian to hold such securities, if it deems such services to be necessary.

#### **ITEM 16. INVESTMENT DISCRETION**

The Adviser has discretionary authority over the investments pursuant to the terms of each Fund's operative documents, subject only to the restrictions, if any, described in the Offering Memorandum relating to the applicable Fund.

#### **ITEM 17. VOTING CLIENT SECURITIES**

The Adviser has proxy voting authority for the Funds. The Adviser has adopted policies and procedures that it believes are reasonably designed to result in a vote by the Adviser of Client securities that is in the best interest of its Clients. These policies and procedures include information on how the Adviser attempts to resolve conflicts of interest with respect to the proxies. In voting proxies, the Adviser will vote strictly in accordance with what it reasonably believes to be the best interest of the Clients.

In furtherance of the Adviser's goal of voting proxies in the best interests of Clients, it will follow procedures designed to identify and address material conflicts that may arise between the Adviser and/or the Funds' interests and those of their investors before voting proxies. In the event of a potential conflict of interest, the Adviser will vote on a case-by-case basis and consider the following:

If a potential conflict of interest is identified, the CCO will determine whether it is material. A conflict of interest will be considered material to the extent that it is determined that the conflict has the potential to influence the Adviser's decision-making in voting the proxy. For example, if it can be reasonably argued that the Adviser has an incentive to vote the proxy in a manner designed to benefit: (i) Stilwell, the affected member(s) of management rather than the Client or (ii) one Client to the potential detriment of another Client, then the conflict could be considered material. All materiality determinations made by the CCO will be based on the facts and circumstances that are relevant to the particular situation, with due consideration given to establishing consistency of decision-making. If such a conflict arises, the Adviser will determine whether it is appropriate to disclose the conflict to the affected investors.

#### **ITEM 18. FINANCIAL INFORMATION.**

The Adviser does not have any financial commitment that impairs its ability to meet any contractual or fiduciary commitments to investors. The Adviser has never filed for bankruptcy.