

**ITEM 1.**

**STILWELL VALUE LLC**

PART 2A OF FORM ADV

THE BROCHURE

111 Broadway  
12<sup>th</sup> Floor  
NEW YORK, NY 10006  
212-269-2005

April 2018

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**”), Katarzyna Wilinska, Esq., at 212-964-9300 or [kwilinska@stilwellgroup.com](mailto:kwilinska@stilwellgroup.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 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 2017 by the Adviser.

Please refer to the personnel change noted in Item 1.

In addition to the foregoing, which may be deemed to constitute a material change, the Adviser has made general updates throughout this Part 2A Brochure that it does not consider to be material.

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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. (“SAI,” and, together with SAF, the “Activist Funds”); Stilwell Partners, L.P. (“SP”); Stilwell Associates, L.P. (“SA”); and Stilwell Value Partners VII, L.P. (“SVP VII”). The Activist Funds, SP, SA and SVP VII are collectively referred to herein from time to time as the “Funds” and each individually as a “Fund.” During 2017, the Adviser also served as the investment adviser to Stilwell Value Partners III, L.P. (“SVP III”), which ceased investing activity and was dissolved in December 2017. Each of the Funds is organized as a limited partnership, of which the Adviser is the general partner.

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, financially-related businesses (including real estate investment trusts (“REITs”) and business development companies (“BDCs”)) and pursuing activist shareholder agendas with respect to certain of those institutions, trusts and companies. 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, thrifts and credit unions—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.

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 financially-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 seek to invest in undervalued financial or financially-related firms, businesses with a strong financial component or domestic or Canadian companies (whether or not engaged in a financially-related business).

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, 2017, the Adviser managed \$223,062,350 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 respective capital accounts (as determined in accordance with GAAP). Each of the above-described management fees is paid to Stilwell Administration LLC.

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 SAI 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 SAI.

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 SAI 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 SVP VII may not withdraw capital for a period of one year 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 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 memorandum and limited partnership agreement of the 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 Investment 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/or 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. TYPES 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 SAI, 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:

SAI: \$500,000

SA: \$100,000

SP and SAF: \$100,000

The Adviser may also accept additional capital contributions from existing investors in the Funds. 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 these 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 plus 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:

**General 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.

**Volatility and Interest Rate.** Some of the Funds' investment approaches 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 make investments in small capitalization and micro-capitalization companies (those with a market value of less than US \$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.** Fund portfolio investments may not be diversified among industries, types of securities or 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, 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, also 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, fluctuations in the market value of the Fund's portfolio affect the Fund's capital and increase the risk of loss as well as the possibility of gain. The use of leverage in this way has the potential to magnify the volatility of changes in the investment value of the Fund's individual positions and, possibly, the overall value of the Fund.

**REIT Investments.** Investing in REITs involves risks typically associated with real estate ownership, which include (i) fluctuations in real estate values, and interest and occupancy rates, (ii) overbuilding, competition and general economic conditions, (iii) increases in operating costs, property taxes and the costs of ongoing property repair, (iv) current and future laws affecting rent, zoning and the environment,

(v) geographic concentration and/or property types, and (vi) the risk of default relating to compliance with the terms of underlying mortgages or other financing arrangements.

**BDC Investments.** The Funds' investments in BDCs involve certain specific risks including (i) that each BDC's performance is subject to its portfolio companies' ability to generate cash flow to meet their respective debt obligations, (ii) that BDCs typically have no ability to influence a particular portfolio company's business decisions, (iii) that a BDC may have increased leverage risk which could impair the BDC's ability to make additional investments, (iv) that the BDC may experience market and valuation challenges resulting from illiquid investments, (v) since a BDC is obligated to make distributions of substantially all net investment income, it may experience enhanced capital market risk, as well as interest rate risk, (vi) structural risk in maintaining tax code qualifications to avoid corporate level taxation, (vii) regulatory and other risks.

**Hedging.** Hedging against a decline in the portfolio position's value does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline. Rather, it establishes other positions designed to gain from those same developments and possibly moderating the decline in the portfolio's value. Hedging transactions may also limit the opportunity for gain if the portfolio position's value 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 Volatility.** Sudden or significant market movements, whether up or down, may significantly and adversely affect the Fund's value.

**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 such securities. In such cases, a Fund may not be able to liquidate promptly its investments if needed. 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.** An investment in the Funds 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, independent 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 substantially and adversely affect the business and prospects of the Funds.

**Conflicts of Interest.** The Adviser 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 boards 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.

A potential conflict of interest arises 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 document and mitigate such conflicts. Another example of a potential or apparent conflict of interest is when a Fund is buying a particular security while another Fund is selling the same security, thus creating an inconsistent trading position.

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.

**Cybersecurity.** Investment advisers, including the Adviser, increasingly rely on information and technology systems to conduct their business. Such systems might, in some circumstances, may 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 continues to work to improve these safeguards. 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 the Adviser's third-party service providers may directly or indirectly impact 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 covered call option (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, US 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, the securities being sold have been borrowed from a third-party lender, typically a brokerage firm, and secured with cash, securities or a combination of both of equal or higher value than 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 Adviser 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 involving certain of the funds that were then managed by the Adviser (the “loan activity”). The investigation resulted in a settlement among the SEC, the Adviser and Mr. Stilwell, pursuant to which the SEC issued, in March 2015, a civil administrative order (the “Order”) against Mr. Stilwell and the Adviser. The Order set forth various findings of fact, which Mr. Stilwell and the Adviser neither admitted nor denied. In conjunction with the Order, 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 twelve months (from March 2015 to March 2016) from association with the Adviser or its related businesses or other SEC-regulated investment businesses; and (ii) paid a civil money penalty of \$100,000. Finally, the Adviser retained an independent monitor for a period of three years, which monitorship concluded on April 9, 2018. Mr. Stilwell’s suspension and all penalty and repayment obligations set forth in the Order have been fully discharged.

#### **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 to advocate what the Adviser deems in the best interest of shareholders. Public company directors owe a duty of loyalty to the corporation and the Adviser believes that board membership by its employees and/or nominees that it sponsors serves the interest of its clients that are substantial owners in such companies. The Adviser’s employees and/or 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 financial 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.

Generally, the ownership of a significant stake in a company by a fund or funds may give rise to a conflict of interest, particularly in the circumstance where an employee or principal of a fund also is a member of such company’s board of directors. The fiduciary obligations that the employee or principal may have as a board member, which include an obligation of loyalty to the company, may be inconsistent with the objective of such fund (or funds) as it relates to maximizing shareholder value. The Activist Funds, SA and Mr. Stilwell, in his individual capacity, face the potential for this type of conflict of interest in connection with the Funds’ and Mr. Stilwell’s ownership position in Kingsway Financial Services Inc. (“KFS”), in which they are, collectively, the largest shareholder and own an aggregate of approximately 19.95% of the total outstanding equity interests. Partially as a result of these Funds’ significant ownership interest in KFS, Mr. Stilwell was appointed to the board of directors of KFS (the “KFS Board”) in April 2009 and currently

remains on the KFS Board. He also serves on the Audit Committee and the Compensation Committee of the KFS Board. Of the 19.95% of the total outstanding equity interests of KFS owned by these Funds and Mr. Stilwell collectively, the Activist Funds hold approximately 73% of the total position, SA holds approximately 23% and Mr. Stilwell personally holds approximately 4%. While the Adviser believes that there is a substantial alignment of interests between these KFS holdings and Mr. Stilwell's membership on the KFS Board, there is the potential that Mr. Stilwell's obligations as a board member may conflict with the objectives of the Funds. One example of such a conflict is that Mr. Stilwell may be precluded from engaging in sales of the shares of KFS while KFS board members are subject to trading "blackout" periods by KFS. The Adviser believes that the benefit of Mr. Stilwell's board service outweighs risks related to this conflict and others that may arise and that the interests of the Adviser's clients are better served by Mr. Stilwell's active membership on the KFS Board.

In addition to the foregoing conflict considerations, KFS also has a limited daily trading volume, which limits the liquidity that is available to the Funds when they elect to trade in KFS securities. The potential for concern with respect to this limited liquidity is heightened by the fact that, in relation to the total amount of their other investments, as more fully disclosed in the audited financial statements of each of these Funds, SA holds more than half (by value) of all of its investment positions in KFS and each of the Activist Funds hold over 10% (by value) in KFS in relation to the total amount of their other investments. These concentrations make these Funds' overall performance more dependent on the performance of KFS than if these Funds each held a more diversified portfolio. Finally, Mr. Stilwell personally has a significant and direct ownership interest in SA (relative to SA's overall capital), which may result in conflicts in addition to those described above, since he may be presented with circumstances that bring his personal financial status into consideration, in addition to his obligations as a member of the KFS Board and as the principal of the Adviser. With respect to the Activist Funds, Mr. Stilwell has a much smaller personal direct investment (relative to those Funds' overall capital); however, those Funds also hold significant positions in KFS. Mr. Stilwell is obligated to act in the best interests of all three of these Funds, including in making any KFS-related investment decisions. Should any of the foregoing conflicts arise, the Adviser has processes and controls in place to address the review and management of such conflicts.

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

The Adviser has adopted a Code of Ethics to guide Stilwell and its employees 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 positions with the Adviser and (iii) any actual or potential conflicts of interest or any abuse of their positions 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.

Under the Code of Ethics, all employees must comply with applicable federal securities laws and provide copies of their 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 Adviser’s personal trading policy in

particular. Annually, employees must certify that they will comply with the provisions of the Adviser’s Code of Ethics and provide all covered account brokerage statements to the CCO for review.

As a part of its ongoing efforts to mitigate potential conflicts of interest, the Adviser has instituted a prohibition against (i) inter-fund loans and (ii) loans by the Adviser or Mr. Stilwell to any of the Funds.

## **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 documents the considerations taken into account in making such 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, investment objectives or guidelines or restrictions applicable to a particular client, if any.

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

Client accounts are reviewed on an ongoing basis by the managing member of the Adviser 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. Before executing a cross trade the Adviser, will first obtain the approval of the CCO who will document the reasons for the cross trade and follow-up to confirm the approved cross trade's proper execution.

The Adviser provides the Funds' investors 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 unaudited 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 are borne exclusively by 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 31).

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 stored 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 handles 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 and 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 its materiality and the appropriate course of action as follows:

The CCO will determine whether the conflict 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 such as a benefit to: (i) Stilwell, the affected member(s) of management rather than the client, or (ii) one client to the potential detriment of another client. 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. It will be further determined 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.