

**FORM ADV PART 2A**



**March 27, 2020**

**Bala Capital Group, LLC  
One Tower Bridge  
100 Front Street – Suite 1300  
West Conshohocken, PA 19428  
(610) 545-6100**

*This brochure provides information about the qualifications and business practices of Bala Capital Group, LLC. If you have any questions about the contents of this brochure, please contact the Chief Compliance Officer at (610) 545-6100 or [kek@lgpartners.com](mailto:kek@lgpartners.com). The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state securities authority. Additional information about Bala Capital Group, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Bala Capital Group, LLC is a registered investment adviser with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of training or skill.*

## **Item 2: Material Changes**

The following material changes to this Form ADV Part 2A (the “Firm Brochure”) have been made since the last annual update which was filed on March 29, 2019:

**Item 4 – Advisory Business** has been updated to include information regarding FWM Holdings, LLC acquisition , through its subsidiary FWM Acquisition LLC, of the assets of Optima Fund Management LLC effective July 1, 2019. On July 1, 2019, FWM Holdings LLC purchased the assets of Optima Fund Management LLC and FWM Acquisition LLC was assigned the investment advisory contracts of Optima Fund Management’s clients. Immediately following this asset purchase transaction, FWM Acquisition LLC changed its name to Optima Asset Management LLC (“Optima”).

**Item 10 – Other Financial Industry Activities and Affiliations** has been updated to include information about Optima and its affiliated entities which serve as General Partner, Managing Member or in another similar capacity to a number of Optima’s commingled pooled vehicles.

### **Item 3: Table of Contents**

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## **Item 4:      Advisory Business**

### **A. About the Business.**

Bala Capital Group, LLC (“Bala” or the “Firm”) sponsors and manages pooled investment vehicles. Established in 2006, it became a registered investment adviser with the U.S. Securities and Exchange Commission (“SEC”) on March 16, 2018. Bala is 100% owned by FWM Holdings, LLC which also owns Forbes Family Trust (“Forbes”) and LGL Partners, LLC (“LGL”). Supervised persons at Bala serve in similar capacities for Forbes and Bala.

On July 1, 2019, FWM Holdings LLC purchased the assets of Optima Fund Management LLC and FWM Acquisition LLC was assigned the investment advisory contracts of Optima Fund Management’s clients. Immediately following this asset purchase transaction, FWM Acquisition LLC changed its name to Optima Asset Management LLC (“Optima”).

### **B. Advisory Services Offered.**

Bala provides investment management services and serves as the General Partner of the Bala Capital Fund, LLC, the Bala Capital Opportunity Fund, LLC, and the Bala Capital Opportunity Master Fund Ltd (each a “Fund”, collectively, the “Bala Funds”).

Bala provides investment management services to the Bala Funds through investment in alternative investments in accordance with the investment objectives of each Fund. Alternative investments recommended by Bala exist in the form of private placement securities pursuant to Regulation D under the Securities Act of 1933, as amended (the “Securities Act”). Participation as an investor in the Bala Funds is restricted to investors that are either “qualified clients” as defined under Rule 205-3 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), or “accredited investors” or “qualified purchasers” as defined under Rule 501 of the Securities Act. Qualification requirements are noted in each Fund’s offering documents.

### **C. Tailored Services.**

As Bala only provides services to commingled vehicles, investors are not able to tailor their investments. All investors are bound by the investment objectives as set forth in the offering documents to the Bala Funds.

### **D. Wrap Fee Programs.**

Bala does not participate in wrap fee programs.

### **E. Assets Under Management.**

As of December 31, 2019, Bala managed \$44,702,442 on a discretionary basis.

In addition, affiliated entities of Bala provide advice and oversight to assets which cannot be included in the definition of Regulatory Assets Under Management. These Assets Under Advisement include, but are not limited to, private equity holdings, physical assets such as art work, and other non-traditional assets. In combination of its affiliated entities under the FWM Holdings LLC umbrella, as of December 31, 2019, Bala had Assets Under Advisement of \$6,281,605.

## **Item 5: Fees and Compensation**

### **A. *Management Fees***

Bala receives compensation for their advisory services in the form of management fees from each of the Bala Funds. Fees range from 0% to 2.0% depending on the fee structure selected by the investor. Bala receives fees quarterly, in advance, based on the average assets for the prior quarter.

Fees vary depending on the series/class of share selected. Details on the various fee structures are provided in each of the Bala Funds' offering documents. The Bala Capital Opportunity Fund, LP and Bala Capital Opportunity Master Fund Ltd. operated in a "Master Feeder" fund structure. As such, management fees will only be assessed by the Master Fund.

Bala, in its sole discretion, may reduce or waive management fees.

### ***Performance-Based Fees***

The Bala Capital Fund, LP and the Bala Capital Opportunity Master Fund, Ltd allocate to Bala, as General Partner, a performance-based fee equal to a percentage of the aggregate net profits (including both realized and unrealized gains and losses) associated with each investor's account. Performance-based fees range from 0% - 15% depending on the series/class of share selected. The payment of performance-based fees is subject to a "high watermark", meaning that no performance fees are assessed on capital accounts where an investor has unrecovered new losses subject to a loss carry forward. For any account subject to a loss carry forward, loss carry forwards will be adjusted proportionately for capital account redemptions. Performance-based fees are generally collected annually based on the capital account values as of December 31<sup>st</sup> of each year. In the event an investor redeems prior to year-end, the Fund will calculate any performance fee payable at the time.

Although management fees and performance fees are generally not negotiable, the funds offer various fee and allocation structures from which investors may choose. Bala may, at its sole discretion, reduce or waive management and performance-based fees. Bala

waives management and performance-based fees for affiliated employees of Bala or an affiliated entity.

**B. Deduction of Fees.**

Each investor's share of the management fee is debited monthly from the investor's capital account based on the net asset value of the account and investor's applicable fee rate. Fees for partial periods are prorated accordingly. Upon redemption, investors continue to pay management fees up to the day the investor's assets are redeemed. Fees will also continue to be charged on any investors' assets held back in connection with a full redemption until they are paid pursuant to the Limited Partnership Agreement.

**C. Other Fees and Expenses.**

The Bala Funds bear all direct and indirect costs associated with the Bala Funds' investments in the underlying fund and the investment advisory services of the various underlying managers. While the exact fees charged by each underlying manager will differ, such fees will generally consist of one or both of the follow: (i) a fixed fee, typically between ½% and 3% annually of the net assets of the Funds that are allocated to the underlying manager and/or (ii) a performance fee, typically equal to between 5% and 20% annually of the total appreciation, if any, in the Net Asset Value of the portion of the Bala Funds' assets allocated to the underlying manager.

The Bala Funds may be required to pay subscription charges and withdrawal charges in connection with its investments in other investment companies. The Bala Funds also have to pay brokerage commissions in relations to portfolio transactions executed for the Bala Funds by underlying managers.

Bala is responsible for providing all employees, space and facilities required for the performance of its services. Pursuant to the Bala Funds' LLC Agreements, the Funds pay or reimburse Bala for all other direct costs and expenses associated with the Bala Funds' investment program and operations.

All costs and expenses associated with the organization of the Bala Funds, including governing formation fees and professional fees and expenses in connection with the preparation of the Bala Funds' limited liability company and contract documents (but not including syndication expenses attributable to the promotion and sale of interests in the Bala Funds) were paid by the Bala Funds and are expected to be amortized by the Bala Funds over a period of 180 months from the date the Funds respectively commenced operations.

**D. Advance Billing.**

Management fees are payable in advance. If the investor redeems during the period for which the fees have been pre-paid, the Firm will prorate the client's fee for the time the

investor was invested in the Fund during the period, and credit the difference to the investor's capital account.

E. Additional Compensation.

None of Bala's supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## **Item 6: Performance Based Fees and Side-by-Side Management**

As described in Item 5, above, Bala is entitled to receive performance-based fees. Performance-based fees may represent a conflict of interest in that Bala could be incentivized to take higher levels of risk than it would absent such a fee. In addition, certain affiliated advisers, which do not impose similar performance-based fees, might benefit from investments in the same or alternative products. Bala, as well as its affiliated advisers, recognize that a potential conflict of interest exists and they have controls in place to ensure that investment allocations are made in the best interest of both the affiliates' clients and the Bala Funds' investors.

## **Item 7: Types of Clients**

Alternative investments recommended by Bala exist in the form of private placement securities. Bala's clients are the Bala Fund which are exempt from registration as securities offerings under Rule 506 of Regulation D of the Securities Act. Participation as an investor in the Bala Funds is restricted to investors that are either "qualified clients" pursuant to the requirements under Rule 205-3 under the Advisers Act, or "accredited investors" or "qualified purchasers", as defined under Rule 501 of the Securities Act. Investor qualification requirements are noted within the Bala Funds' offering documents.

## **Item 8: Methods of Analysis, Investment Strategies and Risks of Loss**

A&B. Method of Analysis and Investment Strategy

Bala invests in a diversified group of alternative investments across a variety of asset classes. The firm analyzes each investment opportunity and focuses on complementary investments that are diversified.

Once the manager and instrument selection is complete and capital is allocated, the process continues with monitoring. The firm monitors portfolios and allocations to see if managers are performing according to expectations.

C. Risks of Loss

Bala invests only in private placement investment vehicles (“Portfolio Funds”). The managers of these vehicles (“Portfolio Manager”) will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The Portfolio Funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. Portfolio Funds may also invest in thinly traded or illiquid securities. The absence of a liquid market may force underlying Portfolio Managers to hold unwanted securities or sell them at a significant discount.

Portfolio Funds used by Bala may be subject to certain restrictions which limit or restrict Bala’s ability to reallocate or redeem its investment. Many Portfolio Funds have “lock up” periods and/or “gates.” These mechanisms may prevent or restrict Bala’s ability to redeem its entire investment promptly.

### ***Risks of Portfolio Manager Strategies and Execution***

A Portfolio Manager may use proprietary investment strategies that are based on considerations and risk factors that are not fully disclosed to Bala. These strategies may involve risks under some market conditions that are not anticipated by the Portfolio Manager, Bala or a Bala Fund. The Portfolio Managers may also use investment strategies that differ from those typically employed by traditional stock and bond Portfolio Managers. The strategies employed by the Portfolio Managers may involve significantly more risk and higher transaction costs than more traditional investment methods. In addition, Portfolio Managers may fail to execute their strategy efficiently or consistent with past experience which may lead to underperformance or losses to a Bala Fund. Bala attempts to reduce these risks by allocating the investments of a Bala Fund across a variety of different Portfolio Managers. However, it is possible that the performance of the Portfolio Managers may be closely correlated in some market conditions, resulting (if those returns are negative) in significant losses to a Bala Fund and its investors.

### ***Multi-manager strategies***

Bala does not have any control or input over the securities purchased by underlying Portfolio Fund managers. While Bala controls the overall Bala Fund strategy, Bala does not control the underlying funds’ asset allocation, portfolio weightings or timing of purchases and/or sales. As a result, underlying holdings could conflict, compete or offset each other. Clients in the Bala funds could potentially pay fees and expenses for competing or offsetting positions that result in no economic benefit to the fund. Portfolio Managers may also use similar strategies or securities to achieve their individual objectives. As a result the funds may be less diversified than they would be if Bala were managing the portfolio and underlying securities directly.

Underlying Portfolio Managers generally charge management and performance fees based on the performance of their underlying portfolio. As a result, the fund may pay



management and/or performance fees to certain underlying Portfolio Managers even when the overall Bala Funds' performance may be negative.

### ***Dependence upon Bala and the underlying Portfolio Managers***

The success of a Bala Fund will depend upon the ability of Bala, through the underlying Portfolio Managers, to develop and implement investment strategies that achieve Bala Funds' respective investment objectives. Subjective decisions made by Bala and/or the Portfolio Managers may cause a Bala Fund to incur losses or miss profit opportunities. Although Bala monitors each fund's portfolio strategy, it cannot cause the Portfolio Managers of underlying Portfolio Funds to take or not take any specific actions. Also Bala and its principals are actively engaged in other business activities with Bala affiliates. Accordingly, Bala and its principals do not devote their full time and attention to the operations of the Bala Funds.

### ***Nature of Securities Investments***

Bala Funds, through the Portfolio Funds, invest substantially all of its assets in securities, some of which may be particularly sensitive to economic, market, industry, interest rate movements and other variable conditions beyond Bala's control. The markets in which a Bala Fund, through the underlying Portfolio Funds, expect to invest, can also be subject to significant volatility and losses. While Bala attempts to minimize such risks through diversification, no assurance can be given that Bala will be successful in its efforts and when an adverse event might occur which could result in significant losses to a Bala Fund.

### ***Investments in Bankrupt or Restructured Companies***

A Bala Fund, through the Portfolio Funds, may invest in securities of companies that are experiencing significant financial or business difficulties or are in default of their obligations, including companies involved in bankruptcy or other reorganization proceedings. Such investments, while potentially rewarding, require a level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties. There is no assurance that Bala or the applicable Portfolio Manager(s) will correctly evaluate such opportunities. It is also possible that an underlying Hedge Fund may be required to accept cash or securities with a value less than such Bala Fund's investment.

### ***Investments in Illiquid Securities***

A Bala Fund, through the Portfolio Funds may invest in assets for which there is no ready market or which require an extended holding period, and assets acquired with the expectation that they are liquid may become illiquid and require an extended holding period. A Bala Fund may also acquire interests in Portfolio Funds that require an extended period of committed investment.

As a result, the underlying Portfolio Manager may restrict or delay withdrawal rights of Bala in the applicable underlying Portfolio Fund. In addition, Portfolio Funds may determine to satisfy a withdrawal by a Bala Fund by distributing to a Bala Fund its pro rata share of such illiquid investments (“distribution in kind”), even though such investment may carry significant or complete restrictions on transfer prior to the occurrence of specified events. Limitations on withdrawal imposed by a Portfolio Fund on a Bala Fund or the disposition of illiquid securities to a Bala Fund could, in turn, be applied to the underlying investors of the Bala Fund(s) affected.

### ***Use of Leverage***

Portfolio Managers may use leverage as part of their investment strategy and Bala has no control over the amount of leveraged used. Leverage generally amplifies the gain or loss on an investment, and may result in greater volatility than experienced by investment pools that do not use leverage. If used incorrectly, Leverage can result in increased losses to a Bala Fund.

### ***Risks of Options***

Options are a form of leverage and can increase risk of loss. A Portfolio Manager may close out a position as a buyer or writer of an option only if a liquid secondary market exists. There are risks inherent in the use of such instruments. One such risk is that the Portfolio Manager could be incorrect in its expectations as to the direction or extent of various interest rate or price movements or the time span within which the movements take place. If used incorrectly, a Portfolio Fund may incur significant losses in a relatively short period of time.

### ***Other Derivative Investments***

Derivative include futures, options, swaps, structured securities and other instruments and contracts that are derived from or the value of which is related to one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Furthermore, many derivatives are leveraged, and thus provide significantly more market exposure. As a result, a relatively small adverse market movement could result in losses exceeding the original amount invested. Derivatives are also subject to liquidity risk, risk of non- performance by the swap counterparty as well as the credit worthiness of the swap counterparty. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be initiated nor liquidated. This

could prevent an underlying Portfolio Manager from promptly liquidating unfavorable positions and subject the Portfolio Fund to substantial losses.

### ***Short Sales***

An underlying Portfolio Manager may engage in “short sales” where it believes a security is overvalued. Short sales are sales of securities the Portfolio Fund borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease and the Portfolio Fund will be able to make a profit by purchasing the securities at a later date at the lower prices. The Portfolio Fund will incur a loss on a short sale if the price of the security has increased prior to the time the Portfolio Fund purchases the security to replace the borrowed security. Conversely, the Portfolio Fund will realize a gain if the security declines in price by such time. A short sale may present greater risk than purchasing a security since there is no ceiling on the possible cost of replacing the borrowed security.

### ***Event-Driven Investments***

A Portfolio Fund may seek to purchase securities at prices below their anticipated value following the occurrence of a particular event, including proposed mergers, tender offers or similar transactions. Such purchase price may be in excess of the market price of the securities immediately prior to the announcement of the proposed transaction. If the proposed transaction is not consummated or is delayed, the market price of the security may decline and result in losses to the Portfolio Fund. Even if the proposed transaction is consummated, there is no guarantee that a successful transaction will result in the realization of anticipated value.

### ***Foreign Securities***

Certain Portfolio Funds may invest in securities and instruments in global markets. Such investments involve substantial risks not typically associated with investing in U.S. securities. Investments in such foreign securities may be affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy (in the United States and abroad). Other risks associated with foreign securities include political and economic developments abroad, the possibility of expropriations or confiscatory taxation, limitations on the use or transfer of Portfolio Funds’ assets and any effects of foreign social, economic or political instability. Foreign companies are also not subject to the regulatory requirements of U.S. companies and, as such, may have less publicly available information.

### ***Debt Securities***

Portfolio Funds may invest in debt securities of issuers in financial distress. Distressed securities specialists typically invest in the securities of companies undergoing bankruptcy or reorganization. Volatility of returns is greatest among those Portfolio

Funds investing in high yield debt while lower volatility investments would typically include senior secured debt.

### ***Investments in Fixed-Income Securities***

The Portfolio Funds may invest a portion of their capital in bonds or other fixed income securities, including, without limitation, notes and debentures issued by corporations; debt securities issued or guaranteed by governments or agencies or instrumentalities thereof; commercial paper; and “higher yielding” (and, therefore, higher risk) debt securities. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed income securities are subject to the risk of the issuer’s inability to meet principal and interest payments on its obligations and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity.

### ***Collateralized Debt Obligations***

Certain of the Bala funds will invest with Portfolio Managers that invest a portion of their capital in collateralized debt obligations (“CDOs”), including CLOs and other structured credit vehicles. CDO collateral may consist of residential mortgages, commercial mortgages, other asset backed securities, other high-yield debt securities, loans, and other instruments, which often are rated below investment grade or of equivalent credit quality. The market values of CDOs tend to be more sensitive to changes in market or economic conditions than other securities.

### ***CLO Investments***

Certain of the Bala funds may invest with Portfolio Managers that invest a portion of their capital in collateralized loan obligations (“CLO”). CLO Investment securities are, generally, limited recourse obligations of the issuer thereof (the “Issuer”) payable solely from distributions on, and sale proceeds of, the underlying assets owned by the Issuer. If the distributions on and sale proceeds of the underlying assets are insufficient to make required payments on the securities, no other assets will be available for the payment of such deficiency and following the distribution of such distributions and proceeds to the holders of the securities, the obligation of the Issuer to pay such deficiency will be extinguished.

The underlying assets are subject to credit, liquidity and market and interest rate risks. Changes in the market value or fair value of underlying assets could result in defaults that may in turn reduce or halt the distribution of cash to the Fund or trigger a liquidation of an investment.

### ***Other Types of Investments by Portfolio Funds***

Each Bala Fund’s investment strategy is to invest with a range of Portfolio Funds that engage in different investment strategies and use a variety of investment techniques. Each

of these strategies and techniques may be non-traditional and involve substantial risks. Although several of these risks are discussed in other risk factors herein, it is impossible to identify all such risks, particularly since a Bala Fund's investments in Portfolio Funds are subject to change.

### ***Economic and Regulatory Climate***

The success of the investments by the Portfolio Funds and, therefore, a Bala Fund's performance, will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of a Bala Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These and other factors may affect, among other things, the level and volatility of securities' prices and the liquidity of a Portfolio Fund's investments.

### ***Concentration of Investments***

Although Bala will seek to maintain a diversified portfolio for each Bala Fund, there is no assurance that a Bala Fund will be adequately diversified in all market conditions.

## **Item 9: Disciplinary Information**

Bala is required to disclose any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. There are no events to disclose.

## **Item 10: Other Financial Industry Activity and Affiliations**

- A. Neither Bala nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Bala is an Exempt Commodity Pool Operator with the National Futures Association. The Bala Capital Opportunity Fund is an exempt commodity pool under Rule 4.13(a)(3).
- C. Under the umbrella of its parent company, FWM Holdings, LLC, Bala is related to LGL, Forbes and Optima, each of which are registered investment advisers with the SEC. Supervised persons of Bala serve in similar capacities at Forbes and LGL. Optima remains operationally independent of Forbes.

Bala serves as the named investment adviser and General Partner to certain private funds, namely the Bala Capital Fund, LLC, the Bala Capital Opportunity Fund, LLC and the Bala Capital Opportunity Master Fund, LLC (collectively, the "Bala Funds"). Interests in the Bala Funds are privately offered pursuant to Regulation D under the Securities Act. The Bala Funds currently rely on an exemption from registration under the '40 Act.

Participation as an investor in the Bala Funds is restricted to investors that are qualified clients pursuant to the requirements under Rule 205-3 under the Advisers Act as well as those that are accredited investors or qualified purchasers as defined in the Securities Act.

To the extent certain of LGL' individual advisory clients qualify, they may be eligible to participate as limited partners in the Bala Funds. Investment in the Bala Funds involves a significant degree of risk. All relevant information, terms and conditions relative to the Bala Funds, including the compensation receive by LGL or any affiliate as the investment manager and General Partner, and potential conflicts of interest, are set forth in the Confidential Private Offering Memorandum, the Limited Partnership Agreement, and the Subscription Agreement, which each investor is required to receive and/or executed prior to being accepted as an investor into the Bala Funds.

LGL serves as the named investment adviser and General Partner to the AM Global Core Fund, LLC (the "Core Fund"). Interests in the Core Fund are privately offered pursuant to Regulation D under the Securities Act. The Core Fund currently rely on an exemption from registration under the Investment Company Act of 1940, as amended (the "'40 Act").

Participation as an investor in the Core Fund is restricted to investors that are qualified clients pursuant to the requirements under Rule 205-3 under the Advisers Act as well as those that are accredited investors or qualified purchasers as defined in the Securities Act.

To the extent certain of LGL' individual advisory clients qualify, they may be eligible to participate as limited partners in the Core Fund. Investment in the Core Fund involves a significant degree of risk. All relevant information, terms and conditions relative to the Core Fund, including the compensation receive by LGL or any affiliate as the investment manager and General Partner, and potential conflicts of interest, are set forth in the Confidential Private Offering Memorandum, the Limited Partnership Agreement, and the Subscription Agreement, which each investor is required to receive and/or executed prior to being accepted as an investor into the Core Fund.

Optima is an affiliate of both Optima Managers LLC, a single-manager commingled fund sponsor and Optima Managers GP-MM LLC, the managing member and General Partner of a number of commingled pools investment vehicles (the "Optima Funds"). Interests in the Optima Funds are privately offered pursuant to Regulation D under the Securities Act. The Optima Funds current rely on exemptions from registration under the '40 Act.

Participation as an investor in the Optima Funds is restricted to investors that are accredited investors and/or qualified purchasers as defined in the Securities Act.

- D. Additionally, in June 1017, Wealth Partners Capital Group ("WPCG"), through an investment in FWM Holdings, LLC, acquired an indirect minority equity interest in Bala. While there is no present intention to do so, WPCG has the right to acquire additional

equity interests in FWM Holdings, LLC. In total, WPCG's ownership could exceed 50%. In that case, WPCG would possess governance rights of a majority owner. WPCG's equity interest in FWM Holdings, LLC is structured so that Bala maintains operational autonomy in managing its business. WPCG does not have any role in the day-to-day management of FWM Holdings, LLC or Bala. WPCG also holds equity interests in certain other investment advisers ("WPCG Advisers"). Each of the WPCG Advisers, including Bala, operate autonomously and independently. Neither WPCG, nor any of the WPCG Advisers, has any involvement or influence in Bala's selection of portfolio managers. As such, WPCG's interest in FWM Holdings, LLC, does not, in Bala's view, present any potential conflict of interest with Bala's clients.

## **Item 11: Code of Ethics**

- A. In recognition of Bala's fiduciary duty to its clients and Bala's desire to maintain high ethical standards, Bala has adopted a Code of Ethics ("Code") pursuant to Rule 204A-1 of the Advisers Act. It contains provisions designed to (1) prevent improper personal trading by Access Persons of Bala, (2) prohibit the misuse of inside information, (3) identify conflicts of interest and (4) provide a means to resolve any actual or potential conflict of interest.

Bala will provide a copy of the Code upon a client's or prospective client's written request.

- B. Bala serves as General Partner and investment manager of the Bala Funds and does not have any other clients. However, Bala's affiliated advisers, Forbes and LGL, solicit client investments in the Bala Funds. An adviser could face a potential conflict of interest in soliciting client investments for proprietary vehicles in which it has a material financial interest if it were receiving a higher fee for serving as the General Partner. Bala's affiliated advisers, Forbes and LGL, could have an incentive to recommend to a client investment in the Bala Funds as opposed to another vehicle or separate account, which may or may not be more appropriate for the client's needs. Prior to any investment, the client would be provided with the Offering Documents for the vehicle which further discuss the conflict of interest.
- C&D. Bala and its Supervised Persons may affect transactions for their own accounts in the same or different securities than those purchased and sold for the Bala Funds. This presents a potential conflict of interest between Bala and its clients. Bala's employees could take advantage of investment opportunities that are appropriate for the Bala Funds prior to the Firm taking the opportunity for its clients. Bala has implemented policies and procedures under its Code to avoid these conflicts in the management of its clients' accounts. Subject to a de minimis exception, all personal securities transactions in Reportable Securities, as defined in the Advisers Act, require that written pre-clearance approval is obtained from the Chief Compliance Officer. Any approval remains in effect until close of business on the following business day in which the transaction was approved, unless otherwise stated.

The Chief Compliance Officer only approves transactions if it is concluded that the transaction would comply with the provisions of the Code and is not likely to conflict with or have any adverse economic impact on clients. The Chief Compliance Officer has the authority to exempt any personal securities transaction if it is determined that such exemption would not be against any interests of a client and is consistent with Bala's requirements under the Advisers Act.

Upon employment, and no less frequently than annually thereafter, employees attend compliance training, sign a Code acknowledgement and execute a questionnaire which inquires, among other things, the names and outside brokerage accounts of the employee and any household members as well as any outside business activities and directorships. All employees who have personal accounts (including household members) are required to instruct their broker-dealer and/or bank to send duplicate statements and confirmations for the account(s) directly to the Chief Compliance Officer no less frequently than quarterly.

## **Item 12: Brokerage Practices**

Bala and the Bala Funds only invest in alternative investments that are not publicly traded. Accordingly, Bala does not utilize or recommend broker dealers to effect trades in the Bala Funds. The underlying Portfolio Funds in which the Bala Funds invest are managed by unaffiliated third-party managers. The third-party managers have the discretion to execute trades with broker dealers of their choosing. Neither Bala nor the Bala Funds have any control over broker dealers used by the underlying Portfolio Managers.

In arrangements involving discretionary managed accounts, Bala may attempt to use its influence with the contemplated underlying managers to negotiate fees and brokerage commissions at rates that are favorable to the Funds. In the case of investments in shares or units of other investment companies, registered or unregistered, the fees and expenses borne by the Funds typically are not negotiable but the structure and level of such fees and expenses is a criterion in Bala's selection process.

## **Item 13: Review of Accounts**

Bala monitors the portfolio holdings of the Bala Funds on a monthly basis.

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

- A. Bala only receives an economic benefit from the Bala Funds.
- B. Although Bala does not currently have any active arrangements with a third-party solicitor/marketer, Bala may enter into agreements with third-party solicitors/marketers. The compensation for these services, which can be a fixed fee or a percentage of revenues on assets gathered, will be paid completely by Bala and will not be increased or



passed along to the Bala Funds in any way. Any referral arrangement will be consistent with regulatory requirements, disclosures and recordkeeping.

#### **Item 15: Custody**

As the General Partner to the Bala Funds, Bala is deemed to have custody of the funds and securities for these entities. Each fund is audited at least annually by a PCAOB-registered and inspected accountant. Audited financial statements are prepared in accordance with generally accepted accounting principles and are distributed as required or, if the financial statements cannot be distributed in a timely manner, the funds are submitted to the surprise custody audit requirement under Rule 206(4)-2 under the Advisers Act.

#### **Item 16: Investment Discretion**

Bala manages the Bala Funds on a discretionary basis and is solely responsible for determining the securities to be purchased and sold and when to purchase and sell such securities.

#### **Item 17: Voting Client Securities**

As an investor in the underlying pooled vehicles, Bala has no direct interest in the underlying securities in which the pooled vehicles invest and does not have any voting rights.

#### **Item 18: Financial Information**

Bala is not required to disclose any financial information pursuant to this Item as the Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. Bala has never been the subject of a bankruptcy petition and does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.