

SB Capital Management, Inc.

Form ADV Part 2A: Firm Brochure | March 31, 2021

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This brochure provides information about the qualifications and business practices of SB Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at: 818-774-1000, or by email at: rsinger@sbcapitalmanagement.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

SB Capital Management, Inc. may refer to itself as a “registered investment adviser”. Clients should be aware that registration with the SEC or any state securities authority does not imply a certain level of skill or training. Additional information about the Adviser is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 - Material Changes since the Last Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 818-774-1000 or by email at: rsinger@sbcapitalmanagement.com.

Item 3 - Table of Contents

Item 2 - Material Changes since the Last Update	2
Item 3 - Table of Contents	3
Item 4 - Advisory Business	5
<i>Firm Description</i>	5
<i>Principal Owners</i>	5
<i>Types of Advisory Services</i>	5
<i>Tailored Relationships</i>	5
<i>Types of Agreements</i>	5
<i>Investment Management Agreement</i>	6
<i>Financial Planning Agreement</i>	7
<i>Referral Program</i>	7
<i>Private Equity Funds</i>	8
<i>Hedge Funds</i>	8
<i>Tax Preparation Agreement</i>	8
<i>Hourly Engagements</i>	8
<i>Asset Management</i>	8
<i>Termination of Agreement</i>	9
<i>Assignment of Investment Management Agreements</i>	9
Item 5 - Fees and Compensation	9
<i>Investment Management</i>	9
Item 6 - Performance Based Fees	11
<i>Fee Billing</i>	12
<i>Other Fees</i>	12
<i>Conflict of Interest between Different Fee Structures</i>	13
Item 7 - Types of Clients	13
<i>Account Minimums</i>	13
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss	13
<i>Methods of Analysis</i>	13
<i>Investment Strategies</i>	13
<i>Market, Regulatory and Security Risks</i>	15
Item 9 - Legal and Disciplinary	18
Item 10 - Other Financial Industry Activities and Affiliations	19

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading 19

Code of Ethics 19

Participation or Interest in Client Transactions 19

Personal Trading..... 20

Item 12 - Brokerage Practices 20

Brokerage Selection and Soft Dollars..... 20

Order Aggregation..... 21

Directing Brokerage for Client Referrals 22

Directed Brokerage..... 22

Item 13 - Review of Accounts..... 23

Item 14 - Client Referrals and Other Compensation 23

Incoming Client Referrals..... 23

Referrals to Third Parties..... 23

Item 15 - Custody 24

Account Statements..... 24

Performance Reports..... 24

Item 16 - Investment Discretion..... 24

Item 17 - Voting Client Securities 25

Proxy Votes..... 25

Resolving Conflicts of Interest..... 25

Item 18 - Financial Information..... 25

Business Continuity Plan 25

Information Security Program 26

Information Security..... 26

Privacy Practices..... 26

Education and Business Standards..... 29

Professional Designations..... 29

Richard Singer..... 30

Matthew Burke, CFP®..... 31

Sandy Singer 32

Amitha Harichandran, CFP® 33

Stephanie Arkof..... 34

Item 4 - Advisory Business

Firm Description

SB Capital Management, Inc., hereinafter ("the Adviser") was founded in 2003 and is an SEC registered investment adviser.

SB Capital Management, Inc. ("SBCM") is a California corporation engaged in the business of providing investment advisory services to its clients. SBCM is an affiliate of Singer Burke Zimmer Kogan, LLP, a California certified public accounting firm in Encino, California. SBCM offers three types of advisory programs to its investment advisory clients: (1) the **SB Managed Accounts Program**, in which SBCM provides financial planning and investment portfolio management service for a fee based upon a percentage of assets in the portfolio (2) the **Financial Planning Program**, in which SBCM will provide clients with a financial plan, asset allocation advice or advice concerning specific financial goals and objectives for an hourly fee; and (3) the **Referral Program**, in which SBCM may refer clients to one or more approved third party investment managers and provide limited performance review. Further information regarding each of these programs is provided below. SBCM earns fees through the three programs listed above as well as through acting as the general manager of four private equity funds of funds and one hedge fund of funds.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Any conflicts of interest arising out of the Adviser's or its associated persons are disclosed in this brochure.

Principal Owners

Sandy Singer, 2.94%; Matthew Burke, 30.77%; Richard Singer, 40.09%; Stephanie Arkof, 15.42%; and Amitha Harichandran, 10.79%.

Types of Advisory Services

The Adviser provides investment supervisory services, also known as asset management services; manages investment advisory accounts not involving investment supervisory services; and furnishes investment advice through consultations. On more than an occasional basis, the Adviser furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning.

As of December 31, 2020, the Adviser manages approximately \$854,587,744 in assets for 261 clients. Approximately \$1,827,925 is managed on a nondiscretionary basis and approximately \$852,759,819 is managed on a discretionary basis.

Tailored Relationships

The goals and objectives for each client are documented in our portfolio models and client relationship management system. Investment policy statements are created that reflect the stated goals and objective. Clients may impose restrictions on investing in certain securities or types of securities.

Types of Agreements

The following agreements define the typical client relationships.

Investment Management Agreement

As part of the investment management service, all aspects of the client's financial affairs are reviewed and realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis. The Adviser periodically reviews a client's financial situation and portfolio through regular contact with the client which can often include an annual meeting with the client. The Adviser makes use of portfolio rebalancing software to maintain client allocations according to the Investment Policy Statement in effect.

The scope of work and fee for an Advisory Service Agreement is provided to the client in writing prior to the start of the relationship. The agreement sets forth the services to be provided, the fees for the service and the agreement may be terminated by either party in writing at any time.

SBCM Managed Account Program. The Managed Account Program is designed for clients that want SBCM to provide on-going portfolio management in addition to asset allocation advice and financial planning, where appropriate. SBCM will work with the client to determine the client's investment objectives and investor risk profile and will design a written investment policy statement reflecting the client's objectives and risk tolerance level. SBCM uses investment and portfolio allocation software provided by third party service providers to evaluate and recommend alternative portfolio designs, which meet the criteria of the investment policy statement. SBCM evaluates the client's existing investments to determine a strategy for transition from the client's existing portfolio to the desired portfolio. SBCM then manages the implementation and maintenance of the strategy on behalf of the client in accordance with the client's financial plan and risk tolerance.

There are generally two types of portfolio management arrangements made available to SBCM clients under the Managed Account Program. Type 1: Portfolio strategy implemented using a combination of third-party separate account managers, mutual funds, exchange traded funds, and often hedge funds and private equity funds. Type 2: SBCM creates a structured portfolio of funds – both no-load mutual funds and exchange traded funds (sometimes using model portfolios if the models match the client's investment policy) and also often hedge funds and private equity funds. In both programs – Type 1 and Type 2 – SBCM's intention is to create the most efficient structure possible – in terms of management fees, transaction costs, and investment characteristics – to maximize risk-adjusted returns. Accordingly, to the degree that certain segments of the markets are efficient, SBCM will rely on the integrity of portfolio structure rather than active stock selection to maximize after-tax returns, net of fees and transaction costs.

In the Type 1 Program, SBCM often recommends a passively managed core portfolio of separate equities to capture the returns of major market indices with minimal costs to the client and maximum tax management opportunities. This core is augmented by either active separate account managers (including hedge fund managers) in less efficient segments of the market and/or no-load mutual funds or exchange traded funds to gain the diversification needed in order to maintain the integrity of SBCM's portfolio design.

In both Type 1 and Type 2 Programs, SBCM often utilizes the no load mutual funds offered by Dimensional Fund Advisors (DFA). DFA sponsored mutual funds follow a passive asset class investment philosophy with low holdings turnover. Consequently, the DFA fund fees are generally lower than fees and expenses charged by other types of funds. SBCM manages mutual fund and equity portfolios on primarily a discretionary basis.

SBCM may also recommend laddered bond portfolios to advisory clients. SBCM will typically request discretionary authority from advisory clients to manage fixed income assets, which may be necessary to enable SBCM to purchase such assets in a timely manner when they are available at quoted prices.

Financial Planning Agreement

SBCM provides one-time or annual individual investment advice to clients in its Financial Planning Program, which may consist of one or more of the following services: clarifying financial goals, analyzing current financial circumstances, existing portfolio review, asset allocation analysis, investment strategy and/or preparation of financial plans and investment policy statements, as requested by each client. SBCM may also perform for corporate and other institutional types of client's investment strategy for corporate funds, review of employee benefit plan investments and investment policy review. SBCM will work with each financial planning client to update their investment strategies, as requested by the client.

In providing a financial plan or financial consultation services, SBCM will not do a detailed analysis of a particular security but may provide clients with publicly available research reports prepared by third parties. Rather, the analysis will utilize such financial planning techniques as the review of the client's financial circumstances – including income and expense projections, investment goals, and tax considerations. It is possible that because of differing client needs and circumstances, recommendations made to any one client may be contrary to recommendations made to other clients.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

The financial planning may be the only service provided to the client and does not require that the client use or purchase the investment advisory services offered by the Adviser.

There is an inherent conflict of interest for the Adviser whenever a financial plan recommends use of professional investment management services or other financial products or services. The Adviser or its associated persons may receive compensation for financial planning and the provision of investment management services and/or other products and services. The Adviser does not make any representation that these products and services are offered at the lowest available cost and the client may be able to obtain the same products or services at a lower cost from other providers. However, the client is under no obligation to accept any of the recommendations of the Adviser or use the services of the Adviser in particular.

Referral Program

In the Referral Program, SBCM does not actively manage client investment accounts, but instead refers clients to outside investment advisers, which SBCM determines are suitable for its clients based on their individual needs and circumstances. SBCM will not refer any California client to another investment adviser unless that adviser is licensed as such in California or exempt from such licensing. SBCM will be compensated by a payment from the outside investment adviser for each client account referred to that adviser, in an amount specified in the referral agreement between SBCM and the adviser. Each outside adviser will charge fees for its services in the manner and amounts specified in its Form ADV Part 2. In all cases, the client will be advised of all fees to be paid to the outside adviser and to SBCM, and the client will not pay more for the outside adviser's services than it charges to clients who are not referred by SBCM. SBCM will provide full disclosure of the outside adviser's programs, services and fee schedules to the client at the time of the solicitation by delivering a copy of the outside adviser's Form ADV Part 2 or equivalent disclosure document at the same time as SBCM delivers to the client its own Form ADV Part 2 or equivalent disclosure document. SBCM will also provide to each client all appropriate disclosure statements, including disclosure of solicitation fees to SBCM.

Private Equity Funds

SBCM may receive annual management fees and performance fees as the general manager of four private equity funds: SB Capital Management Private Equity Fund I, LLC; SB Capital Management Private Equity Fund II, LLC; SB Capital Management Private Equity Fund III, LLC; and SBCM Private Equity Fund IV, LLC. SBCM primarily utilizes a “fund of funds” strategy. For each private equity investment fund, SBCM identifies and retains money managers, allocates the capital of that particular fund/private equity investment among the money managers, and monitors the ongoing performance of the money managers of each fund/private equity investment. In selecting money managers, SBCM considers such factors as their risk management skills, their investment philosophy, the amount of their personal investment in the fund/private equity investment, the structure of their portfolios, the educational and business background of their principals, their fee structures, research resources, and assets under management.

Hedge Funds

SB Capital Management, Inc. is the Investment Adviser and Manager of a limited liability company called the Manzanita Fund, LLC (the fund changed its name as of January 1, 2010). The fund, previously called Select Investments, LLC (“Select”) was formed in 1997 by Morton Capital Management. On July 1, 2009, SB Capital took over as the Manager and Investment Adviser of the Fund. The investment objective of the Manzanita Fund, LLC fund as stated in the Offering Memorandum is to “to seek long-term capital appreciation by making investments in publicly-registered mutual funds (“Mutual Funds”) and investment partnerships, private investment companies, other pooled or commingled investment vehicles and separate accounts (collectively “Hedge Funds,” and together with Mutual Funds, “Investment Vehicles”).

Tax Preparation Agreement

The Adviser does not provide tax preparation services. An affiliated firm, Singer Burke Zimmer Kogan, LLP, is a CPA firm and provides tax preparation, accounting and business management services. One of the Adviser’s Principals is managing partner of the CPA firm.

Hourly Engagements

Clients are charged an hourly or a flat fee for financial planning services. The hourly fee is between \$100 and \$500 an hour depending on the experience of the person assigned to the review. Flat fees are negotiated with the client. Fees are based on the range and complexity of the services being provided. If a client implements all or a portion of a plan through SBCM, based on the overall relationship, planning fees may be waived. Implementation of the plan through SBCM is optional, and the client is advised that similar products or services are available elsewhere. Fees are subject to change without prior notification at the discretion of SBCM. Hourly fees are generally payable upon receipt of a monthly invoice and flat fees are generally payable 50% on execution of a financial plan and 50% on completion of the project.

Asset Management

Investments may also include: equities, exchange listed securities, securities traded over-the-counter, corporate debt securities, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U. S. government securities, options contracts, interests in partnerships (real estate, oil and gas, hedge funds and private equity securities). The Adviser does not receive any compensation, in any form, from fund companies.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades.

Initial public offerings (IPOs) are not available through the Adviser.

Termination of Agreement

Each client has a period of five (5) business days from the date of signing an agreement to unconditionally rescind the Agreement and receive a full refund of all fees paid at signing. A Client may terminate any of the aforementioned agreements at any time by providing the Adviser with 30 days' notice in writing. Clients shall be charged pro rata for services provided through to the date of termination. If the client made an advance payment, the Adviser will refund any unearned portion of the advance payment.

The Adviser may terminate any of the aforementioned agreements at any time by providing the Client with 30 days' notice in writing. If the client made an advance payment, the Adviser will refund any unearned portion of the advance payment.

The Adviser reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in the Adviser's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded.

Assignment of Investment Management Agreements

Agreements may not be assigned without client consent.

Item 5 - Fees and Compensation

Investment Management

The Adviser bases its fees on a percentage of assets under management, hourly charges, fixed fees, and performance fees. Although the Advisory Service Agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

SBCM Managed Account Program: SBCM charges an annual fee for investment management services for the Managed Account Program calculated as a percentage of assets in the account. The maximum fee is 1.1% per annum, and is subject to negotiation.

Financial Planning: Clients are charged an hourly or a flat fee for financial planning services. The hourly fee is between \$100 and \$500 an hour depending on the experience of the person assigned to the review. Flat fees are negotiated with the client. Fees are based on the range and complexity of the services being provided. If a client implements all or a portion of a plan through SBCM planning fees may be waived at the Adviser's sole discretion. Implementation of the plan through SBCM is optional, and the client is advised that similar products or services are available elsewhere. Fees are subject to change without prior notification at the discretion of SBCM.

Referral Program: The adviser to which SBCM refers the client pays SBCM a portion of its fee on an ongoing basis. This fee is included in the overall fee paid by the client and is typically fifty percent (50%) of the approximate 1.0% annual management fee. Fees are received by the Adviser on a quarterly basis. Overall fees paid by the client are intended to be the same in this situation as they would be if the client sought management services from this adviser through an alternative referring party, or directly. The referral or “solicitation fee” is in an amount that may be less than alternative programs offered through SBCM and/or through independent third parties. Because the fee may be less, SBCM alerts client that a conflict of interest exists in regard to the referral.

Private Equity Funds: For Private Equity Funds I and II, the fee is equal to 1% of all asset of each member’s capital account in the fund(s), including realized and unrealized gains and losses of securities held in the fund to be determined upon an annual valuation of the funds’ overall assets. However, members who maintain individual investment accounts in excess of \$2 million USD managed by the manager, throughout the lifetime of the fund will not be charged the management fee by the fund provided that, such members' capital accounts shall be considered “assets under advisory” and shall remain subject to the terms of the Client Service Agreement previously entered into with the manager.

For the SB Capital Management Private Equity Fund III, LLC, the manager reserves the right to receive an annual management fee no more than 1.0% of all assets of each member's capital account in the fund, including realized and unrealized gains and losses of securities held in the fund, to be determined upon an annual valuation of the fund's overall assets. However, members who maintain individual investment accounts in excess of \$2 million USD managed by the manager, throughout the lifetime of the fund will not be charged the management fee by the fund provided that, such members' capital accounts shall be considered “assets under advisory” and shall remain subject to the terms of the Client Service Agreement previously entered into with the manager.

For SBCM Private Equity Fund IV, LLC, the manager will receive (a) an annual management fee equal to one percent (1%) of all capital commitments of each member in the Fund from inception through the fifth calendar year following the final closing, paid or accrued quarterly based on the commitments as of the closing of the prior quarter; and (b) thereafter, 80% of the previous year’s compensation, paid or accrued quarterly. However, members who have individual investment accounts managed by SBCM throughout the lifetime of Fund IV will not pay the management fee provided that, such members' capital accounts will remain subject to the terms of the Client Service Agreement previously entered into with SBCM. The management fee will begin being charged immediately upon the termination of the member’s Client Service Agreement.

Hedge Fund: An annual management fee of 1.00% will be charged to investors who do not have at least \$2 million USD under management with SB Capital Management, Inc. All investors with less than \$2 million USD under management with SB Capital who were invested in the Fund before June 30, 2009 will also be exempt from the management fee. However, these members' capital accounts will remain subject to the terms of the Client Service Agreement previously entered into with SBCM. The management fee will begin being charged immediately upon the termination of the member’s Client Service Agreement.

Clients who invest in the fund after July 1, 2009 are subject to performance fees. The Manager may receive a “Performance Allocation” as to each Limited Partner equal to five percent (5%) of the net profits allocated to that Member, but only to the extent those net profits exceed net losses previously allocated to the Limited Partner that have not been recovered.

In the event that the client’s situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

Item 6 - Performance Based Fees

Private Equity Fund I, LLC and Private Equity Fund II, LLC: As the general manager of Funds I and II, SBCM may receive performance fees. SBCM shall receive 10% of the net gain of the liquidation of the investment above a 6% internal rate of return on each member's invested capital. Performance fees will not be charged to Fund I and Fund II members who have individual investment accounts managed by SBCM or who are not Qualified Clients.

Private Equity Fund III, LLC: The manager may receive management fees and performance fees based upon the value of assets in the Fund and the gain on investments made for the Fund. The manager will have an interest in maximizing the value of assets in the Fund and the gain that may be earned on sale of investments held in the Fund. This may provide an incentive for the manager to recommend greater investment in the Fund to its clients and to invest in higher risk investments that would otherwise be the case. The manager shall receive a performance allocation (the "Performance Allocation") upon the liquidation of each investment of the Fund. This performance allocation shall be ten percent (10%) of the net gain on liquidation of such investment above a six percent (6%) internal rate of return on each member's invested capital; provided, that the Performance Allocation will not be charged to (i) members who have individual investment accounts in excess of \$2,000,000 managed by the manager throughout the lifetime of the Fund and (ii) investors of the Fund who are not Qualified Clients.

Private Equity Fund IV, LLC: Each member will pay the manager a ten percent (10%) overall profit share ("**Performance Allocation**") after the member has received distributions equal to the amount of its capital Contributions plus a six percent (6%) simple, non-compounded annual return ("**Preferred Return**") on each member's invested capital. Performance fees will not be charged to Fund IV members who have individual investment accounts managed by SBCM or who are not Qualified Clients.

Manzanita Fund, LLC: At the end of each fiscal year (or a shorter period in certain circumstances), net profits and net losses for the year are allocated among the members, and the manager may receive a "Performance Allocation" as to each Limited Partner equal to five percent (5%) of the net profits allocated to that member, but only to the extent those net profits exceed net losses previously allocated to the Limited Partner that have not been recovered. Solely for purposes of computing the Performance Allocation, net profits and net losses include unrealized gains and losses. This limitation prevents the manager from receiving a Performance Allocation as to profits that simply restore previous losses. The manager is entitled to receive a Performance Allocation as to a member only to the extent the member's cumulative share of profits through the current period exceeds the highest level of profits allocated to it for all prior periods. If a member withdraws or is distributed capital from the Fund, that member's un-recouped losses are reduced proportionately based on the amount withdrawn or distributed. The Performance Allocation is debited from the capital account of each member as of the end of each fiscal year (or upon the date of a permitted or required withdrawal) and allocated to the capital account of the manager in accordance with the terms of the Operating Agreement. The manager may, in its sole discretion, reduce or waive the Performance Allocation with respect to any or all members. The Performance Allocation payable to the manager may create an incentive for the manager to make riskier or more speculative investments than it would otherwise make in the absence of performance-based compensation. The Performance Allocation includes amounts in respect of any unrealized appreciation of the Fund's investments. The investment managers of the Hedge Funds generally charge annual fees that are measured by a percentage of the value of the assets they manage. In addition, these managers may receive incentive allocations or performance fees based on both realized and unrealized appreciation in the value of the assets under management. The incentive allocations typically are determined and paid quarterly or annually, and usually are not affected by subsequent losses. In some cases, but not all, such allocations or fees are charged only after the performance of the funds under their management equals or exceeds some objective standard, such as a particular internal rate of return, benchmark or broad-based index.

The performance fee arrangement creates an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of a performance fee arrangement; the Adviser may receive increased compensation with regard to unrealized appreciation, as well as realized gains in the client's account; the Adviser has an incentive to favor performance fee accounts in the allocation of investment decisions as the Adviser's compensation may be larger than it otherwise would have been due to account performance. Due to the potential conflicts of interest associated with performance based accounts, the Adviser has adopted procedures to monitor performance dispersion for accounts with incentive fee arrangements as compared to similarly managed non-incentive accounts.

Fee Billing

SBCM Managed Account Program: Clients will be billed in advanced at the beginning of each calendar quarter based upon the value (market value or fair market value in absence of market value) of the client's account at the end of the previous quarter. New accounts are charged a prorated fee for the remainder of the quarter in which the account is opened.

SBCM will request authority from the client to receive quarterly payments directly from the client's account held by an independent custodian.

Financial Planning: Hourly fees are generally payable upon receipt of a monthly invoice and flat fees are generally payable 50% on execution of a financial plan and 50% on completion of the project.

Other Fees

SBCM Managed Account Program: Client assets invested in the Managed Account Program will also be subject to fees charged by any third-party separate account managers and mutual fund fees and expenses as described in each manager's ADV and each fund's prospectus, respectively. These fees and expenses will generally include a management fee and, in the case of funds, other fund expenses, including a possible distribution fee or a performance fee. These fees and expenses are in addition to the fees charged by SBCM.

Accordingly, the client should review the fees charged by any third-party separate account managers and funds in which the client's assets are invested, together with the fees charged by SBCM, to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided. A client could invest in mutual funds directly, or could place assets directly with certain third party separate account managers (subject in some cases to account minimum requirements) without the services of SBCM. In that case, the client would not receive the services provided by SBCM, which are designed, among other things, to assist the client in determining which separate account managers, mutual fund or funds are most appropriate to each client's financial condition and objectives. However, DFA funds may not be available to the client directly.

Referral Program: For Referral Program accounts, SBCM is paid by a participation in the advisory fee paid by clients to independent portfolio managers to whom SBCM refers client accounts. SBCM has entered into (or will enter into) contracts with various unaffiliated advisers performing portfolio management. Full disclosure, including a Solicitor's Disclosure Statement and either the Form ADV Part 2 or its equivalent of the investment manager recommended by SBCM, will be given to the client at the time of solicitation.

If it is determined that a client portfolio shall contain corporate debt or other types of over the counter securities, the client may pay a mark-up or mark-down or a "spread" to the broker or dealer on the other side of the transaction that is built into the purchase price of the security.

Conflict of Interest between Different Fee Structures

The Adviser offers several different services detailed in this brochure that compensate the Adviser differently depending on the service selected. There is a conflict of interest for the Adviser and its associated personnel to recommend the services that offer a higher level of compensation to the Firm through either higher management fees or reduced administrative expenses. The Adviser mitigates this conflict through its procedures to review client accounts relative to the client or investors personal financial situation to ensure the investment management service provided is appropriate. Further, the Adviser is committed to its obligation to ensure associated persons adhere to the Firm's Code of Ethics and to ensure that the Firm and its associated persons fulfill their fiduciary duty to clients or investors.

Item 7 - Types of Clients

The Adviser generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations and corporations or business entities. Client relationships vary in scope and length of service.

Account Minimums

Each Private Equity Fund I, II, and IV client will be required to make a minimum initial investment of \$100,000 payable upon subscription. Each client invested in the Private Equity Fund III will be required to make a minimum investment of \$250,000. The funds' manager may, in its sole and absolute discretion, accept lesser amounts and change the minimum investment requirement in the future. The minimum investment for the Manzanita Fund, LLC is \$100,000.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

SBCM uses a long-term investment philosophy and provides individual advice based on each client's risk tolerance. For the SBCM Managed Account Program, SBCM occasionally utilizes the research services of third parties to generate model portfolio reports demonstrating results of various asset allocation strategies. For the Advisory Referral Program, as well as the Financial Planning Program, SBCM's recommendations will be based on research reports and analysis of performance provided by investment managers and publicly available research and reports regarding investment strategies and programs. Along with the traditional types of investments, SBCM also uses hedge funds, funds of hedge funds, and private equity funds to implement our investment advice.

Investment Strategies

Strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, option writing (including covered options, uncovered options or spreading strategies), private equity funds, hedge funds, and fund of hedge funds.

SBCM Managed Account Program: There are generally two types of portfolio management arrangements made available to SBCM clients under the Managed Account Program. Type 1: Portfolio strategy implemented using a combination of third party separate account managers, mutual funds, exchange traded funds, and often hedge funds and private equity funds. Type 2: SBCM creates a structured portfolio of funds – both no-load mutual funds and

exchange traded funds (sometime using model portfolios if the models match the client's investment policy) and also, when appropriate, hedge funds and private equity funds. In both programs – Type 1 and Type 2 – SBCM's intention is to create the most efficient structure possible – in terms of management fees, transaction costs, and investment characteristics – to maximize risk-adjusted returns. Accordingly, to the degree that certain segments of the markets are efficient, SBCM will rely on the integrity of portfolio structure rather than active stock selection to maximize after-tax returns, net of fees and transaction costs.

In the Type 1 Program, SBCM often recommends a passively managed core portfolio of separate equities to capture the returns of major market indices with minimal costs to the client and maximum tax management opportunities. This core is augmented by either active separate account managers (including hedge fund managers) in less efficient segments of the market and/or no-load mutual funds or exchange traded funds to gain the diversification needed in order to maintain the integrity of SBCM's portfolio design.

In both Type 1 and Type 2 Programs, SBCM often utilizes the no load mutual funds offered by Dimensional Fund Advisors (DFA). DFA sponsored mutual funds follow a passive asset class investment philosophy with low holdings turnover. Consequently, the DFA fund fees are generally lower than fees and expenses charged by other types of funds. SBCM manages mutual fund and equity portfolios on primarily a discretionary basis.

SBCM may also recommend laddered bond portfolios to advisory clients. SBCM will typically request discretionary authority from advisory clients to manage fixed income assets, which may be necessary to enable SBCM to purchase such assets in a timely manner when they are available at quoted prices.

Financial Planning: SBCM provides one-time or annual individual investment advice to clients in its Financial Planning Program, which may consist of one or more of the following services: clarifying financial goals, analyzing current financial circumstances, existing portfolio review, asset allocation analysis, investment strategy and/or preparation of financial plans and investment policy statements, as requested by each client. SBCM may also perform for corporate and other institutional types of client's investment strategy for corporate funds, review of employee benefit plan investments and investment policy review.

Private Equity Funds: The manager intends to research, identify, and invest in certain private equity funds and private companies that the manager believes may produce the possibility of long-term returns greater than a 10.4% Internal Rate of Return, which is the approximate annualized return of a diversified portfolio of public stocks as represented by the Standard and Poor's 500 public U.S. stock index from January 1926 to December 2006. These investments may be made through a direct investment or through investment in funds managed by the manager or other advisers (i.e., private equity funds and/or hedge funds). Investment decisions shall be based upon the manager's review and analysis of the past performance of such companies and the proposed asset management strategies of such independent fund advisers. The manager does not expect to invest in operating companies concentrated in any particular industry or sector and shall invest in a variety of industries, including but not limited to light manufacturing, business services, healthcare services, logistics, software and consumer products. The manager expects to invest in pooled investment vehicles that invest in interests in assets such as real estate, timber, natural gas and other natural resources. The manager also expects to invest in pooled investment vehicles that make direct and indirect investments in privately and publicly issued debt and privately and publicly issued equity securities of companies that are currently experiencing financial and/or operational distress. The manager may also make temporary investments in liquid private investment funds that have short-term investment objectives pending the selection of investments in the Fund's primary targeted industries. In addition, the manager may make venture capital investments in start-up companies with little or no operating history.

Manzanita Fund, LLC: The Fund's primary investment objective is to seek long-term capital appreciation by making investments in publicly-registered mutual funds ("Mutual Funds") and investment partnerships, private investment

companies, other pooled or commingled investment vehicles and separate accounts (collectively “Hedge Funds,” and together with Mutual Funds, “Investment Vehicles”). The Investment Vehicles will be managed by a variety of investment managers selected and monitored by the manager. The Fund seeks Investment Vehicles that use strategies designed to add diversification to investors’ core investment portfolios of stocks and bonds (outside of the Fund) through return streams that are less correlated to macro-economic trends. Investment Vehicles are anticipated to invest in, hold, sell, trade, on margin or otherwise, in securities consisting primarily, but not solely, of stocks, bonds, notes, options, warrants, rights, derivatives and other securities, and also instruments issued by U.S. and foreign companies that are traded in public markets.

The Adviser’s strategies do not involve frequent trading.

Market, Regulatory and Security Risks

Any investment with the Adviser involves significant risk, including a complete loss of capital and conflicts of interest. All investment programs have certain risks that are borne by the investor which are described below.

Market Risk

Competition: The securities industry and the varied strategies and techniques to be engaged in by the Adviser are extremely competitive and each involves a degree of risk. The Adviser will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

Market Volatility: The profitability of the Adviser substantially depends upon it correctly assessing the future price movements of stocks, bonds, options on stocks, and other securities and the movements of interest rates. The Adviser cannot guarantee that it will be successful in accurately predicting price and interest rate movements.

SB Capital Management Inc.’s Investment Activities: The Adviser’s investment activities involve a significant degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by the Adviser. Such factors include a wide range of economic, political, competitive, technological and other conditions (including acts of terrorism and war) that may affect investments in general or specific industries or companies. The securities markets may be volatile, which may adversely affect the ability of the Adviser to realize profits.

Material Non-Public Information: By reason of their responsibilities in connection with other activities of the Adviser and/or its affiliates, certain principals or employees of the Adviser and/or its affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Adviser will not be free to act upon any such information. Due to these restrictions, the Adviser may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Accuracy of Public Information: The Adviser selects investments, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Adviser by the issuers or through sources other than the issuers. Although the Adviser evaluates all such information and data and sometimes seeks independent corroboration when it’s considered appropriate and reasonably available, the Adviser is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available.

Investments in Undervalued Securities: The Adviser intends to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such

opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Adviser's investments may not adequately compensate for the business and financial risks assumed.

Small Companies: The Adviser may invest a portion of its assets in small and/or unseasoned companies with small market capitalization. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations.

Leverage: When deemed appropriate by the Adviser and subject to applicable regulations, the Adviser may incur leverage in its investment program, whether directly through the use of borrowed funds, or indirectly through investment in certain types of financial instruments with inherent leverage, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss.

Options and Other Derivative Instruments: The Adviser may invest, from time to time, in options and other derivative instruments, including, but not limited to, the buying and selling of puts and calls on some of the securities held by the Adviser. The prices of many derivative instruments, including many options and swaps, are highly volatile. The values of options and swap agreements depend primarily upon the price of the securities, indexes, commodities, currencies or other instruments underlying them. Price movements of options contracts and payments pursuant to swap agreements are also influenced by, among other things, interest rates; changing supply and demand relationships; trade, fiscal, monetary and exchange control programs and policies of governments; and national and international political and economic events and policies. Options on highly volatile securities, currencies or other assets may be more expensive than options on other investments.

Hedging Transactions: Investments in financial instruments such as forward contracts, options, commodities and interest rate swaps, caps and floors, other derivatives, and other investment techniques are commonly utilized by investment funds to hedge against fluctuations in the relative values of its portfolio positions as a result of changes in currency exchange rates, interest rates and/or the equity markets or sectors thereof. Any hedging against a decline in the value of portfolio positions 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 moderating the decline in the portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase. The Adviser is not obligated to establish hedges for portfolio positions and may not do so.

Market or Interest Rate Risk: The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the price of fixed income securities falls. If the Adviser holds a fixed income security to maturity, the change in its price before maturity may have little impact on the Adviser's performance; however, if the Adviser has to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss to the Adviser.

Fixed Income Call Option Risk: Many bonds, including agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to "call" all or part of the issue before the bond's maturity date. The issuer usually retains this right to refinance the bond in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with

certainty. Second, because the issuer will call the bonds when interest rates have dropped, the Adviser is exposed to reinvestment rate risk – the Adviser will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.

Inflation Risk: Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if the Adviser purchases a 5-year bond in which it can realize a coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined. For all but inflation-linked bonds, adjustable bonds or floating rate bonds, the Adviser is exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security.

Investments in Non-U.S. Investments: From time to time, the Adviser may invest and trade a portion of its assets in non-U.S. securities and other assets (through ADRs and otherwise), which will give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and foreign issuers and markets are subject. Such risks may include:

- Political or social instability, the seizure by foreign governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels, and limitations on the use or transfer of portfolio assets.
- Enforcing legal rights in some foreign countries is difficult, costly and slow, and there are sometimes special problems enforcing claims against foreign governments.
- Foreign securities and other assets often trade in currencies other than the U.S. dollar, and the Adviser may directly hold foreign currencies and purchase and sell foreign currencies through forward exchange contracts. Changes in currency exchange rates will affect the Adviser's net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of investments. An increase in the strength of the U.S. dollar relative to these other currencies may cause the value of the Adviser's investments to decline. Some foreign currencies are particularly volatile. Foreign governments may intervene in the currency markets, causing a decline in value or liquidity of the Adviser's foreign currency holdings. If the Adviser enters into forward foreign currency exchange contracts for hedging purposes, it may lose the benefits of advantageous changes in exchange rates. On the other hand, if the Adviser enters forward contracts for the purpose of increasing return, it may sustain losses.
- Non-U.S. securities, commodities and other markets may be less liquid, more volatile and less closely supervised by the government than in the United States. Foreign countries often lack uniform accounting, auditing and financial reporting standards, and there may be less public information about the operations of issuers in such markets.

Risk of Default or Bankruptcy of Third Parties: The Adviser may engage in transactions in securities, commodities, other financial instruments and other assets that involve counterparties. Under certain conditions, the Adviser could suffer losses if counterparty to a transaction were to default or if the market for certain securities, commodities, other financial instruments and/or other assets were to become illiquid.

Regulatory Risks

Strategy Restrictions: Certain institutions may be restricted from directly utilizing investment strategies of the type in which the Adviser may engage. Such institutions, including entities subject to ERISA, should consult their own advisors, counsel and accountants to determine what restrictions may apply and whether an investment in the Adviser is appropriate.

Trading Limitations: For all securities, instruments and/or assets listed on an exchange, including options listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. Such suspensions or limits could render certain strategies difficult to complete or continue and subject the Adviser to loss. Also, such a suspension could render it impossible for the Adviser to liquidate positions and thereby expose the Adviser to potential losses.

Conflicts of Interest: In the administration of client accounts, portfolios and financial reporting, the Adviser faces inherent conflicts of interest which are described in this brochure. Generally, the Adviser mitigates these conflicts through its Code of Ethics which provides that the client's interest is always held above that of the Firm and its associated persons.

Supervision of Trading Operations: The Adviser, with assistance from its brokerage and clearing firms, intends to supervise and monitor trading activity in the portfolio accounts to ensure compliance with firm and client objectives. Despite the Adviser's efforts, however, there is a risk that unauthorized or otherwise inappropriate trading activity may occur in portfolio accounts. Depending on the nature of the investment management service selected by a client and the securities used to implement the investment strategy, clients will be exposed to risks that are specific to the securities in their particular investment portfolio.

Security Specific Risks

Liquidity: Liquidity is the ability to readily convert an investment into cash. Securities where there is a ready market that is traded through an exchange are generally more liquid. Securities traded over the counter or that do not have a ready market or are thinly traded are less liquid and may face material discounts in price level in a liquidation situation.

Currency: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

Limited Liquidity of Interests: An investment in a partnership usually involves substantial restrictions on liquidity and its interests are not freely transferable. There is no market for these interests and no market should be expected to develop. Additionally, transfers are usually subject to the consent of the general partner at the general partner's sole discretion.

Lack of Registration: Funds or LP interests have neither been registered under the Securities Act nor under the securities or "blue sky" laws of any state and, therefore, are subject to transfer restrictions.

Withdrawal of Capital: The ability to withdraw funds from the funds or LP interests is usually restricted in accordance with the withdrawal provisions contained in an Offering Memorandum. In addition, substantial withdrawals by investors within a short period of time could require a fund to liquidate securities positions and other investments more rapidly than would otherwise be desirable, possibly reducing the value of the fund's assets and/or disrupting the fund's investment strategy.

Item 9 - Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

Item 10 - Other Financial Industry Activities and Affiliations

The Adviser has arrangements that are material to its advisory or its clients with a related person who is an accounting firm and also serves as general partner in partnerships in which clients are solicited to invest (Private Equity Fund I, LLC; Private Equity Fund II, LLC; Private Equity Fund III, LLC; Private Equity Fund IV, LLC; and the Manzanita Fund, LLC.)

One of the principals of SBCM are primarily engaged in the business of accountancy through their affiliation with Singer Burke Zimmer Kogan, LLP. Most of their time is devoted to the practice of accountancy. SBCM, however, is not an accounting firm, does not hold itself out as an accounting firm, and is not a licensee of the California Board of Accountancy.

SBCM has an agreement to receive administration and performance reporting support from Tamarac, Inc. (a Seattle-based back office services firm).

Currently SBCM is sharing its advisory fees for one client with a former partner of Singer Burke Zimmer Kogan, LLP. The former partner introduced the client to SBCM and receives a small portion of this client's advisory fees paid to SBCM.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

The Adviser has adopted a Code of Ethics for the purpose of instructing its personnel in their ethical obligations and to provide rules for their personal securities transactions. The Adviser and its personnel owe a duty of loyalty, fairness and good faith towards their clients, and the obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code. The Code of Ethics covers a range of topics that may include: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code of Ethics, review and enforcement processes, amendments to Form ADV and supervisory procedures. The Adviser will provide a copy of the Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions

SBCM or individuals associated with SBCM may buy or sell securities identical to those recommended to clients for their personal accounts. In addition, any related person(s) may have an interest or position in a certain security, which may also be recommended to a client. Under the Adviser's Code of Ethics, the Adviser and its managers, members, officers and employees may invest personally in securities of the same classes as are purchased for clients and may own securities of the issuers whose securities are subsequently purchased for clients. If an issue is purchased or sold for clients and any of the Adviser, managers, members, officers and employees on the same day purchase or sell the same security, either the clients and the Adviser, managers, members, officers or employees shall receive or pay the same price or the clients shall receive a more favorable price. The Adviser and its managers, members, officers and employee may also buy or sell specific securities for their own accounts based on personal investment considerations, which the Adviser does not deem appropriate to buy or sell for clients.

Personal Trading

The Chief Compliance Officer reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment.

Item 12 - Brokerage Practices

Brokerage Selection and Soft Dollars

The Adviser may recommend brokerage firms as qualified custodians and for trade execution. In selecting brokers or dealers to execute transactions, Adviser will seek to achieve the best execution possible but this does not require it to solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Adviser is not required to negotiate "execution only" commission rates, thus the client may be deemed to be paying for research and related services (i.e., "soft dollars") provided by the broker which are included in the commission rate. Research and related services furnished by brokers may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; statistical and pricing services, as well as discussions with research personnel, along with hardware, software, data bases and other technical and telecommunication services and equipment utilized in the investment management process. It is the policy and practice of the Adviser to strive for the best price and execution for costs and discounts which are competitive in relation to the value of the transaction and which comply with Section 28(e) of the Securities Exchange Act of 1934, as amended. Nevertheless, it is understood that the Adviser may pay compensation on a transaction in excess of the amount of compensation that another broker or dealer may charge so long as it is in compliance with Section 28(e), and the Adviser makes no warranty or representation regarding compensation paid on transactions. In negotiating mark-ups or mark-downs, the Adviser will take into account the financial stability and reputation of brokerage firms and the brokerage and research services provided by such brokers, although the client may not, in any particular instance, be the sole direct or indirect beneficiary of the research services provided. The Adviser has no obligation to deal with any broker or group of brokers in executing transactions in portfolio securities.

When establishing a brokerage relationship SBCM considers a number of factors, including, for example, net price, the financial stability and reputation, the quality of the investment research, investment strategies, special execution capabilities, clearance, settlement, custody, record keeping and other services.

Charles Schwab, ("Schwab") acts as custodian and provides other brokerage services for clients of the Adviser. SBCM has negotiated discounts for computer products from Schwab Performance Technologies, an affiliate of Schwab. SBCM believes that these discounts are provided because SBCM is a significant customer of Schwab's custodial services. This is a potential conflict between the interest of SBCM and the interest of its clients because the Adviser has an incentive to maintain this custodial relationship.

SBCM will recommend that clients select Charles Schwab & Company as broker-dealer and custodian for SBCM Managed Accounts, but clients will have sole authority to designate the broker-dealer of their choice for their advisory accounts with SBCM, subject to the limitations imposed by any third party service providers on the clients' accounts. The client will pay transaction and any separate custody charges to the designated broker-dealer under separate agreements, which are not included in the advisory fees payable to SBCM. Charles Schwab, ("Schwab") acts as custodian and provides other brokerage services for clients of SBCM.

Clients who invest in the SBCM Managed Account Program Type 1 have sole authority to designate a broker-dealer and custodian of their choice for their advisory accounts, subject to the limitations imposed by third party service providers

to the account. SBCM participates in the Schwab Institutional Services program offered to independent investment advisers by Charles Schwab & Company Inc., an FINRA registered broker-dealer. SBCM generally recommends Schwab as broker and custodian of advisory accounts in SBCM Managed Account Program, and clients invested in the Type 2 SBCM Managed Account Program are required to designate Schwab as the broker for the account. As a result of the clients' direction of SBCM to use a particular broker or dealer, it should be understood that SBCM will not have authority to negotiate commissions among various brokers or obtain volume discounts, and best execution may not be achieved. Not all investment advisers require clients to direct the use of specific brokers.

For fixed income portfolios and transactions, SBCM may--but is not required to--request that it be provided with written authority from the client to determine the broker-dealer to use for client transactions and the commission costs that will be charged to clients for these transactions. SBCM will monitor the quality of broker-dealer services and client fixed income transactions, and approve the selection of those brokers or dealers, which will provide the best services at the lowest commission rates generally possible, depending upon the type of transaction involved. The reasonableness of brokerage costs, commissions and markup/mark downs is based on the broker-dealer's ability to provide professional services, competitive execution and other services that will help SBCM in providing investment management services to clients.

SBCM will not ensure that the lowest commission or best net price is obtained on every transaction but will adhere to its best execution policies. It is possible that the Adviser from time to time will affect securities transactions and pay a commission that exceeds the commission another broker-dealer would have charged. The Adviser will determine in good faith that such commission is reasonable in relation to the value of the brokerage services provided, viewed in terms of the overall relationship.

Order Aggregation

The Adviser may purchase and/or sell the same security for many accounts, even though each Client account is individually managed. When possible, the Adviser may also aggregate the same transaction in the same securities for many Clients for whom the Adviser has discretion to direct brokerage. Clients in aggregated transactions each receive the same price per unit, although they may pay differing brokerage commissions depending upon the nature of their directed brokerage arrangement, if any.

If more than one price is paid for securities in an aggregated transaction, each client in the aggregated transaction will receive the average price paid for the block of securities in the same aggregated transaction for the day. If the Adviser is unable to fill an aggregated transaction completely, but receives a partial fill of the aggregated transaction, the Adviser will allocate the filled portion of the transaction to clients based on an equitable rotational system as follows:

- The Adviser must ensure that adequate and full disclosure of its allocation and bunching practices has been made prior to the transaction.
- All clients/investors, accounts or funds participating in the aggregated order shall receive an average share price with all other transaction costs shared on a pro-rata basis.
- Aggregate transactions must not be executed unless the intended and resultant aggregation is consistent with its duty to seek best execution and any terms found in the Adviser's written agreements.
- Aggregated orders filled in their entirety shall be allocated among clients/investors, accounts or funds in accordance with an allocation statement created prior to the execution of the transaction(s); partially filled orders shall be allocated pro-rata based on the allocation statement and the variance from the modeled allocation of a security. Where this method prescribes an odd-lot that is less than 100 shares for an account, the allocation will be rounded up to a whole lot. Client/investor funds held collectively for the purpose of

completing the transaction may not be held in this commingled manner for any longer than is practical to settle the transaction.

- Each client/investor, account or fund that participates in an aggregated order will participate at the average share price for all the Adviser's transactions in that security on a given business day, with transaction costs shared pro-rata based on each client/investor's, account's or fund's participation in the transaction.
- Investments resulting from any aggregated order must be consistent with the specific investment objective(s) of each client/investor, account or fund as detailed in any written agreements.
- No additional compensation shall result from the proposed allocation.
- No Client/investor, account or fund will be favored over any other Client/investor, account or fund as a result of the allocation.
- Pre-allocation statement(s) specifying the participating Client/investor accounts and the proposed method to allocate the order among the clients/investors, accounts or funds are required prior to any allocated order. Basis for establishing pre-allocations may include pro-rata of account assets to assets for the specific strategy, executing broker and variance from modeled position holding as factors. Should the actual allocation differ from the allocation statement, such trade may only be settled with the approval of the CCO or another appropriately qualified and authorized principal of the Adviser.

In cases where the Client has negotiated the commission-rate directly with the broker, the Adviser will not be able to obtain more favorable commission rates based on an aggregated trade. In such cases, the Client will be precluded from receiving the benefit of any, possible commission discounts that might otherwise be available a result of the aggregated trade.

Directing Brokerage for Client Referrals

The Adviser and its associated persons do not receive client referrals from broker dealers or third parties as consideration for selecting or recommending brokers for client accounts.

Directed Brokerage

The Adviser allows clients to direct brokerage but the Adviser does not require clients to direct brokerage. In the event that a client directs the Adviser to use a particular broker or dealer, the Adviser may not be authorized under those circumstances to negotiate commissions and may not be able to obtain volume discounts or best execution. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to clients who direct the Adviser to use a particular broker or dealer and other clients who do not direct Adviser to use a particular broker or dealer which may result in higher trading expenses to the client who directs brokerage. The Adviser may place orders for transactions in certain securities initially only for those accounts which are held in custody at banks or at brokerage firms that permit the Adviser to place trades for accounts held in custody at that firm with other brokerage firms. Therefore, accounts held in custody at firms which do not permit the Adviser to place transactions with other brokerage firms may not be able to participate in the initial transaction and may not be able to participate in the same gains or losses as other Clients whose accounts are not so restricted. In cases where trading or investment restrictions are placed on a Client's account, the Adviser may be precluded from aggregating that Client's transaction with other accounts which may result in less favorable security prices and/or higher transaction costs.

Item 13 - Review of Accounts

Clients in the Managed Account Program will receive quarterly performance reports regarding their advisory accounts showing the funds and securities in their accounts at the end of the period and performance of the account.

Clients in the Referral Program may receive reports from their designated portfolio managers, but not from SBCM. Clients in the Financial Planning Program will receive a one-time report on the services provided by SBCM under that program and will not receive follow-up reports unless otherwise agreed with SBCM.

Any client may call his or her SBCM representative at any time during normal business hours to discuss the client's account, financial situation or investment needs. Advisory Representatives are available during business hours to answer questions or other inquiries of clients.

Each Private Equity Fund client will be provided with periodic reports no less frequently than quarterly that will include information concerning valuations, profits, gains and losses. In addition, the SBCM will provide each Limited Partner with tax related information on an annual basis.

Each Manzanita Fund, LLC investor will be provided with periodic reports no less frequently than quarterly that will include their capital balance in the Fund. Each Member will be provided with tax related information on an annual basis.

Item 14 - Client Referrals and Other Compensation

Incoming Client Referrals

The Adviser has not entered into any solicitor relationships.

Referrals to Third Parties

Referral Program: The adviser to which SBCM refers the client pays SBCM a portion of its fee on an ongoing basis. This fee is included in the overall fee paid by the client. Overall fees paid by the client are intended to be the same in this situation as they would be if the client sought management services from this adviser through an alternative referring party, or directly. The referral or "solicitation fee" is in an amount that may be less than alternative programs offered through SBCM and/or through independent third parties. Because the fee may be less, SBCM alerts client that a conflict of interest exists in regard to the referral.

In the Referral Program, SBCM does not actively manage client investment accounts, but refers clients to outside investment advisers, which SBCM determines are suitable for its clients based on their individual needs and circumstances. SBCM will provide clients with a copy of the Form ADV Part 2 of each outside investment adviser to whom it refers clients. SBCM will not refer any California client to another investment adviser unless that adviser is licensed as such in California or exempt from such licensing. SBCM will be compensated by a payment from the outside investment adviser for each client account referred to that adviser, in an amount specified in the referral agreement between SBCM and the adviser. Each outside adviser will charge fees for its services in the manner and amounts specified in its Form ADV Part 2. In all cases, the client will be advised of all fees to be paid to the outsider adviser and to SBCM, and the client will not pay more for the outside adviser's services than it charges to clients who are not referred by SBCM. Full disclosure of the outside adviser's programs, services and fee schedules will be provided by SBCM to the client at the time of the solicitation by delivering a copy of the outside adviser's Form ADV Part 2 or equivalent disclosure document at the same time as SBCM delivers to the client its own Form ADV Part 2 or equivalent disclosure

document. SBCM will also provide to each client all appropriate disclosure statements, including disclosure of solicitation fees to SBCM.

Item 15 - Custody

The Adviser is deemed to have custody of client assets; (1) through its affiliation with Singer Burke Zimmer Kogan, LLP and their various accounting and bill pay practices; (2) by virtue of the fact that Principals of the Adviser serve as trustees to client accounts; and (3) because the Adviser manages four private equity funds and one hedge fund.

The Adviser has adopted the appropriate policies and procedures to monitor and supervise this relationship. The Adviser has also retained an independent accounting firm to perform a surprise audit and internal controls report as prescribed by Rule 206(4)-2 of the 1940 Investment Advisers Act as amended.

Account Statements

All separately managed account assets are held at qualified custodians. The custodians provide account statements not less than quarterly to investment management clients at their address of record. Clients should carefully review such statements for any discrepancies or inaccuracies.

Performance Reports

Pursuant to recent amendments to Rule 206(4) under the Investment Advisers Act of 1940, the Securities and Exchange Commission now requires advisers to urge clients to compare the information set forth in their statement from the Adviser with the statements received directly from the custodian to ensure accuracy of all account transactions.

Item 16 - Investment Discretion

The Adviser contracts for limited discretionary authority to transact portfolio securities accounts on behalf of clients. Discretionary authority is granted either by the Adviser's investment management agreement and/or by a separate limited power of attorney where such document is required. The Adviser has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. The firm's discretionary authority regarding investments may however be subject to certain limitations. These limitations are recognized as the restrictions and prohibitions placed by the Client on transactions in certain types of business or industries. All such restrictions are to be agreed upon in writing at the account's inception.

The Adviser will consult with the client where discretion is not obtained prior to each trade in order to obtain client approval for the transaction(s).

The client authorizes the discretion to select the custodian to be used and the commission rates paid to the Adviser. The Adviser does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

Item 17 - Voting Client Securities

Proxy Votes

If a client account is subject to the Employee Retirement Security Act of 1974 (“ERISA”) decisions on voting of proxies for the securities in the portfolio will be made by SBCM unless specifically reserved to the trustee of the client’s account or a named fiduciary of the client’s account.

If the account is a discretionary non-ERISA account, decisions on voting of proxies will be made by SBCM unless the client specifically directs otherwise. SBCM will designate authorized persons from time to time who will have the authority to sign. The designated person will generally vote proxies in concert with company boards of directors. However, the designated person can consider other factors by agreement with the client or to comply with statutory requirements.

SBCM has informed any ERISA plan sponsors and its trustees, bank custodians, and broker-dealer custodians of the requirement that all proxies be forwarded to the firm. SBCM makes periodic reviews during the proxy season, including follow-up letters and phone calls if necessary. The firm will determine whether or not it is in the client’s best interest to refrain from voting a proxy, such as when it is determined that the cost of voting the proxy exceeds the expected benefit to the client.

Resolving Conflicts of Interest

From time to time, the Adviser may have a conflict of interest in voting proxies. In these instances, it is SBCM Inc.’s policy to disclose any conflicts of interest to the client and obtain their feedback and consent before voting. If consent is not granted, SBCM will abstain from voting and notify the client at first verbally and thereafter in writing. The firm will maintain a record of this written notification.

Item 18 - Financial Information

SBCM does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

Business Continuity Plan

The Adviser has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

Summary of Business Continuity Plan

A summary of the business continuity plan is available upon request to the Adviser's Chief Compliance Officer.

Information Security Program

Information Security

The Adviser maintains an information security program to reduce the risk that your personal and confidential information may be breached.

Privacy Practices

Below is a summary of the Adviser's Privacy Policy regarding client personal information. A complete version of the Privacy Policy is contained in your client advisory agreement and may be obtained by contacting the Compliance Officer of the Adviser.

Privacy Policy

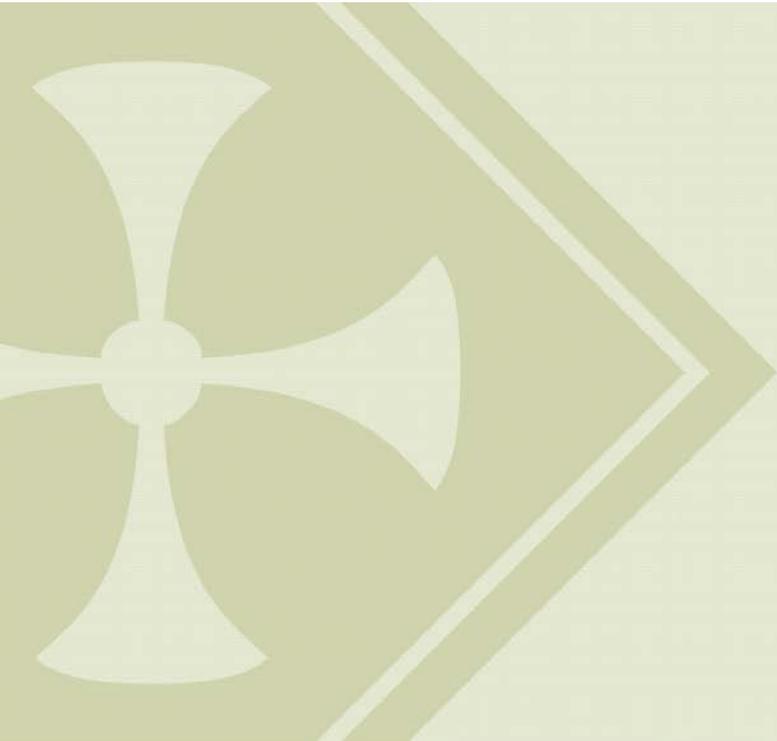
The Adviser:

- a) Collects non-public personal information about its clients from the following sources:
- Information received from clients on applications or other forms;
 - Information about clients' transactions with the Adviser, its affiliates and others;
 - Information received from our correspondent clearing broker with respect to client accounts;
 - Medical information submitted as part of an insurance application for a traditional life or variable life policy; and
 - Information received from service bureaus or other third parties.
- b) The Adviser will not share such information with any affiliated or nonaffiliated third party except:
- When necessary to complete a transaction in a customer account, such as with the clearing firm or account custodians;
 - When required to maintain or service a customer account;
 - To resolve customer disputes or inquiries;
 - With persons acting in a fiduciary or representative capacity on behalf of the customer;
 - With rating agencies, persons assessing compliance with industry standards, or to the attorneys, accountants and auditors of the firm;
 - In connection with a sale or merger of The Adviser's business;
 - To protect against or prevent actual or potential fraud, identity theft, unauthorized transactions, claims or other liability;
 - To comply with federal, state or local laws, rules and other applicable legal requirements;

- In connection with a written agreement to provide investment management or advisory services when the information is released for the sole purpose of providing the products or services covered by the agreement;
- In any circumstances with the customer's instruction or consent.

c) Restricts access to confidential client information to individuals who are authorized to have access to confidential client information and need to know that information to provide services to clients.

d) Maintains physical, electronic and procedural security measures that comply with applicable state and federal regulations to safeguard confidential client information.



SB Capital Management, Inc.

Form ADV Part 2B: Brochure Supplement | March 31, 2021

6345 Balboa Boulevard, Suite 375 | Encino, CA 91316
Phone (818) 774-1000 | Fax (818) 475-1633 | rsinger@sbcapitalmanagement.com

This brochure provides information about principals and adviser representatives of SB Capital Management, Inc. and this brochure supplements the SB Capital Management, Inc. brochure. You should have received a copy of that brochure. Please contact Richard Singer at 818-774-1000, or by email at: rsinger@sbcapitalmanagement.com if you did not receive the SB Capital Management, Inc. brochure or if you have any questions about the contents of this supplement. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about principals and adviser representatives of SB Capital Management, Inc. is available on the SEC's website at www.adviserinfo.sec.gov.

Education and Business Standards

SB Capital Management, Inc. requires that advisors have a bachelor's degree and further coursework demonstrating knowledge of financial planning and tax planning. Advisory Representatives of SBCM must have achieved a level of training and business background, which has afforded an opportunity to demonstrate competency as an experienced investment professional. Advisory Representatives have accounting, finance, economics or a related discipline as an educational and/or business background.

Examples of acceptable coursework may include: an MBA, a CFP®, a CFA, a ChFC, JD, CTFA, EA or CPA. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management.

Professional Designations

Certified Public Accountant (CPA): CPAs are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include at a minimum a college education (typically 150 credit hours with at least a bachelor's degree and a concentration in accounting), minimum experience levels (most states require at least one year of experience providing services that involve the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA), and successful passage of the Uniform CPA examination. In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (or 80 hours over a two year period or 120 hours over a three year period). Additionally, all American Institute of Certified Public Accountants (AICPA) members are required to follow a rigorous Code of Professional Conduct which requires that they act with integrity, objectivity, due care, competence, full disclosure of any conflicts of interest (obtaining client consent if a conflict exists), maintenance of client confidentiality, disclosure to the client of any commission or referral fees, and service to the public interest when providing financial services. The majority of state boards of accountancy have adopted the AICPA's Code of Professional Conduct within their state accountancy laws or have created their own.

CFP®: A Certified Financial Planner® designation is offered by the Certified Financial Planner Board of Standards, Inc. (CFP Board) to individuals who satisfactorily fulfill the following requirements: (1) Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board's studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor's Degree; (2) pass the 10 hour comprehensive CFP® Certification Examination; and (3) complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year). CFP® professionals must also agree to be bound by the CFP Board's Standards of Professional Conduct and complete 30 hours of continuing education every two years. The *Standards* prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

Richard Singer

Educational Background: Mr. Singer received a B.A. degree in International Relations from the University of California, Los Angeles (UCLA) in 1991 and an MBA with an emphasis in Finance from the University of Washington at Seattle in 1998.

Date of birth: 1969

Item 2 - Business Experience: President and Chief Operating Officer of SBCM. Prior to accepting his current position, he was the General Manager and Director of Strategic Investments for Signal Soft Japan. Since receiving his MBA, Mr. Singer has also served as the Director of Strategic Investments for Hikari Tsushin and the Business Development Manager for Tektronix.

- ❖ **07/2000 – 03/2000:** General Manager and Director of Strategic Investments (Asia Pacific) at Signal Soft (Japan).
- ❖ **06/1999 – 06/2000:** Director of Strategic Investments at Hikari Tsushin (Palo Alto, CA.)
- ❖ **07/1998 – 05/1999:** Business Development Manager at Tektronix (Beaverton, OR.)
- ❖ **05/1996 – 06/1998:** Full-time MBA Program at University of Washington (Seattle, WA)
- ❖ **04/1994 – 04/1996:** Public Relations Manager at Amway Japan (Tokyo, Japan)
- ❖ **02/1992 – 03/1994:** Founder of Yotei English School (Hokkaido, Japan)

Item 3 - Disciplinary Information: None

Item 4 - Other Business Activities: None

Item 5 - Additional Compensation: None

Item 6 - Supervision: As President and Chief Operating Officer, Richard Singer acts in a supervisory capacity for the Adviser. The Adviser has processes and controls designed to ensure compliance with industry regulations and firm policies and procedures.

Matthew Burke, CFP®

Educational Background: Mr. Burke received a B.S. degree in Business Administration from the University of California at Berkeley in 1981. Mr. Burke also earned the Certified Financial Planner® designation in 2014.

Date of birth: 1959

Item 2 - Business Experience: Chief Financial Officer of SBCM. He has been a California licensed certified public accountant since 1984, and has been a partner of Singer Burke Zimmer Kogan, LLP since 1990.

- ❖ **07/1998 – 10/2002:** Registered Representative of CIBC World Markets (Encino, CA)
- ❖ **09/1990 – Present:** Partner of Singer Burke Zimmer Kogan. (Encino, CA)
- ❖ **11/1985 – 09/1990:** Associate at Perry and Neidorf (Beverly Hills, CA)

Item 3 - Disciplinary Information: None

Item 4 - Other Business Activities: None

Item 5 - Additional Compensation: None

Item 6 - Supervision:

Matthew Burke is supervised by Richard Singer. He reviews Mr. Burke's work through frequent office interactions as well as remote interactions.

Richard Singer's contact information: Phone: 818-774-1000
Email: rsinger@sbcapitalmanagement.com

Sandy Singer

Educational Background: Mr. Singer graduated from the University of California, Los Angeles (UCLA).

Date of birth: 1938

Item 2 - Business Experience: Shareholder of SBCM. He founded Singer Burke Zimmer, LLP in 1995. Sandy's prior experience includes 8 years in public accounting with Price Waterhouse & Co., and 2 years as Vice President of Capital Management Corporation, an investment-banking firm.

❖ **07/1995 – Present:** Partner at Singer Burke Zimmer Kogan (Encino, CA)

❖ **10/1981 – Present:** Owner at Singer & Co. CPA's Inc. (Encino, CA)

Item 3 - Disciplinary Information: None

Item 4 - Other Business Activities: None

Item 5 - Additional Compensation: None

Item 6 - Supervision:

Sandy Singer is supervised by Richard Singer. He reviews Mr. Singer's work through frequent office interactions as well as remote interactions.

Richard Singer's contact information: Phone: 818-774-1000
Email: rsinger@sbcapitalmanagement.com

Amitha Harichandran, CFP®

Educational Background: Ms. Harichandran graduated from the University of California at Berkeley in 2008 with a degree in Interdisciplinary Studies in Globalization and the World Economy. She also studied at the London School of Economics in 2006. Ms. Harichandran earned the Certified Financial Planner® designation in 2014.

Date of birth: 1986

Item 2 - Business Experience: Chief Compliance Officer of SBCM.

❖ **01/2007-06/2008:** Investment Assistant at Infinity Financial Services (Oakland, CA)

Item 3 - Disciplinary Information: None

Item 4 - Other Business Activities: None

Item 5 - Additional Compensation: None

Item 6 - Supervision: Amitha Harichandran is supervised by Richard Singer. He reviews Ms. Harichandran's work through frequent office interactions as well as remote interactions.

Richard Singer's contact information: Phone: 818-774-1000
Email: rsinger@sbcapitalmanagement.com

Stephanie Arkof

Educational Background: Mrs. Arkof graduated Summa Cum Laude and Phi Beta Kappa from the University of California, Los Angeles in 2006 with a degree in Business Economics and a minor in Accounting. She also studied at the École Supérieure du Commerce Extérieur in Paris, France.

Date of birth: 1984

Item 2 - Business Experience: Principal of SBCM.

❖ **09/2005 – 06/2006:** Teaching Assistant at UCLA Anderson School (Los Angeles, CA)

Item 3 - Disciplinary Information: None

Item 4 - Other Business Activities: None

Item 5 - Additional Compensation: None

Item 6 - Supervision:

Stephanie Arkof is supervised by Richard Singer. He reviews Mrs. Arkof's work through frequent office interactions as well as remote interactions.

Richard Singer's contact information: Phone: 818-774-1000
Email: rsinger@sbcapitalmanagement.com