



# HOLLOW BROOK

WEALTH MANAGEMENT

## Hollow Brook Wealth Management LLC Part 2A of Form ADV The Brochure

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This brochure provides information about the qualifications and business practices of Hollow Brook Wealth Management, LLC (“Hollow Brook”, “HBWM” or the “Company”). If you have any questions about the contents of this brochure, please contact us at 212-364-1840. 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 Hollow Brook is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Summary of Material Changes

There have been no material changes since the last annual update of this brochure.

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## Advisory Business

Hollow Brook Wealth Management (“Hollow Brook”) provides comprehensive wealth management services to individuals, families, and institutions including private foundations and family entities. Hollow Brook also provides certain clients with consulting services in financial reporting, bill pay, philanthropy, as well as assistance with financial planning, taxes, legal, and accounting.

Hollow Brook is an independent employee-owned integrated wealth management organization that invests client capital in publicly-traded equities, private fund interests (as well as with outside third-party independent managers), and in one-off special situation investments. The allocation of client assets among such investment classes will vary depending on the client’s needs, risk tolerance, and personal circumstances. For larger clients with complex financial situations, Hollow Brook often creates and maintains a comprehensive Investment Policy Statement.

Although Hollow Brook considers itself as providing one integrated service, the ways in which Hollow Brook provides this service vary depending on specific client needs and the investment class in question.

Investments in equities that are managed internally by Hollow Brook are typically made on a discretionary basis. These assets are managed in a long-only equity style. Hollow Brook utilizes a

top down macro approach coupled with a research-driven bottom up security selection process. These parts of clients' portfolios generally have similar "best ideas" holdings and weightings and typically consist of 20 to 40 positions. Hollow Brook offers clients a range of choices among portfolio strategies in relation to discretionary long-only accounts. These choices include a standard policy portfolio of best ideas as well as a specific mandate of aggressive, moderate, balanced or an income oriented approach. In some cases, clients may impose reasonable mandates or restrictions on this part of their account; for example, some Hollow Brook clients may have a customized portfolio. For example, a given client may have a specific income objective or sector specific focus (i.e. dividends, interest, energy, etc.), therefore these clients may hold more income-paying investments or narrower sector weightings than other Hollow Brook clients that allocate assets to our various strategies.

Investments in private funds and one-off special situation investments are typically made on a non-discretionary basis. Hollow Brook's responsibility for making such investment recommendations is ongoing and the firm typically assumes responsibility for all aspects of effecting our recommendations (including due diligence) with the exception of executing investment documents and finalizing investment funding.

Recommending the allocation of assets to third-party managers is similar to recommending private funds, but because it does not involve recommending securities or investments we do not typically count assets allocated to this investment class as part of our regulatory assets under management.

Additional information with respect to Hollow Brook's advisory services is located below in the *Methods of Analysis, Investment Strategies, and Risk of Loss* section.

The aggregate regulatory assets managed by Hollow Brook as of December 31, 2019 were \$934,900,000. This figure reflects \$282,700,000 in discretionary and \$652,200,000 in non-discretionary regulatory assets under management. Total assets including assets allocated to third party managers were \$1,100,000,000. For certain clients, Hollow Brook provides reporting services which may include personal property, outside investments, and other real assets (e.g., gold, silver, etc.), these are not included in our regulatory assets under management or our total assets.

Hollow Brook provides its clients with a broad range of ancillary and additional services.

These services may be provided individually or in combination with Hollow Brook for additional fees as agreed upon with a client:

- Record keeping and reporting;
- Income tax planning assistance;
- Financial education for family members;
- Family decision making process;
- Assistance with Philanthropic goals
- Assistance with Estate planning;
- Multigenerational wealth planning;
- Coordination of outside professionals
- Insurance analysis;

- Trustee administration services; and
- Business succession planning.

In performing these consulting services, Hollow Brook will not be required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information provided by the client. Hollow Brook may recommend the services of other professionals to implement its recommendations. The client is under no obligation to act upon any of the recommendations made by Hollow Brook.

Hollow Brook has been in business as a registered investment adviser since January 2008. Philip Ernst Richter and Alan Lee Bazaar are the principal owners of Hollow Brook.

## **Fees and Compensation**

Although Hollow Brook considers itself as providing one integrated service, the ways in which Hollow Brook is compensated for this service vary depending on the investment class in question.

### Investments in Equities

For assets allocated to this investment class, clients generally compensate Hollow Brook based on a percentage of the applicable assets under management as set forth in their investment advisory agreements. For most clients this percentage typically ranges from 0.75 to 1.75% of assets under management. Fees are negotiable in the discretion of Hollow Brook, taking into account such factors as Hollow Brook deems appropriate including (without limitation) the types of assets under management, the size of the equity account, the historical or projected nature of the trading for the account, and the extent of supplemental services to be provided to the account.

Irrespective of the fee terms agreed upon with a client, the client will continue to pay brokerage commissions for transactions effected on its behalf. Hollow Brook may waive fees for accounts of employees' family members.

The fees of Hollow Brook are typically determined and paid on a calendar quarterly basis in arrears as follows: the fee for a particular calendar quarter shall be equal to the product of: (A) the average total market value of the equity assets under Hollow Brook's management (including cash and cash equivalents) determined as of the last business day of each month in such calendar quarter (but, with respect to each such month, without giving effect to any withdrawal from the equity account as of the end of the month); (B) multiplied by one quarter ( $\frac{1}{4}$ ) of the annual rate set forth in the client's investment advisory agreement; provided, that if the investment advisory agreement is in effect for only part of a calendar quarter, then the fee rate for the partial quarter shall be equal to the product of the annual rate multiplied by a fraction, the numerator of which is the number of days in such partial quarter and the denominator of which is 365. The fee with respect to any calendar quarter shall be deducted from the equity account and paid to Hollow Brook as of the first business day of the next succeeding quarter. Hollow Brook reserves the right to agree to different fee calculation methods with different clients.

Fees charged for most clients are deducted from the client's account. Some Hollow Brook clients pay fees via check or wire. Clients may select either method.

If a client has more than one account under management or if several members of the same family are clients, Hollow Brook reserves the right to aggregate accounts for purposes of calculating their fees, when applicable. In such cases, Hollow Brook will generally: (i) use the sum of the market values of such equity accounts for each month in a calendar quarter for purposes of determining the applicable fee rate(s); and (ii) pro rate the calculated fee for a calendar quarter among such accounts based on relative equity account size (which shall, for each account, be based on the sum of the month-end value of the equity account for each month in the applicable calendar quarter). Where such aggregation occurs and, as a result, multiple annual fee rates are applicable, Hollow Brook will endeavor to apply such rates to each aggregated equity account on a pro rata basis based on relative equity account size. Whether or not a Client has multiple family accounts shall be determined by Hollow Brook in its sole discretion.

In addition to Hollow Brook's investment management fees, clients will incur trading costs and custodial fees (please refer to the *Brokerage Practices* section for more information). Where clients have so directed, Hollow Brook will generally utilize Pershing Advisor Solutions ("Pershing") to execute transactions at a standard commission rate of \$.02 per share subject to a minimum commission charge of \$7.50 per transaction (transactions in securities priced under \$3 a share are charged a commission rate of \$0.005 per share). Hollow Brook may receive soft dollar credits of \$.01 per share from such commissions. Hollow Brook will be entitled to be reimbursed by Clients for reasonable out-of-pocket expenses incurred by it (including, without limitation, compliance and legal fees and expenses) in connection with its provision of services with respect to the equity account. If any such expenses are incurred in connection with multiple client accounts of Hollow Brook, then Hollow Brook will be entitled to be reimbursed by Client for a pro rata portion of such expenses (based on the assets of such client equity accounts). With respect to such reimbursable expenses, Hollow Brook will periodically forward to Client and Custodian a statement itemizing the expenses for which Hollow Brook seeks reimbursement, along with related receipts or other documentary evidence. Payment for such expenses will be due and payable within ten (10) days after the date that the itemized statement and related documentation is delivered to the Custodian.

Hollow Brook may invest a portion of clients' assets in registered investment companies or structured products, including, but not limited to, mutual funds, exchange-traded funds, exchange-traded notes and closed-end funds. Investment advisory fees paid to Hollow Brook are separate and distinct from the fees and expenses charged by third-party managers and/or funds. Advisers to registered investment companies and structured products charge a management fee, and the funds/products pay fees and expenses (described in a fund prospectus) that are in addition to Hollow Brook's management fee.

In response to adverse or unusual market, economic, political, or other conditions as determined by the advisor, Hollow Brook may adjust asset allocation positioning and take temporary defensive positions (e.g. cash) for clients. At these times, clients must be aware that there are less expensive alternatives available for cash management.

### Investments in Private Funds and with Third-Party Managers

For assets allocated to these investment classes, Hollow Brook generally charges a flat fee ranging from 75 to 115 basis points of the total assets allocated to these investment classes. These fees are negotiable in the discretion of Hollow Brook. Fees paid to Hollow Brook for assets allocated to these investment classes are separate and distinct from the fees and expenses charged by private fund managers and/or third-party managers to the client. For these clients, fees are assessed quarterly in advance or arrears and billed directly to the client.

Certain clients engage Hollow Brook to both invest assets directly in equities and to recommend private funds/third-party managers. For such clients, Hollow Brook may either charge separate investment management fees for each respective investment class or it may agree to charge a combined flat fee of the combined assets. Such alternate fee arrangements are negotiable in the discretion of Hollow Brook.

### Investments in One-off Special Situation Investments

For assets allocated to this investment class, Hollow Brook generally charges a flat basis point fee of the total assets allocated to this investment class, or an incentive fee when the investment is exited. In some instances, Hollow Brook may also charge a flat administrative services fee. All fees are designated by Hollow Brook or negotiated (prior to investment) on a case by case basis for each investment opportunity. Fees paid to Hollow Brook for assets allocated to these investment classes are separate and distinct from the fees and expenses charged by any underlying sponsors to the investments in question. Administrative fees are charged for the facilitation of these investments and are assessed (on a frequency agreed with the client) in advance or arrears and are billed directly to the client. In general, incentive fees are only charged upon realization of the investment.

### Fees Upon Termination

Each client enters into an investment advisory agreement that continues in force and effect until either the client or Hollow Brook gives written notice to the other party of its intention to cancel it, in which event the contract shall terminate on such date as is specified by the terminating party. When either party terminates the relationship, fees are prorated from the beginning of the quarter through the specified termination date; and, in such event, if the client paid fees in advance, any prepaid unearned fees will be refunded to the client.

## **Performance Based Fees and Side-by-Side Management**

Hollow Brook only charges performance-based fees on investments in one-off special situation investments. Although Hollow Brook manages accounts for which it charges a performance fee and accounts for which it does not, Hollow Brook does not believe that this presents any conflicts of interest. Hollow Brook only charges these fees on those parts of accounts that invest in one-off special situation investments.

## **Types of Clients**

Hollow Brook's clients include foundations, institutions, trusts, individuals, and family offices.

Hollow Brook generally requires a minimum of \$1 million in assets for new client relationships. Hollow Brook generally requires a minimum of \$10 million in assets for new client relationships in which allocations will be made to the private fund/third-party manager investment classes. The minimum account size may be waived under certain circumstances based on an analysis of the relationship of the account to other accounts managed by Hollow Brook, the potential for growth in the account, the nature and duration of other business relationships between Hollow Brook and the account holder and any other relevant factors.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

Hollow Brook conducts fundamental and technical analysis. Below is a summary of Hollow Brook's businesses and our methods of analysis.

*Direct Equity Investing:* Hollow Brook manages a direct equity investment strategy, which is a public equity portfolio that employs a top down macro approach coupled with the research-driven bottom up security selection process. Hollow Brook's internal research process utilizes a wide variety of tools to field, select, purchase and monitor equity investments. Hollow Brook's research process includes, but is not limited to a review of the following items: SEC filings, independent research reports, Hollow Brook proprietary models, industry trade reports, company visits, meetings with management, competitor analysis, research consultants, and attending industry conferences. Hollow Brook ultimately seeks out investments in public companies that are trading at a discount to intrinsic value and will benefit from positive macro trends. On occasion, Hollow Brook may invest client assets in corporate bonds, options, master limited partnerships ("MLPs"), mutual funds (e.g. open-end, closed-end, and/or exchange-traded mutual funds), exchange-traded funds and exchange-traded notes. For clients in need of income, Hollow Brook may modify its strategy to focus on dividend-paying securities. A committee comprised of Hollow Brook investment personnel is responsible for providing direct equity investment recommendations.

*Investments in Private Funds, Special Situations and with Third-Party Managers:* Hollow Brook advises high net-worth families, endowments, and pension assets on private fund and manager selection, special situations, asset allocation, and portfolio risk management. Special Situation investments can involve co-investing with a trusted sponsor or partner in a broad array of one-off illiquid investment opportunities. Special Situations may include opportunities such as episodic activism, private equity, or real estate investments. To identify, find, and select appropriate private funds, investment managers, or special situations for recommendation, Hollow Brook leverages its industry contacts that have been developed over decades. Through a rigorous selection process, Hollow Brook seeks to identify new, existing, or emerging private funds and managers that meet Hollow Brook's desired portfolio return and profile. With regard to special situations, Hollow Brook seeks to work with reputable partners who have a demonstrated a provable track record of success. Hollow Brook will identify a potential private fund, manager, or special situation and attempt to learn more about them over time by reading quarterly updates, attending annual meetings, performing quantitative analysis, and speaking with existing investors or clients. Hollow Brook also

utilizes a third-party research firm to perform in depth analysis on potential and ongoing private funds, managers and special situations. Hollow Brook's due diligence process often will include on-site visits, partner background checks, reasonable due diligence questionnaires, a review of audited financial reports and an in-depth review of return data and performance. Items considered during the due diligence process are managers style, performance, reputation, financial strength, reporting, pricing and research. For special situations, the sponsor of opportunities is usually a fund manager, an investment firm, or an individual that has experience operating in the professional investment industry. These sponsors are subject to a similar due diligence process as private funds or managers.

### *Risk*

All investing involves a risk of loss that clients should be prepared to bear. The investment strategies offered by Hollow Brook could lose money over short or long periods. Identifying undervalued securities, private funds and managers is difficult, and there are no assurances that such strategies will succeed. Furthermore, clients may be forced to hold such investments for a substantial period of time before realizing any anticipated value. Hollow Brook cannot give any guarantee that it will achieve its investment objectives or that any client will receive a return of its investment. Below is a summary of potentially material risks for each significant Hollow Brook investment strategy used, the methods of analysis used, and/or the particular type of security recommended.

- Hollow Brook's investment strategies may be non-diversified, which means that Hollow Brook may invest a greater percentage of clients' assets in the securities of fewer issuers. Based on historical market data, a less diversified portfolio is more volatile than a broadly diversified portfolio.
- There is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- MLPs are often marketed as investments that combine the tax benefits of limited partnerships with the liquidity of publicly traded securities. An investment in MLP units, however, involves risks that differ from a similar investment in equity securities, such as common stock of a corporation. Holders of MLP units have the rights typically afforded to limited partners in a limited partnership. As compared to common shareholders of a corporation, holders of MLP units have more limited control and limited rights to vote on matters affecting the partnership. Further, there are certain tax risks associated with an investment in MLP units, as MLP units are treated differently for tax purposes than common stock. Clients are advised to speak with their accountant to receive tax advice about MLPs.
- Investing in securities entails risks associated with the underlying business. Investments in securities entails all the risks associated with the underlying businesses, including reliance on a company's managers and their ability to execute business strategies. In addition, all businesses face risks such as adverse changes in regulatory requirements, interest rate and currency fluctuations, general economic downturns, changes in political situations, market competitions and other factors. Hollow Brook will not have day-to-day control over any company in which it invests for clients.



- Investing in private funds with annual or multi-year lockups can present illiquidity risk. Some private fund managers may seek the legal route of gating any exit from the fund during a crisis or broad market selloff.
- Special situations can be illiquid, volatile, and are subject to long lock ups with very uncertain outcomes. Being a co-investor in special situation investing involves risk because Hollow Brook does not control the investment and generally relies on the lead sponsor for key decision making.

## **Disciplinary Information**

Hollow Brook and its employees have not been involved in any legal or disciplinary events in the past 10 years.

## **Other Financial Industry Activities and Affiliations**

From time to time Hollow Brook partners may serve on advisory boards or committees of the private funds in which they invest client capital. Hollow Brook and its partners are not compensated for being on advisory boards or committees and these activities do not take up a material amount of time. The participation on advisory boards or committees is not believed to be a material conflict of interest with Hollow Brook's clients.

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

Hollow Brook has adopted a Code of Ethics ("Code") pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 that covers all officers, directors, employees of or members in Hollow Brook who are involved in the advisory process (each an "Access Person"). Under the Code, an Access Person includes members of an Access Person's immediate family and household, accounts over which the access Person has investment control or discretion and accounts in which the Access Person (or member of such Access Person's immediate family) has a beneficial ownership interest.

The Code requires all employees to exercise their authority and responsibility for the benefit of clients and to refrain from activities that may conflict with the interests of clients. The Code contains policies and procedures that, among other things:

- prohibit employees from taking personal advantage of opportunities belonging to clients;
- prohibit trading on the basis of material, nonpublic information;
- place limitations on personal trading by employees and impose preclearance and annual and quarterly reporting obligations with respect to such trading;
- impose limitations on the giving or receiving of gifts and entertainment; and
- restrict employees' outside business activities.

It is the policy of Hollow Brook to permit Access Persons to transact in the same securities as clients. Further, a client should understand that other clients of HBWM, as well as HBWM itself,

its affiliates, and persons associated with HBWM and its affiliates may invest in or with investment managers, investment funds and/or other investments that HBWM, as adviser, recommends as or for client assets. Such transactions present an inherent conflict of interest for Access Persons to favor their own investment transactions over client transactions. Hollow Brook subjects Access Persons to preclearance procedures that are intended to minimize any potential impact on, or benefit to related persons from, client transactions. Further, almost all securities in which Hollow Brook invests for discretionary clients are widely traded in public securities markets. HBWM has discretionary authority over certain employee, family member, proprietary, or other related person accounts (“Related Accounts”). The management of Related Accounts presents inherent conflicts of interests, such as a Related Account: 1) trading before clients (i.e., front-running), and/or; 2) receiving a better allocation or price than clients. To address and mitigate (potential) conflicts of interest associated with Related Accounts, HBWM seeks to ensure that Related Accounts will have a substantially similar percentage of assets in each security as other client accounts (although account composition may vary to some extent based upon a number of factors, including investment restrictions, and the timing of actual or anticipated capital additions or withdrawals). Subject to any client directed brokerage requirements (see Brokerage Practices below) and provided it does not subject clients to additional costs or fees, Related Accounts will generally transact in securities alongside client accounts, receive the average price that clients pay for securities transactions, and pay their share of transaction costs. In the event that an aggregated order including both Related Accounts and client accounts is only partially filled, the participating accounts will receive a pro rata allocation. In certain instances (e.g., when assets are added to or withdrawn from Related Accounts), HBWM may purchase or sell securities for Related Accounts when other client accounts are not purchasing or selling the same security. With limited exceptions, Related Accounts will not receive a more advantageous price than client accounts for a particular security purchased or sold on the same trading day. For more information, please refer to the Trade Aggregation and Allocation disclosures below in the Brokerage Practices section.

Certain special situation investments may entail investments in underlying public equity securities. Investors in special situations generally need to be accredited investors. For this reason, Hollow Brook and its Access Persons are typically not permitted to invest in the special situation investment vehicles by the underlying sponsor. Nevertheless, Hollow Brook permits its Access Persons to buy and sell the same underlying public equity securities in which the special situation investment vehicles invest, but only after the underlying sponsor has indicated to Hollow Brook that it has completed its purchases and sales for the investment vehicle(s), as applicable. Unlike the clients that invest in these vehicles, Hollow Brook’s Access Persons do not pay any fees to the vehicle sponsor(s) in relation to investments in such underlying securities. For Access Persons, no sales can occur until after the underlying sponsor has exited the position or transferred the underlying securities to Hollow Brook clients.

Hollow Brook may recommend securities in which employees directly or indirectly have a financial interest. Related person(s) of Hollow Brook sit on the boards and own securities of publicly traded companies in which clients and employees may be invested. As a matter of Hollow Brook’s policy, clients/employees are limited to trading these particular securities only during the “open period” when declared by the issuing companies, and with the consent of the issuer’s counsel. Hollow Brook or its related persons may, from time to time, come into possession of material non-public or other confidential information about these companies as a result of these board positions. Under

applicable law, Hollow Brook would be prohibited from improperly disclosing or using this information for its personal benefit or for the benefit of any person, regardless of whether the person is a client of Hollow Brook. Accordingly, should Hollow Brook or any related person come into possession of material nonpublic or other confidential information with respect to these or any other companies, Hollow Brook will have no responsibility or liability for failing to disclose the information to clients as a result of following its policies and procedures designed to comply with applicable law.

Access Persons who violate the Code are subject to sanctions. All Access Persons must annually re-certify in writing their familiarity and compliance with the Code of Ethics. Hollow Brook will provide a copy of its Code to any advisory client or prospective advisory client upon request.

## **Brokerage Practices**

### *Investments in Public Equities*

Hollow Brook typically has discretionary authority to select the brokers through whom equity transactions for its clients will be carried out. As a fiduciary, Hollow Brook has a duty to seek best execution for all transactions it executes on behalf of each of its clients. Hollow Brook will seek to execute transactions in such a manner that its clients' total cost or proceeds is the most favorable over the long term. Beyond the price at which the security is bought/sold and the charges associated with such transactions, in selecting brokers Hollow Brook will consider other qualitative factors including the nature and character of the security being traded and the activity existing and expected in the markets, including the size of the trade; the desired timing of the transaction; Hollow Brook's knowledge of negotiated commission rates; the full range of brokerage services to be provided, including the broker's execution, clearance and settlement capabilities, capital strength and stability, idea generation, access to conferences, reasonableness of the commission for the specific transaction, and responsiveness to Hollow Brook, and the quality of the brokerage services and of research products and services provided to Hollow Brook.

Hollow Brook generally recommends that clients select Pershing as their custodian. If the client does select Pershing, this could impact best execution because depending on the custodial arrangement that the client enters into, Pershing could either prohibit the client from "trading away" or charge a "trade away" fee that could increase transaction costs. If a client wishes to use a custodian other than Pershing, Hollow Brook will typically require that the chosen custodian not prohibit "trading away".

Except for when noted below, Hollow Brook expects that a substantial majority of client trades will be executed by Pershing. With this in mind, and as part of Hollow Brook's fiduciary duty, Hollow Brook conducts a periodic best execution review that includes an assessment of the pricing and services received from Pershing.

Advisory clients who use Pershing as their custodian provide written direction to effect securities transactions through Pershing at a fixed rate of \$.02 per share, subject to a minimum commission charge of \$7.50 per transaction (transactions in securities priced under \$3 a share are charged a commission rate of \$0.005 per share). While Hollow Brook believes the commission rates charged

by Pershing are comparable to (or better than) those of other broker-dealers providing similar services to similar client bases, such rates may be higher than rates available from other brokers, either overall or in certain transactions.

While Hollow Brook expects that a substantial majority of client trades will be executed by Pershing, it reserves the right to use other brokers who have particular industry, company-specific, geographic or other expertise for particular transactions. In such event, commissions shall be determined by negotiation between Hollow Brook and such other executing brokers. Such transactions will also be subject to a \$12.00 per trade fee by Pershing as custodian.

To the extent a client enters into a custodial arrangement that prohibits “trading away” from Pershing, this could have the same effect as if the client had directed that we only use Pershing to execute their securities transactions. Such clients are advised that in the event that Hollow Brook elects to use another broker-dealer for particular transactions, such “effective direction” of brokerage may result in their receiving less favorable executions in such transactions, because Hollow Brook will only be able to use Pershing for such transactions regardless of execution capabilities or opportunities with respect to particular transactions.

In addition, such transactions may be executed before or after transactions for other clients have been executed, or may be excluded from block trades, and any associated economies of scale. Hollow Brook retains discretion in determining the order in which brokers are contacted to place orders. Therefore, in transacting on the same investment, clients that “effectively direct” Hollow Brook to only use Pershing may receive a different execution price and higher transaction costs than clients whose custodial arrangement permit the use of other broker-dealers. Ultimately, “effectively directing” brokerage may be viewed as costing clients more money.

For clients who do not “effectively direct” their brokerage to Pershing, Hollow Brook is responsible for the negotiation of brokerage commissions charged by such broker-dealers.

Pershing generally charges a fixed \$.02 per share commission to Hollow Brook’s clients. Included in that amount may be \$.01 per share in return for soft dollar credits with Pershing. Hollow Brook may enter into comparable soft dollar or commission agreements with executing brokers other than Pershing that provide soft dollar credits to Hollow Brook in connection with clients’ securities transactions. To the extent that Hollow Brook generates such credits and receives research or brokerage products and services, it will be receiving a benefit by reason of Hollow Brook’s use of Pershing or other executing brokers that provide soft dollar credits. Hollow Brook may have a conflict of interest to trade with brokers that provide Hollow Brook with a greater ratio of soft dollar credits than Pershing. When Hollow Brook uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, Hollow Brook receives a benefit because Hollow Brook is not paying for the research, products or services. Research received by Hollow Brook for soft dollars may be used by Hollow Brook in managing some or all of its clients’ assets, including discretionary separate accounts and advisory consulting clients. Some research may not necessarily be used by Hollow Brook in managing the assets of the clients whose commission dollars provided for the research. All soft dollar services will qualify for the safe harbor in Section 28(e) of the Securities Exchange Act of 1934. Within the last fiscal year, Hollow Brook acquired the following products or services with soft dollars: Bloomberg, research from brokers,

and research from independent third-party research providers. Research received by Hollow Brook is generally in the form of daily emails, monthly letters, company specific reports, access to broker-sponsored conferences, and conference calls with the independent third-party research providers. Hollow Brook may have an incentive to select a broker-dealer based on receiving research or other products or services, rather than our clients' interests in receiving best execution. However, consistent with Section 28(e), Hollow Brook will make a good faith determination that client commissions paid to a broker are reasonable in relation to the value of the products or services provided by such broker.

Pershing may also provide Hollow Brook and/or Hollow Brook clients with certain products and services in connection with Hollow Brook clients having assets custodied at Pershing, but not in connection with clients' securities transactions. For example, Pershing provides access to its institutional trading and operations services not typically available to Pershing's retail customers. These services are generally available to Hollow Brook according to a special pricing schedule based upon Hollow Brook's commitment that clients will place or maintain a specified dollar amount of assets in accounts at Pershing within a specified period of time. Access to these services is not based on client commissions paid to Pershing. Pershing makes available to Hollow Brook other products and services that may benefit Hollow Brook and many, but not necessarily all, of our clients. Some of these other products and services assist Hollow Brook in managing and administering client accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of our fees from clients' accounts, and assist with back-office support, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of our clients' accounts, including client accounts not maintained at Pershing. Hollow Brook's receipt of services from Pershing creates a conflict of interest because Hollow Brook receives the benefit of the above ancillary services. Further, Hollow Brook has an incentive to recommend Pershing based on Hollow Brook's interest in receiving ancillary services. Since many of Hollow Brook's clients are individuals, Hollow Brook believes that such clients will benefit from access to institutional trading and operations services provided by Pershing. As discussed above, to mitigate potential conflicts and as part of Hollow Brook's fiduciary duty, Hollow Brook conducts a periodic best execution review that includes an assessment of the pricing and services received from Pershing.

In the event of a trade error caused by Hollow Brook, the Company will follow its trade error policies and procedures to ensure that the outcome is fair to all parties. Clients may retain gains resulting from a trade error.

#### Trade Aggregation and Allocation

Hollow Brook may aggregate client transactions when a particular security is bought or sold for multiple client accounts through the same broker-dealer (generally Pershing). Aggregated orders may include Related Accounts provided such aggregation does not subject clients to additional costs or fees. Hollow Brook shall seek to allocate investment opportunities, including new issue allocations or limited investment opportunities, among clients in the fairest possible way taking into account clients' best interests. Allocations will be made according to pre-trade allocation statements

and each account will participate in the aggregated order at the average price of the security on a given business day for all transactions in connection with the aggregated order. Such average price could be higher or lower than would have been received by a client had the transaction been executed for such client individually. In the event a limited number of shares are available or there are capacity constraints in a private placement, Hollow Brook may utilize a rotational methodology for allocating among eligible advisory accounts.

In the case of partial fills of orders, allocations will be determined pro-rata based on pre-trade allocations. Exceptions to pro rata allocation of partially filled orders may include, without limitation, the avoidance of a client's holding odd lots or similar de minimis numbers of shares or the payment of additional ticket costs charged by broker/dealer custodians such as Pershing. In the event of a partial fill exception to avoid the payment of additional ticket cost charged by broker/dealer custodians such as Pershing, Hollow Brook will use a computerized randomizer to fairly allocate a partial fill.

Occasionally, Hollow Brook may decide to trade the same securities at approximately the same time for both discretionary and non-discretionary accounts. In these circumstances, Hollow Brook will typically trade for clients in the order in which the decision to trade was made. This could (but will not always) result in Hollow Brook trading discretionary accounts before non-discretionary accounts and could cause discretionary accounts to obtain more favorable execution prices than non-discretionary accounts or vice versa. To the extent that one client's or group of clients' larger order would require a significant period of time to complete, and Hollow Brook believes it can execute a smaller order in a way that will not materially impact the trading of the larger order, Hollow Brook may elect to trade the smaller order before or at the same time as it trades for the larger order.

Hollow Brook's policy is to treat all clients fairly and equitably with respect to the aggregation, allocation and timing of orders.

#### *Investments in Private Funds, One-off Special Situation Investments and with Third-Party Managers*

Hollow Brook does not execute public equity securities transactions on behalf of assets that are allocated to these investment classes. Please refer to disclosures throughout this brochure for additional information with respect to these investment classes.

With regard to allocating special situation investment opportunities, Hollow Brook has adopted an allocation policy that reflects the fact that due to the risks associated with such investments, they are typically only suitable for a subset of its clients. Hollow Brook, will only recommend such investments to such clients when it is appropriate to do so. It is then up to such clients to decide whether to proceed with such an investment, and if so, how much capital to allocate to such an investment. Due to the finite nature of many of these opportunities, it is possible that client demand will either exceed or fail to meet the proposed supply of any given investment opportunity. This could present investment allocation challenges, which Hollow Brook attempts to resolve by way of the following process.

- Hollow Brook first determines the clients to whom it will offer such opportunities, and the relative amounts offered to each such clients, taking into account such factors as Hollow Brook determines appropriate based on the relevant facts and circumstances.
- In the event that certain client(s) elect not to make such an investment that is offered to them, Hollow Brook may elect to offer the remaining balance of such investment to those clients that are participating in the investment in accordance with the factors considered for the initial allocation.
- In the event that actual or anticipated client demand for a special situation opportunity does not meet the proposed supply of the investment opportunity, Hollow Brook may elect to allocate the opportunity or the balance thereof to non-clients. Given potential conflicts of interest inherent in such non-client allocations, Hollow Brook will only make them when it has determined that there is not or there is unlikely to be sufficient client demand for all or part of the opportunity in question.

## **Review of Accounts**

Reviews of those accounts or parts of accounts that are invested directly in public equities are done periodically (approximately weekly) and focus on position sizes, the level of cash holdings, and portfolio composition in light of market events and client specific developments. Hollow Brook monitors company and stock specific events and will review accounts more frequently as necessary.

Reviews of those accounts or parts of accounts that are invested in private funds or with third-party managers, are done periodically, in keeping with the term and liquidity of the investments/manager allocations. Hollow Brook endeavors to attend the annual meetings of the managers or private funds it recommends to its clients.

Reviews of all accounts are performed primarily by Wayne Nordberg, Chairman, Philip Richter, President and Chief Compliance Officer, Alan Bazaar, Chief Executive Officer, and Mark Mumford, Vice President.

Clients with assets invested directly in public equities receive the following written statements from custodians with respect to such accounts or parts of such accounts:

1. A monthly report showing holdings and their fair market value and activity for the previous month; and
2. Daily trade confirmations from the executing broker-dealer.

Clients with assets allocated to private funds, one-off special situation investments and third-party managers receive a written quarterly consolidated report on the performance of private funds, special situation investments, and managers recommended to them.

## **Client Referrals and Other Compensation**

Hollow Brook does not currently compensate third-party solicitors for referring clients. Should Hollow Brook engage in this activity, we intend to revise this disclosure to clients, and will maintain

policies and procedures to comply with Rule 206(4)-3 under the Advisers Act (i.e. the SEC regulation addressing the use of solicitors).

## **Custody**

All client assets that are invested directly in public equities are held in custody by an unaffiliated broker-dealer but Hollow Brook can access certain clients' funds through its ability to instruct the custodian to debit advisory fees. In these cases, Hollow Brook is also considered to have custody of client assets under Rule 206(4)-2. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by Hollow Brook.

Finally, Hollow Brook is deemed to have custody under Rule 206(4)-2 of certain client assets as a result of standing letters of authorization in place from such clients that allow Hollow Brook to direct the client's custodian to send client funds based on the standing letters of authorization.

## **Investment Discretion**

Hollow Brook maintains discretionary authority over those client accounts or parts of client accounts that are invested directly in public equities. These clients enter into an investment advisory agreement which provides Hollow Brook with discretionary authority. Hollow Brook is responsible for the decisions to buy and sell securities for such clients. The particular securities and the amounts of such securities to be purchased and sold are determined by Hollow Brook consistent with each advisory client's investment objectives, policies and restrictions. Transactions for each client account may be completed independently. As such, there may be circumstances under which Hollow Brook deems it appropriate to cause one of its advisory clients to sell a security and another of its advisory clients to purchase the security on the same day.

## **Voting Client Securities**

Hollow Brook does not have the authority to vote proxies on behalf of its clients. Clients are responsible for voting any such proxies. Hollow Brook does not forward proxies to clients. Clients should contact their custodian with questions about receiving proxies and the process for the client to execute voting on such proxies. Clients may contact Hollow Brook with questions about a particular solicitation.

## **Financial Information**

Hollow Brook is not required to include a balance sheet for its most recent fiscal year, has never filed for bankruptcy, and is not aware of any financial condition that is expected to affect its ability to manage client accounts.