Capital Risk

2019

Capital Risk Management LLC

April 4th, 2019

Form ADV Part 2A: Firm Brochure

This Brochure provides information about the qualifications and business practices of Capital Risk Management LLC (CRD # 300480). If you have any questions about the contents of this brochure, please contact us by telephone at 415-373-7152 or info@capitalriskmanagement.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state or securities authority.

Registration does not mean that the SEC or any other agency of the United States government has reviewed or approved of the registered investment adviser's abilities or qualifications nor does it imply a certain level of skill or training.

Additional information about Capital Risk Management LLC (CRD # 300480) also is available on the SEC's website at www.adviserinfo.sec.gov.

P.O. Box 446, Lakewood, CA, 90808-0446 | 415-373-7152 | www.capitalriskmanagement.com

Item 2. Material Changes

This section of the Capital Risk Management LLC's ("Capital Risk") Form ADV Part 2A ("the Brochure") identifies and discusses material changes made to the Brochure since the last update. The following is a summary of material changes made to this Brochure since the last filing:

- There are not any changes to the document as it is an initial filing.

Capital Risk will deliver to our clients, a free annual updated Brochure that includes a summary of any material changes made to this and subsequent Brochures within 120 days of the close of our fiscal year.

If you would like to request a copy of the most recent Brochure at any time, please contact Capital Risk Management LLC at 415-373-7152 or info@capitalriskmanagement.com.

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Item 4. Advisor Business

Summary

Capital Risk Management, LLC ("Capital Risk") is a privately held investment advisory firm (the "Firm") founded in 2018 and entirely held by Jason Prole with its principal place of business located in Lakewood, CA.

Capital Risk Management, LLC is not affiliated with any broker/dealers, other investment managers, solicitors or placement agents. Capital Risk is neither controlled by or has control over any other entity.

Our Mission Statement

Capital Risk's mission is to help individual and institutional investors manage the risks and rewards inherent in the financial markets. Using innovative methods in portfolio design, asset allocation, investment analysis, and environment forecasting, Capital Risk delivers superior results within the investor's well-articulated risk profile.

Services in Brief

Capital Risk provides professional investment advisory & consulting services designed to achieve the diverse investment objectives of public & corporate pension funds, endowments, foundations, not-for-profit organizations, insurance companies, and high-net-worth investors. Capital Risk provides non-discretionary investment advice to clients, which may include:

- Financial Planning
- Investment Advisory
  - Investment policy, asset allocation, and non-discretionary portfolio management;
  - Investment manager evaluation, monitoring, and performance review;
  - Alternative assets (hedge funds, private equity, venture capital, and real assets)
  - Risk management
- Consulting
- Educational seminars and workshops, newsletters, and periodicals

Each of these services is enumerated below in more detail. Regardless of the level of service selected, **the client is under no obligation to act upon the investment advisor's recommendation.**

Selecting a Service Level

Clients will generally elect the investment advisory and portfolio management service, which include all of our service offerings, which include a wide range of services designed to efficiently achieve their investment objectives while managing risk within the prescribed tolerance of their governance framework. These specialized services are tailored to the client and most often include strategic and tactical asset allocation advice as well as investment selection, participation in committee meetings, access to research services and performance reporting. For our clients with limited in-house resources and an investment committee that wants to retain approval rights on manager hiring and firing, we offer non-discretionary chief investment officer outsourcing (OCIO) services through our investment advisory agreement.

Clients may elect our consulting services in circumstances where the client wishes to have a specific service or time-limited engagement and does not require our ongoing or full services. These consulting services are in place of an investment advisory agreement and are differentiated by their ***limited scope***. Consulting services may be a time-limited relationship based on hourly billing to provide a specific task for a client (e.g., an investment policy statement) or of a longer duration that is based upon fixed-price billing. Consulting services may include access to our research, portfolio analysis services, investment manager due diligence, performance reporting, and other services as required. Consulting services is differentiated from the investment advisory services by the narrower scope and the pre-defined length of the engagement.

Clients who have limited investment advisory needs may elect the financial planning services. A financial plan is designed to guide the client with all aspects of financial planning without ongoing investment management services after completion of the financial plan. Regardless of the level of service selected, **the client is under no obligation to act upon the investment advisor's recommendation.**

Individual Stock & Selection

Capital Risk does not usually provide individual stock selection; instead Capital Risk's focus is on assisting our clients in selecting and investing with institutional quality, external investment managers. On an as required basis, Capital Risk can provide an evaluation of an individual stock within the scope of the total portfolio and the investment policy.

When designing a client's investment policy, Capital Risk will typically consider many types of investments, which may include co-investment opportunities in individual companies, ETFs, mutual funds, and secondaries. Our investment recommendations are not limited to any specific product or service offered by any particular broker-dealer or insurance company.

Financial Planning

A financial plan is designed to guide the client with all aspects of financial planning without ongoing investment management services after completion of the financial plan. The financial plan may include and 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; a review of retirement accounts and plans including recommendations; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Capital Risk advises the client that a financial plan includes specific investment recommendations and that:

- a conflict of interest between the investment adviser and the interest of the client may exist,
- the client is not under any obligation to implement the investment advisor's recommendations with Capital Risk or any other investment adviser,
- the client may affect the financial plan recommendations at their own discretion with the investment advisor of their choice,
- **the client is under no obligation to act upon the investment advisor's recommendation.**

Further financial planning meetings may be scheduled based on the client's discretion and needs.

Investment Advisory Services

Capital Risk provides investment advisory services that focus on the general aspects of portfolio management. These services may include one or more of the following services:

- Investment Policy and Asset Allocation
- Non-discretionary Portfolio Management
- Investment Manager Evaluation, Monitoring, and Performance Review;
- Alternative Assets (hedge funds, private equity, venture capital, and real assets)
- Risk Management

Subject to the needs and demands of the client, Capital Risk will provide the general portfolio management services required to enable the client to meet their investment objectives.

Capital Risk provides investment recommendations as a non-discretionary investment advisor and thus does not have the authority to implement these recommendations. The decision making, execution, and discretionary responsibility for the asset allocation and investments chosen are those of our client.

Capital Risk shall not sell or purchase investment securities of any type within the Client's account except upon written direction from Client prior to effecting an investment security transaction. Advisor shall not be liable for any loss incurred by Client or Advisor in accepting and acting upon Client's instructions.

Investment Policy, Asset Allocation, and Portfolio Management

- Develop investment objectives and the strategic investment policy;
- Define and manage risk for their particular risk tolerance;
- Construct the investment portfolio to achieve optimal diversification;
- Design the portfolio to achieve the required cash flow; and
- Conduct scenario analysis to understand risk and asset allocation decisions;
- Provide non-discretionary portfolio management advice.

Capital Risk provides timely and actionable advice and research to our clients regarding the investment significance of changes in the financial markets. This advice is focused on strategic investment advice, researching new investment strategies, and monitoring portfolio positions from an asset allocation perspective.

Investment Manager Evaluation, Monitoring, and Performance Review

Capital Risk evaluates, monitors, and reviews performance of investment managers across equities, fixed income, real estate, equity, debt, private equity and debt, and alternative asset classes, and monitors existing investment managers in client portfolios. Our due diligence process includes screening, interviewing, and selecting manager candidates that fit within the investment objectives of the client. Portfolio performance reviews periodically assess the number of managers and strategies within the client portfolio and perform a critical evaluation of operational efficiency, costs, and management oversight.

Capital Risk undertakes periodic discussions and on-site due diligence meetings with investment managers, that focus on investment performance and organizational issues such as changes in ownership, retention of key professional staff, fee changes, new products, and other items that may impact their organizational culture. We evaluate all managers in the context of their objectives and guidelines.

Alternative Assets (hedge funds, private equity, venture capital, and real assets)

- Investment time-line, sizing, and strategy diversification;
- Manager evaluation, selection, and monitoring;
- Investment vehicle analysis and planning;
- Performance measurement and attribution analysis;
- Actionable research and market analysis; and
- Transition structuring, terms and fee analysis, and contract negotiation.

Capital Risk is highly experienced conducting due diligence, investing, and providing advice on partnership interests in alternative asset classes including hedge funds, private investments (private equity/venture capital), private credit, real estate, timber, agriculture, and other natural resources. Capital Risk provides qualitative assessments on alternative asset strategies and keep abreast of the conditions in these markets.

Risk Management

- Assess the market environment and portfolio context;
- Identify and link risks;
- Classify risks for impact and likelihood;
- Define risk appetite and policy;
- Design a risk response;
- Monitor and manage risk.

Risk management advice may include performing asset-liability analyses, designing risk-mitigation strategies for equities or interest rates utilizing derivatives, and monitoring portfolio positions from an asset-liability or cash-flow perspective.

Consulting Services

Capital Risk provides specific and time-limited consulting services in place of an investment advisory agreement when a client does not require our ongoing services and may include:

- Assessment of capabilities, resources, and stakeholders;
- Analysis of political, environmental, social, technological, economic, and legal gaps;
- Alternatives to diversify, lower costs, and focus the investment portfolio;
- Align people, process, partners, and platforms for execution;
- Act on strategic drift by measuring and monitoring; and
- Adapt the investment program from learning and innovation.

Capital Risk may assist in strategic planning for the formulation of core values, investment beliefs, development of mission statements, and the design of a strategic plan to minimize the strategic drift of the investment program. These services may be limited scope and time and only require an hourly-fee consulting agreement.

Capital Risk may design a tailored relationship that leverages our research and analysis capabilities. These roles may entail a consulting arrangement that requires more focused capabilities and a more specific time commitment that is found under a traditional investment advisor agreement. These roles generally focus on strategic projects where a permanent staff member for the client is not required. Examples of these services may include manager research or risk consulting and may entail a fixed-fee consulting agreement.

Education Seminars and Workshops

Capital Risk provides educational seminar or workshops on strategies for investment and risk management. Topics may include topics related to general financial planning, investment portfolio design, investment portfolio risk management, funding an education, estate planning, retirement strategies, and the general investment or economic environment. Capital Risk's workshops are educational in nature and do not involve the sale of investment products.

Investment Periodicals and Newsletters

Capital Risk provides general investment management and economic environment commentary through its website and to subscribers via email. Topics may include the capital markets (e.g., equity indices or interest rates), the economy (e.g., inflation or economic growth), or other related investment and business trends (e.g., the impact of technology on the economy or investing). The commentary is general in nature and is not intended as specific advice for any investor.

Investment Restrictions

Clients may impose investment restrictions on their investments that are consistent with their personal beliefs. These restrictions may include certain securities, types of securities, or any other type of investment defined by the client. Capital Risk will incorporate these restrictions when developing investment advice for the client.

Wrap Fee Programs

Capital Risk does not participate in wrap fee programs.

Asset Under Management

Capital Risk does not currently have any assets under management on a discretionary or non-discretionary basis.

Item 5. Fees and Compensation

Fees for our services may be charged as a percentage of assets in the client's account, as an hourly fee, or as a flat fee. Capital Risk customizes our services based on each client's needs; therefore, our fees are dependent on a client's total asset size, service requirements, governance structure, portfolio complexity, and asset mix. The type of institution (e.g., a nonprofit organization, a corporation, a public pension plan, and a private client) and whether similar services are provided bespoke or included in a standard package will also influence the fee structure.

All fees are negotiated in advance and will vary depending on many factors, including:

- The complexity of the investments;
- Size of the portfolio;
- Number of asset classes;
- Amount of investment managers; and
- Nature and frequency of meetings and reports.

The fees shown below are based on our current fee schedules. Our fees for nonprofit organizations are generally lower than those for corporations and private clients.

All fees are negotiable. In accordance with CCR Section 260.238(j), the client should note that **lower fees for comparable services may be available from other sources**.

Service Fees

Capital Risk provides a variety of services as previously enumerated and these services carry differing fees as discussed below.

Client may pay other fees or expense in connection with our advisory services, such as custodian fees or mutual fund expenses. Clients will incur brokerage and other transaction costs when implementing our advice. The client should review the fees for these transaction with their chosen broker or executing authority.

Investment Advisory & Portfolio Management Asset-Based Fees

Asset-based fees typically range from 0.2% to 1.0% of assets where Capital Risk directs and monitor the portfolio on a non-discretionary basis. This asset-based fee is generally subject to a minimum asset under advisement amount of $600,000; however, Capital Risk may waive the minimum asset requirement at its sole discretion. These fees are typically billed quarterly in arrears, based on the market value of asset as of the last business day of the billing quarter, and invoiced to the client.

	Assets Under Advisement (AUA)		Quarterly Fee	Annual Fee
	From ($)	To ($)	(%)	(%)
First	$600,000	$2,000,000	0.250	1.0
Next	$2,000,001	$5,000,000	0.175	0.7
Next	$5,000,001	$10,000,000	0.125	0.5
Next	$10,000,001	$25,000,000	0.100	0.4
Next	$25,000,001	$50,000,000	0.075	0.3
Next	$50,000,001	$100,000,000	0.050	0.2
Next	$100,000,001+		Negotiable	

Example: An investor with $3,000,000 would pay 0.9% ($2m x 1% + $1m x 0.7%)

The Client may elect and authorize payment of asset-based advisory fees by either billing directly to the client or directly deducting from plan assets.

If the Client elects and authorizes the Custodian to directly deduct fees from Account assets, Capital Risk notifies the Client that Capital Risk will follow the safeguards under California Code of Regulation, Section 260.237(b)(3) and as noted in Item 15 in this document.

Financial Planning Fees

Financial planning fees are based upon the complexity of the client's situation and typical fees ranges from $600 to $5,000 and are negotiable. The hourly rate for financial planning is $200. The fees are based upon the information disclosed at initiation of the engagement. During the consultation discovery period, situations may occur where the client's situation is more complex than disclosed during the initial meeting and require are revised fee. The client must approve the change in financial planning scope and the associated revision in fee in advance of Capital Risk performing further work.

Consulting Fees

Hourly consulting fees typically range from $200 - $800 per hour and are billed semi-monthly, in arrears based on actual hours rendered to a client account and invoiced directly to the client.

Fixed consulting fees typically range from $25,000 to $500,000 and are either billed monthly, in arrears, or installments negotiated with the client for the duration of a particular project. Capital Risk designs a tailored relationship that leverages our research and analysis capabilities. These roles generally focus on strategic projects where a permanent staff member for the client is not required. Examples of these services may include risk identification and response or environment assessment and actions to correct strategic drift. The fee depends on the client's current capabilities and the services desired by the client.

Educational Seminars and Workshops Fees

Educational seminars and workshops are generally educational nature and complimentary for prospective clients and current clients. Capital Risk may be invited to speak at related professional association (e.g., CFA Institute) conferences and proceedings where compensation is received from the event sponsor. Fees may range from pro bono to $5,000 and will vary upon the topic complexity, time, and travel requirements.

Periodicals and Newsletters Fees

Capital Risk does not charge a fee for access to the general investment and economic commentary available on its website or to email subscribers. Capital Risk may provide clients with additional insight on the general investment and economic environments that is not available to website visitors or email subscribers, and this commentary is included complimentary with the provision of other service fees.

Negotiability of Fees and Availability of Lower Fees

All fees are negotiable. In accordance with CCR Section 260.238(j), it should be noted that **lower fees for comparable services may be available from other sources**.

Payment Schedules

Capital Risk invoice clients according to an agreed-upon schedule depending on the scope of services provided and whether fees are value-based or fixed.

For each type of service, Capital Risk bills in arrears on the frequency listed below for each service.

- Financial Planning: Due upon delivery of financial plan
- Asset-based: quarterly in arrears
- Hourly: semi-monthly in arrears
- Consulting: monthly in arrears

For example, for Investment Advisory & Portfolio Management Services the client is billed in arrears on a quarterly basis.

For a substantial long-term consulting project-only relationship, a client may negotiate a payment schedule based on delivery milestones.

Termination Provisions

For **asset-based** relationships, our contracts usually are for an initial term of one-year, with automatic renewal for subsequent years given no change in the services required or the fees. Our clients may terminate their relationship immediately or with an advance notice period that typically ranges from 30 to 90 days depending on the specification in their contract. Upon notice of termination, we will adjust any fees payable to us by the client on a pro rata basis from the effective date of the agreement through the date of termination.

For **hourly-based** consulting fees, a client may terminate the relationship within the defined written notice period (e.g., 1 day) of the consulting agreement, with any earned, unpaid hourly fees due and payable.

For **fixed-fee** consulting relationships, our contracts have specific terms and fees related to the engagement. Our clients may terminate their relationship with an advance written notice period (e.g., 30 days) as designated in the consulting agreement. Upon notice of termination, we will adjust any fees payable to us by the client on a pro rata basis from the effective date of the contract through the date of termination.

Additional Compensation

Capital Risk or any it supervised persons does not accept compensation from any other sources including, but not limited to, the sale of securities or investment products, or asset-based sales charges or service fees related to mutual funds.

Item 6. Performance-Based Fees and Side-by-Side Management

Capital Risk does not charge performance-based fees.

Item 7. Types of Clients

Capital Risk provides services to institutional (e.g. trusts, estates, or businesses) and high-net-worth individuals, who may also be Accredited Investors.[1]

Pooled Investments

Capital Risk does not advise pooled investment vehicles nor accept performance-based fees.

Account Minimums

The minimum account size for asset under advisement is $600,000. Capital Risk may waive the minimum asset requirement at its sole discretion.

[1] "Accredited Investor" and "Qualified Purchaser" are defined in Rule 501 of Regulation D and Section 2(a)(51) of the Investment Company Act of 1940 respectively.

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

Capital Risk works with our clients to identify and define their investment objectives, risk tolerance, and income needs to develop an optimal asset allocation and manager structure designed to achieve their specific investment objectives. Capital Risk utilizes many analytical models to determine the appropriate asset allocation, investment structure, and align investments and strategies to our clients' goals.

Our investment manager due diligence effort leans towards a qualitative assessment of the firm, people, process, and strategy. Characteristics of a superior investment management team may include:

- Focus on a singular strategy or market where the investment team has demonstrated performance with excellent return enhancement or risk management.
- Independent thinking that differentiates the investment team from their universe of investment managers.
- Alignment of manager interests with the client objective.
- Management fees that reflect a cost-efficient operating firm while supporting a compensation structure for the key individuals who deliver firm value.
- Governance that removes conflicts of interest, provides oversight of operational risk and articulates and ensures a clear and consistent investment decision-making process.
- Compensation that aligns the interest of the investment manager with the client and aids in the long-term retention of key personnel.

Qualitative factors that may be considered in the investment manager research process include:

- The investment environment and its impact on the investment firm's strategy
- The probable competition and persistence of the excess returns in their market segment
- Alignment and consistency of their track record with the stated investment objective
- Organization design and team cohesion
- Capacity to source and structure new investment ideas
- Turnover of essential investment and operational personnel
- Transaction terms and their impact on the business

The factors enumerated above are not intended as a full or complete listing of all the possible factors involved in the investment manager due diligence process. Other factors may arise depending upon the client's unique circumstance and the investment manager under consideration.

Quantitative factors that may be considered in the investment manager research process include:

- The absolute and relative performance
- Persistence and variability of performance through time
- The internal rate of return
- The cash flow distributions
- Performance attribution and contribution

Capital Risk will generally assess performance through time using returns-based analysis and attribution using holdings-level analysis. The scope and scale of the quantitative analysis may include more or less than the analysis enumerated above.

In some circumstances, a recommended investment manager, strategy, vehicle, or security may not have been subject to a complete due diligence process nor are they subject to continuous monitoring. These circumstances include, but is not limited to, money market funds, passive investment strategies, ETF's, index funds, new funds from existing managers, co-investment opportunities, and derivatives instruments.

Capital Risk does not generally recommend direct investments in individual securities; however, upon request will undertake such analysis for a client. Such direct investments have their own analysis driven by the subject and are not subject to the due diligence process described above.

Capital Risk will generally take a position that it believes is in the best interest of the client. This action can occur when negotiating terms contained in investment management agreements, partnership agreements or other negotiated investment documents. Further, Capital Risk may provide varying investment advice concerning an identical investment manager, strategy, vehicle, or security to different clients. This variation generally reflects the specific nature of each client's circumstance.

Risk of Loss

Capital Risk provides no guarantees as to the future performance of any investment manager, strategy, vehicle, or security that it recommends. The investment recommendations of Capital Risk can be subject to permanent or temporary impairment of capital resulting from financial market volatility. **There can be no guarantee that clients will not incur**

financial losses, and clients should be prepared to accept such losses as part of their investment program.

Past performance does not lead to or predict future performance of any manager, investment strategy, investment vehicle, or a security. Investing in any manager, investment strategy, investment vehicle, or security involves a risk of loss including the possible loss of more than the entire amount invested.

General economic conditions, politics, recession, inflation, employment levels, trade policies, international events, war, natural disasters, and other unforeseen events impact all investment activity, specifically the level and volatility of equity markets and interest rates. Since accurately forecasting the economic condition in advance is unlikely, unexpected volatility or illiquidity in the financial markets could cause clients to incur losses depending upon the scope and timing of investor participation in the financial markets.

The risk factors enumerated below are not intended as a full or complete listing of all the risks involved in investing and clients should asses these and other possible risks themselves.

Equity Risk

Investment in any investment manager, strategy, vehicle, or security may have exposure to the equity markets, which are subject to a variety of financial market risks. Common stocks, which represent an equity interest in a corporation, have historically grown in value over the long-term, their prices may fluctuate substantially in the short-term due to changes in financial market conditions, interest rates, company-specific events, and other political and economic developments. Further, investing in the equity of small-capitalization or non-US stocks entail additional risks that may magnify volatility and the possibility of loss.
Third-party strategies that invest in the equity markets will experience fluctuations in their values. The holders of these equity investments should be able to tolerate declines, sometimes unexpected or significant, in the value of their investment.

Interest Rate Risk

Interest rate risk may impact the value of any investment manager, strategy, vehicle, or security to the extent that their investments are sensitive to interest rate changes.
Fixed-income securities (e.g., bonds) are loans that investors make to corporations and governments, either foreign or domestic, that have interest rate risk. In general, the shorter the term-to-maturity or the lower the yield of fixed-income investments, the lower the price volatility. For example, if current interest rates fall, fixed-income securities tend to rise in

market value. Conversely, if current interest rates rise, fixed-income securities generally will decline in market value.

Credit Risk

Credit risk may impact the value of any investment manager, strategy, vehicle, or security to the extent that their investments are sensitive to credit risk. Credit risk, generally, is defined as the loss associated with the possibility that an issuer of a corporate bond or other credit instruments will not meet the repayment obligations for the interest and principal. Investments in corporate bonds or other credit-linked securities or strategies assess the relative likelihood that such timely payment will result. Bonds with a lower credit rating tend to have higher credit risk and yields. Investments in non-investment grade securities (e.g., below BBB by Standard & Poor's) are considered speculative because of the lower ability of the issuer to pay interest and principal. Further, lower-rated securities may have less liquidity and a higher incidence of default than higher-grade securities, which results in higher credit risk. Additionally, lower-quality bonds possess lower levels of protection concerning timely payment, which can result in more price fluctuation as economic, political or business developments change.

Foreign Exchange Risk

Foreign exchange risk may impact the value of any investment manager, strategy, vehicle, or security to the extent that their investments are sensitive to foreign exchange, which occurs when investing in non-US dollar investments and the foreign exchange rate change in value relative to the US dollar. Investing in third-party investments and strategies may result in exposure to foreign exchange risk.

Risk from Derivatives

An investment manager, strategy, vehicle, or security may use exchange-traded or over-the-counter ("OTC") futures, forwards, warrants, options, swaps, and other derivative instruments to hedge or protect the portfolio from adverse changes in underlying prices and interest rates or as a strategy to help attain their investment objective. Further, an investment manager, strategy, vehicle, or security may also use a variety of currency hedging techniques, including foreign currency contracts, to manage exchange rate risk or to add exposure to a particular currency. These investment managers, strategies, vehicles, or securities use of derivatives could reduce returns, may not be liquid, and may not be an exact match to the underlying securities or index. All derivative securities are subject to market risk, which increases when those derivatives are leveraged and could result in higher volatility for any investment manager, strategy, vehicle, or security that deploys derivatives.

Derivatives face further risks, which are highlighted in brief below:

- Derivatives, particularly over-the-counter ("OTC") derivatives, are also subject to credit risks related to the counterparty's ability to meet its obligations, where a decline the counterparty's creditworthiness could lower the instrument's value.
- Derivatives that are not traded in transparent markets may be subject to significant price risk, as the prices are privately negotiated, and they may deviate materially from fair value.
- Derivatives may deviate materially from their fair or theoretical value. These deviations may adversely impact the value of the derivative and thus the investment manager, strategy, vehicle, or security that deploy them.
- Derivatives, particularly over-the-counter ("OTC") derivatives, may be highly illiquid and thus difficult for an investment manager, strategy, vehicle, or security to exit a position at what they asses as a reasonable price.

The derivatives risk factors enumerated above are not intended as a full or complete listing of all the risks involved when investing in derivatives and clients should asses these and other possible risks themselves.

Risk from Insider Information

The use of material non-public information to influence an investment decision is not permitted under US securities law. While Capital Risk does not engage in the use of non-public information to inform our investment decision and we expect the same from any investment manager, strategy, vehicle, or security that we recommend. This belief does not mean that the use of inside information does not occur. The use of insider information any investment manager, strategy, vehicle, or security may result in performance records that could be misleading. Further, any investment manager, strategy, vehicle, or security with which clients invest has utilized insider information in the past or who may do so in the future, may expose clients to the risk of loss.

Risk of Non-Disclosure of Investment

When investing in any investment manager, strategy, vehicle, or security, clients may not have access to the actual investments of the investment manager. Neither Capital Risk nor our clients will be able to control or monitor the activities of external fund managers daily. The composition of an investment manager's portfolio at an exact moment in time will not be known to the client. If the portfolio composition is disclosed, generally, this insight will reflect historical information and not current information. Thus, the client will be contemporaneously aware of the extent of concentration risk; exposure to specific firms, sectors, or countries; directional exposure; or hedging activities in the investment manager's portfolio.

Risk of Non-Disclosure of Material Events for an Investment Manager

Events occurring internally in the organization of any investment manager, strategy, vehicle, or security may impact the investment. Clients may not learn of material events, such as personnel changes, major asset withdrawals or substantial capital growth until after they occur. Reduced transparency may cause clients to experience a loss of investment value from reduced diversification or increased concentration to specific countries, sectors, regions or individual securities.

Risk from Suppliers of Research and Data

An investment manager, strategy, vehicle, or security may depend in a material manner on information and data obtained from a numerous source to assess the quality of the securities in which they propose to invest. These sources may include investment publications, ratings issued by nationally recognized credit rating agencies to assess the credit quality of securities in which they intend to invest, industry research materials, and other materials and data prepared by third-parties. There may be limitations on the quality of such information, data, publications, research, and ratings, and generally, neither Capital Risk nor any investment manager, strategy, vehicle, or security independently verify any of the same.

Investing in alternative assets such as hedge funds and private investments is associated with higher risk than investing in traditional marketable securities, including but not limited to illiquidity risk, manager-specific risk, and valuation risk. Clients should consider the following factors in determining whether investing in alternative assets is appropriate.

Risks to Private Investments

Private investments may include and are not limited to private equity funds, venture capital funds, co-investments, private credit, secondaries, real estate, energy, timberland, and farmland. These investment managers, strategies, vehicles, or securities are highly illiquid, as are their underlying investments. Neither the interests in these funds nor their investment managers are generally registered with any state or federal regulator. **Since there is no readily available market for these funds, clients should expect to hold these investments for the entire life of these funds.**

Risk for private investments may include:

- Highly variable returns over time ensure that there are not any performance guarantees.
- Sensitivity to the timing of the entry and exit from a private investment may result in reduced or negative performance for the investor.
- Variation of the availability of high-potential private investment opportunities may limit the potential returns for the investor
- Concentration risk (e.g., lack of diversification) from a co-investment opportunity.
- Limited timing and availability of resources for due diligence on private investments may result in an incomplete due diligence process.
- Limited or no recourse to third-party suppliers of due diligence information that may be insufficient, incorrect, or misleading.
- Risk of recall (e.g., return money to the fund) when purchasing an interest from a current investor.

The private investment risks enumerated above are not intended as a full or complete listing of all the risks involved when investing in private investments and clients should asses these and other possible risks themselves. Further, no guarantees of performance, availability, or liquidity is provided.

Risks to Hedge Funds

Hedge fund strategies may include but are not limited to absolute return, long/short equity, risk arbitrage, global macro, and distressed funds, and their risks include illiquidity, limited regulatory oversight, use of speculative trading techniques, use of leverage or derivatives, short selling, and hedging techniques. Significant risks are encountered when investing in hedge funds including trading in derivatives, options, futures, and equity securities. Further, hedge funds are not registered under the Securities Act of 1933 or any federal or state securities law, and certain hedge fund managers may not be registered with either a state or federal regulator. **The hedging tactics employed by hedge fund managers to mitigate risk does not guarantee security as the hedge fund's investments are susceptible to financial market changes that can be volatile and difficult to predict, which can result in a significant loss of value.**

Hedge Fund investments can contain the additional risks enumerated below:

- Limited withdrawal rights that constrain the investor's liquidity and increase the risk that the investor may not have access to their capital on their terms.
- Early redemption fees can reduce the performance of the fund for the investor.

- Liquidity risk may occur when the firm is unable to liquidate their underlying investments or liquidates investments at a significant discount to fair value to meet investor withdrawal requests.

The hedge fund risks enumerated above are not intended as a full or complete listing of all the risks involved when investing in hedge funds and clients should asses these and other possible risks themselves. Further, no guarantees of performance, availability, or liquidity is provided.

Item 9. Disciplinary Information

Capital Risk is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Capital Risk has no reportable disciplinary events to disclose regarding itself or any of its related persons.

Item 10. Other Financial Industry Activities and Affiliations

Capital Risk does not have other financial industry activities or affiliations where compensation is derived from investing or recommending the investment of client assets. Capital Risk invests or recommends the investment of clients' assets with other investment advisers; however, Capital Risk will not accept compensation from those investment managers for the recommendation or investment.

Capital Risk and its management are **not**:

- Registered, or have an application pending to register, as a broker dealer or a registered representative of a broker-dealer;
- Registered, or have an application pending to register, as a futures commission merchant or commodity pool operator;

Capital Risk or its representatives do not receive compensation directly or indirectly from investment advisors.

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

Capital Risk holds itself to a **fiduciary standard**, where the firm and its employees will act in good faith and act in the best interest of their client. Capital Risk seeks to minimize material **conflicts of interest** and to appropriately manage any material conflicts of interest that may remain. You should be aware that no set of rules can anticipate or relieve all material conflicts of interest. **Capital Risk will disclose to its clients any material conflict of interest relating to the firm, its representatives, or any of its employees that could reasonably be expected to impair the rendering of unbiased and objective advice.**

Capital Risk has adopted the Code of Ethics and Standard of Professional Conduct of the CFA Institute ("the Code") as means of expressing our commitment to ethical conduct, which all of our employees must agree to honor in writing upon acceptance of employment with Capital Risk and annually thereafter as a condition of their continued employment. Capital Risk will provide a copy of the Code to clients and prospective clients upon request.

The Code describes the firm's fiduciary duties and responsibilities to clients and includes:

- A Code of Ethics that focuses on professional integrity
- Standards of Conduct that defines:
  - Professionalism
  - The integrity of the Capital Markets
  - Duties to Clients
  - Duties to Employers
  - Investment Analysis, Recommendations, and Actions
  - Conflicts of Interest
- Disclosure of material outside business activities and personal relationships with service providers that Capital Risk may evaluate or recommend to its clients
- A gift policy
- Confidential treatment of client data
- Restrictions on personal investments
- Limits on political contributions

Capital Risk and its employees may not engage in any act, practice or course of conduct that is fraudulent, deceptive, manipulative, or potentially misleading.

Capital Risk requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices. Our Code of Ethics further includes the firm's policy prohibiting the misuse of material non-public information. Any individual not in observance of the above may be subject to discipline.

With limited exceptions, our employees may not accept gifts from any person or entity that does or is seeking to do business with Capital Risk or from any investment manager without the prior permission of the Chief Compliance Officer.

Participation or Interest in Client Transactions

Capital Risk employees may purchase or sell publicly-traded securities that are owned by our clients unless that security is on Capital Risk's Restricted List or the transaction would otherwise violate our trading policies or any applicable laws. Capital Risk employees are not permitted to trade their own securities ahead of client transactions. Capital Risk employees comply with all provisions, rules, and laws of entities that regulate Capital Risk. Further, Capital Risk employees agree in writing upon commencement of employment and annually thereafter to follow the Code of Professional Conduct from the CFA Institute.

Capital Risk employees may also purchase securities that are not publicly traded provided that their investment would not impair the ability of our clients to invest in that security should they wish to do so. All such investments must be pre-cleared. Capital Risk employees must notify the clients they advise in advance if they recommend a private placement to a client, which they are considering for themselves or that they already own. Capital Risk employees must also notify their clients in advance if they decide to withdraw from a private investment that they have recommended to or is held by their clients.

Capital Risk does not conduct proprietary trading for its accounts and generally does not invest in the same securities that are recommended to clients; however, Capital Risk's assets may comprise U.S. Treasuries, U.S. Treasury funds, or money market funds.

Personal Trading

Capital Risk employees must contact the Firm's Compliance Department to pre-clear the purchase of any securities that are not publicly traded, as well as investments in initial public offerings. Permission will generally be granted provided that the investment would not impair the ability of our clients to invest in the security should they wish to do so.

Capital Risk employees must provide the Compliance Department with a security holding report within their first ten days of employment and annually thereafter. Employees are also required to certify their personal securities transactions within thirty days after the end of each calendar quarter. Reports of personal securities transactions are reviewed to identify trading that potentially violates securities laws or Capital Risk's written policies and procedures.

Political Contributions

All members of the Capital Risk, executive officers and any other employees (and their supervisors) whose activities could encompass the solicitation of government clients are required to pre-clear all political contributions to local, state or federal candidates, state and local political parties, or political action committees. This requirement also extends to employee spouses and dependent children. Capital Risk as a corporation does not partake in political contributions of any kind.

Item 12. Brokerage Practices

Client Referrals from Custodians, Broker/Dealers or Third-Parties

Capital Risk or a related person does not currently accept client referrals form a broker-dealer or third party. Capital Risk has no broker/dealer affiliations. We are an independent investment advisory firm. We do not receive any commissions, research, or other products or services in connection with our clients' brokerage transactions. Client referrals are not a factor in our selection of a custodian.

Selecting a Broker/Dealer for Client Transactions

The Client's account must be maintained by a qualified custodian (broker/dealer, bank or trust company) that is frequently reviewed for its capabilities to serve in that capacity by their respective industry regulatory authority. Capital Risk is not a custodian nor is there an affiliate that is a custodian. Capital Risk provides investment advisory and financial planning services. Capital Risk may recommend that the you retain the service provider with whom your assets are currently maintained. Should you prefer a new service provider, a recommendation made by Capital Risk would be based on your needs, the reasonableness of their compensation and the reputation of the broker as part of the selection process; however, we do not receive any research or other soft dollar benefits from these relationships.

Subject to the Client's needs, Capital Risk believes the following provide quality custodial services for a Client that are national in scale, secure financially, and are a fair value for the services delivered: Charles Schwab Advisor Services, Fidelity Investments, TD Ameritrade, and Interactive Brokers. This list is subject to change depending upon the circumstances of the client and the services and costs associated with named custodians.

Directed Brokerage

Capital Risk does not direct clients to a preferred custodian. A client's account is maintained at a custodian of the client's choice (e.g., held-away accounts) and the client may choose to request that a particular broker is used to execute some or all account transactions. Under these circumstances, the client will be responsible for negotiating, in advance of each trade, the terms and/or arrangements involving their account with that broker, and whether the selected broker is affiliated with their custodian of record or not. We will not be obligated to seek better execution services or prices from these other brokers. As a result, the client may pay higher commissions or other transaction costs, potentially experience greater spreads, or receive less favorable net prices on transactions for their account than would otherwise be the case.

Aggregating Securities Transactions

Trade aggregation is the process of purchasing or selling the same security for several clients/accounts at approximately the same time. This may also be termed "blocked, "bunched" or "batched" orders. Aggregated orders are executed in an attempt to obtain better execution, negotiate favorable transaction rates, or to allocate equitably among multiple client accounts should there be differences in prices, brokerage commissions or other transactional costs that might otherwise be unobtainable through separately placed orders. Capital Risk as non-discretionary investment advisor does not generally execute transaction on behalf of the client. Further, as clients have varying executing brokers, Capital Risk is unable to aggregate transaction across clients when directed to trade the same securities at the request of different clients. Therefore, a client's account may potentially be assessed higher costs or less favorable prices than those where aggregation of transaction could occur.

Item 13. Review of Accounts

Capital Risk is responsible for reviewing client accounts on an ongoing, monthly, quarterly, semi-annual, or no less than an annual basis depending on the level of client services and is led by the President & Managing Member, Jason Prole. Additional reviews may be triggered by material market, economic or political events, or by changes in the client's circumstances.

The review may be more or less detailed depending on the scope of the services provided and may include an analysis of performance, asset allocation and the investment funds held in a client's portfolio. All annual reports are written and may be delivered in paper or electronic format. All other reports are in a format agreed upon with the client and may include written, verbal, or any electronic formats.

Item 14. Client Referrals and Other Compensation

Capital Risk does not compensate any person for client referrals and does not receive compensation from investment managers for recommending their services or products. Further, we have adopted a gift policy for all employees generally prohibiting the acceptance of gifts other than those of de minimis value.

Item 15. Custody

Capital Risk does not have custody of a client's funds, interest in securities, or other types of assets. If at some time in the future, the Firm should decide to change its policy, it will reevaluate its policies and procedures at that time to promote compliance with applicable laws.

If the Client elects and authorizes the Custodian to directly deduct fees from Account assets, Capital Risk notifies the Client that Capital Risk will follow the safeguards under California Code of Regulation, Section 260.237(b)(3). These safeguards include the following:

> A. The investment adviser has custody of the funds and securities solely as a consequence of its authority to make withdrawals from client accounts to pay its advisory fee.
>
> B. The investment adviser has written authorization from the client to deduct advisory fees from the account held with the qualified custodian.
>
> C. Each time a fee is directly deducted from a client account, the investment adviser concurrently:
>
>> i. Sends the qualified custodian an invoice or statement of the amount of the fee to be deducted from the client's account; and
>>
>> ii. Sends the client an invoice or statement itemizing the fee. Itemization includes the formula used to calculate the fee, the value of the assets under management on which the fee is based, and the time period covered by the fee.

D. The investment adviser notifies the Commissioner in writing that the investment adviser intends to use the safeguards provided under California Code of Regulation, Section 260.237(b)(3).

Capital Risk clients will receive account statements from the broker-dealer, bank or other qualified custodian and clients should carefully review those statements. **Clients are urged to carefully compare any account statements received from Capital Risk with those of their qualified custodian.**

Capital Risk, if requested, will aid the client in selecting a qualified third-party custodian for the client's funds and securities. In these circumstances, we advise the client if the custodian is qualified to hold assets, and that account statements are delivered at least quarterly directly from the qualified custodian to the independent representative designated by the client to receive such statements.

Item 16. Investment Discretion

Capital Risk provides investment advice on a non-discretionary basis. We perform our duties per the investment contract. We generally offer our non-discretionary advice through benchmark portfolios. When directed by the client, Capital Risk will execute transaction in the client's account that are managed on a non-discretionary basis pursuant to California Code of Regulation, Section 260.237.2(f)(1).

Capital Risk employs various modes of analysis and sources of information to design a specific asset allocation strategy, identifying and evaluating third-party investment managers, and creating risk mitigation strategies for our Clients. Those third-party investment managers may employ a variety of investment strategies in managing the Client's assets, such as active trading, short selling, and various strategies involving derivatives.

Since Capital Risk does not manage discretionary portfolios, we have not deployed written policies and procedures to address trade errors.

Item 17. Voting Client Securities

For non-discretionary relationships, Capital Risk does not have the authority to vote proxies on behalf of our clients. Furthermore, because our clients generally invest through private funds rather than in individual securities, they are rarely solicited to vote proxies. The managers of those funds, to the extent they invest in equity securities, generally will have the proxy voting authority and will vote portfolio securities per their proxy voting policies. Upon request, Capital Risk may assist clients in developing the proxy standards required by the client of the third-party investment managers.

While Capital Risk does not have voting authority, clients may ask us to review proxy solicitations received directly from the issuer, from their custodian, or a transfer agent. Upon request, we will provide our advisory clients guidance regarding these proxy solicitations.

Item 18. Financial Information

Capital Risk does take physical custody of your assets, nor do we have account authority to have such control. Fee withdrawals must be done through a qualified intermediary (e.g., your custodian of record), per your prior written agreement, and following your receipt of our firm's written notice.

Capital Risk does not require or solicit prepayment of more than $500 in fees per client, six months of more in advance.

Capital Risk does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients, nor has the firm been the subject of a bankruptcy petition at any time during the past ten years.

An audited balance sheet is not required nor included in this brochure due to the nature of Capital Risk's advisory services and operational practices.

Item 19. Requirements for State-Registered Advisers

The principal officer of Capital Risk Management LLC is Jason Prole, President & Managing Member. A complete discussion of his experience and formal background is found in the supplement attached to this brochure.

Capital Risk is not engaged in any other business activities.

Capital Risk does not charge performance-based fees.

There are not any reportable events for Capital Risk or its management personnel.

Neither Capital Risk nor its management personnel have any relationship or arrangement with any issuer of securities.

For further information involving firm principal executive and management personnel, their business activities as well as material conflicts of interest, please refer to areas previously disclosed in Items 6 and 9 through 11, as well as the attached Form ADV Part 2B brochure supplement.

Further Item: Business Continuity

Capital Risk maintains a business continuity plan to mitigate the risks associated with the loss of office space, communications, services, or key people. Critically, accounts are held the client's custodian of choice, which ensures the client may access their accounts without the presence of Capital Risk. Since the client pays in arrears, the risk that there are pending contractual obligations or services for Capital Risk is minimized to the client.

Backup and Recovery of Books and Records

Capital Risk maintains books and records electronically with a redundant real-time backup in the cloud and on-site backup, which is supplemented with a further local backup executed weekly. Thus, Capital Risk is confident that all information is recoverable in all foreseeable situations.

Alternative Communication Methods and Office Locations

Capital Risk uses laptop computers and cell phones which can be operated from any location to continue communicating with clients in the event of business disruption. Important information, including client contact information, is stored on the cloud. Office locations are used on as-required basis and Capital Risk has access to multiple office locations from its provider, which mitigates location-specific risk.

Capital Risk

2019

Capital Risk Management LLC

April 4th, 2019

Jason Prole

Form ADV Part 2B: Brochure Supplement

This brochure supplement provides information about Jason Prole (CRD # 5771555) that supplements the Capital Risk Management LLC (CRD # 300480) brochure. You should have received a copy of that brochure. Please contact us by telephone at 415-373-7152 or info@capitalriskmanagement.com if you did not receive Capital Risk Management LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about Jason Prole (CRD # 5771555) is available on the SEC's website at www.adviserinfo.sec.gov.

Supplement: Jason Prole (CRD # 5771555)

Item 2. Educational Background and Experience.

Year of Birth: 1971

Formal Education after High School

Dalhousie University; Halifax, NS; BA, 1995.
Saint Mary's University; Halifax, NS; MBA, 1998
Herriot-Watt University; Edinburgh, Scotland; MSc, 2007
Grenoble Ecole de Management, Grenoble, France; DBA (ABD), 2020

Business Background for Past 5 Years

04/18 – Present	Capital Risk Management LLC Principal / Managing Member / Chief Compliance Officer / Investment Advisor Representative
06/16 – 03/18	Capital Risk Management Consultant
09/15 – 04/16	Tresalia Asset Management (USA) LLC President & Chief Investment Officer
11/09 – 07/2015	Fiduciary Research and Consulting, LLC/Alan Biller & Associates Partner, Chief Investment Officer

Item 3. Disciplinary Information

Registered investment advisors are required to disclose certain material facts about its associated personnel regarding any legal or disciplinary events, including criminal or civil action in a domestic, foreign or military court, or any proceeding before a state, federal or foreign regulatory agency, self-regulatory organization, or suspension or sanction by a professional association for violation of its conduct rules, that would be material to your evaluation of each officer or a supervised person providing investment advice. **Mr. Prole has not been the subject of any such event.**

Item 4. Other Business Activities

Mr. Prole is not registered, nor has an application pending to register, as a registered representative of a broker/dealer or associated person of a futures commission merchant, commodity pool operator, or commodity trading advisor. He does not receive commissions, bonuses or other compensation based on the sale of securities, including that as a registered representative of a broker/dealer or the distribution or service ("trail") fees from the sale of mutual funds.

Investment advisor representatives are required to disclose outside business activities that account for a significant portion of their time or income, or that may present a conflict of interest with their advisory activities. **Mr. Prole does not have any outside business activities** that account for a significant portion of his time or income, nor is there any conflict of interest present.

Item 5. Additional Compensation

Neither Capital Risk nor Mr. Prole are compensated for advisory services involving performance-based fees. In addition, the firm's policy does not allow associated persons to accept or receive additional economic benefit, such as sales awards or other prizes, for providing advisory services to firm clients.

Item 6. Supervision

Mr. Prole serves as the Chief Compliance Officer of Capital Risk and as its sole employee. Since supervising one's self poses a conflict of interest, the firm has adopted policies and procedures to mitigate this conflict and to ensure oversight obligations are met. Questions relative to the firm, its services or this Form ADV Part 2B brochure supplement may be made to the attention of Mr. Prole at (415) 373-7152.

Additional information about the firm, other advisory firms, or an associated investment advisor representative is available on the internet at www.adviserinfo.sec.gov. Capital Risk's name or a unique firm identifier, known as an IARD or CRD number may be used to search this site for further information of Capital Risk or its representatives. The IARD number for Capital Risk Management LLC is 300480 and for Mr. Prole is 5771555. The business and disciplinary history, if any, of an investment advisory firm and its representatives may also be obtained by calling the California Department of Business Oversight Securities Regulation Division at (866) 275-2677.

Item 7. Requirements for State-Registered Advisers.

There have been neither awards nor sanctions or other matter where Mr. Prole or Capital Risk Management LLC has been found liable in an arbitration, self-regulatory or administrative proceeding. Neither Mr. Prole nor Capital Risk has been the subject of a bankruptcy petition.