

## **Part 2A of Form ADV: FIRM BROCHURE OF**

### **Breen Financial Corporation**

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**This brochure provides information about the qualifications and business practices of Breen Financial Corporation. If you have any questions about the contents of this brochure, please contact us at 704-544-2399. 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 Breen Financial Corporation also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

Breen Financial Corporation ("Breen") is registered with the U.S. Securities and Exchange Commission. Note, however, that such registration does not imply a certain level of skill or training. The oral and written communications we provide to you, including this Brochure, is information you use to evaluate us (and other advisers) which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship.

**Item 2. Material Changes**

This brochure is filed as the annual update to the Form ADV Part 2. The last annual update was March 22, 2010. There have been no material changes to this brochure since the last update. If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer, Benjamin Johnson at 704-544-2399. Alternatively, you can get it from our website at [www.Breenfincorp.com](http://www.Breenfincorp.com) .

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#### **Item 4. Advisory Business**

Breen Financial Corporation ("Breen") has been in business since April 1999. Its principal owner is Robert J. Cannon, President and CEO of Breen. Breen is also wholly owned by Horizon Investments, LLC ("Horizon"). Horizon is also affiliated with Principal Guard LLC and Horizon Fiduciary Services LLC. Horizon Fiduciary Services is 75% owned by Horizon; Horizon Fiduciary Services manages 401k retirement plans.

Breen provides investment advisory services to Horizon. Breen also offers various investment advisory services to clients depending on the client's needs. The advisory services are more fully explained below.

As of December 31, 2010, Breen's discretionary assets under management were \$11,716,189 in 23 accounts. Non-discretionary assets under management were \$0 in 0 accounts. The total assets under management were \$11,716,189 in 23 accounts.

Breen provides consulting services to pension plans, defined benefit, defined contribution and profit sharing. The fees are negotiable based on the amount of service required and do not depend on the level of assets under advisement. These fees are payable in arrears.

Breen provides ETF decision models to other investment advisors, and to firms that in turn provide these services to investment advisors and pension plan sponsors. Fees are either a fixed dollar amount or a percentage of assets under management at the end of each quarter. These fees are paid in arrears.

The client may also bear certain charges imposed by third parties other than by Breen and the client's financial adviser in connection with investments made through client accounts, including but not limited to servicing fees, sub-accounting fees, management fees, mortality, expense risk, administration fees, transaction fees and Employer's Plan fees. The client should understand that fees paid to fund managers by ETFs or variable annuity sub-accounts are deducted from each fund's net asset value and as such shall be an indirect expense of the client's account.

The data used in evaluating securities is provided by Standard & Poor's (fundamental data) and Morningstar (price data). The data is used to evaluate the relative attractiveness of securities based on valuations compared with other securities. The use of price momentum is then combined with the valuation studies to generate the appropriate recommendations.

Breen recommends both investment selection and asset allocation to other investment advisors.

Breen requires that all employees be in full compliance with all state and federal laws.

The following individuals are the principals/officers of Breen:

Robert J. Cannon, President and Chief Executive Officer, graduated from Furman University in 1994 with a Bachelor of Arts degree in Political Science. He has been in various capacities with Horizon Investments LLC, an affiliate of Breen Financial, since 1999 including trading, operations, and marketing. He became President and CEO of Breen Financial in 2008. Mr. Cannon was born in 1972.

William Breen, Senior Investment Strategist, graduated from Ripon College with a BA in 1959, and from Cornell University with a PhD in Economics in 1965. He was a professor of Economics at Purdue University from 1964-1970, and a professor of Finance at the Kellogg School of Management for 1974-2001. He is currently Professor Emeritus of Finance at Kellogg. Dr Breen was Co-Founder and President of Financial Computer Services from 1972- 1982 and Co-Founder and Chairman of Disciplined Investment Advisors from 1982-1998. He was Founder and Chairman of Breen Financial Corporation from 1998 to 2008. Dr Breen was born in 1937.

Jeffrey Roach, Chief Economist, graduated from Bob Jones University with a BS in Mathematics. He also holds an MA in Economics from Clemson University, and a Ph.D. in Economics from Clemson University. He has been Chief Economist at Horizon Investments, LLC, an affiliate of Breen Financial since 2006. Previously, he was a Senior Economist with Bank of America Corporate Investments, and also worked at Plastic Omnium Industries and Liberty Life Corporation. He became Chief Economist of Breen Financial in 2008. Mr. Roach was born in 1973.

Breen is owned by Horizon Investments, LLC, an SEC registered investment advisor. Horizon is in the business of providing investment advice and supervisory services to individuals, 401(k) plans, pension and profit sharing plans, trusts, estates, charitable organizations and corporations. Horizon Investments, LLC acts as the sub-advisor to two variable annuity fund-of-fund subaccounts for Prudential. Horizon receives a fee for this sub-advisory service.

Benjamin Johnson is the Chief Compliance Officer of Breen. Mr. Johnson has been with Breen since September 2008. Previously, Mr. Johnson was an Analyst for structured securities at Bank of America for five years, in London, England and the U.S. Mr. Johnson holds a BS in Economics from East Carolina University. Mr. Johnson was born in 1978.

Breen has adopted a Code of Ethics to promote the general principle, and its employees and access persons have a duty at all times, to place the interests of clients first. Employees and access persons must conduct their securities transactions in a manner that avoids any potential for conflict of interest or any abuse of their position of trust and responsibility. Employees and access persons may not use knowledge about pending or currently considered transactions for clients to profit personally and

information concerning the identity of securities holdings and financial circumstances of clients is confidential.

The Code of Ethics includes standards of business conduct designed to reflect the fiduciary obligations of the firm. The Code has provisions that require employees and access persons to comply with applicable Federal securities laws, provisions designed to detect and prevent improper personal trading, provisions prohibiting improper insider trading, provisions requiring employees and access persons to make periodic reports of personal securities transactions and holdings and requiring Breen to review such reports, provisions requiring employees and access persons to report violations under the Code of Ethics promptly to the Chief Compliance Office, and provisions requiring Breen to provide to each employee and access person a copy of the Code of Ethics and any amendments, and requiring employees and access persons to provide a written acknowledgement of receipt.

A copy of the Code of Ethics of Breen Financial is available to all clients on request.

Breen does not select the broker/dealer or determine commission rates for client accounts. An affiliate of Breen, Horizon Investments, LLC does have the authority to select the broker/dealer to be used in effecting trades in its clients' accounts.

Breen will not maintain custody of clients' funds or securities.

Clients are advised that transactions in the account, account reallocations and rebalancing may trigger a taxable event for the client, with the exception of transactions in IRA accounts, 403(b) accounts and other qualified retirement accounts. Breen does not offer tax advice and clients are urged to consult with their tax advisers.

#### **Item 5. Fees and Compensation**

Breen provides consulting services to pension plans; defined benefit, defined contribution and profit sharing. The fees are negotiable based on the amount of service required and do not depend on the level of assets under advisement. These fees are payable in arrears, and are generally charged at a flat rate of \$5000 per quarter.

Breen provides asset allocation and ETF selection decision models to other investment advisors, and to firms that in turn provide these services to investment advisors and pension plan sponsors. Fees are either a fixed dollar amount or a percentage of assets under management at the end of each quarter. These fees are paid in arrears. Fees are negotiable.

The client may also bear certain charges imposed by third parties other than by Breen and the client's financial adviser in connection with investments made through client accounts, including but not limited to, servicing fees, management fees, mortality, expense risk, administration fees, transaction fees and Employer's Plan fees. The client should understand that fees paid to fund managers by ETFs are deducted from each fund's net asset value and as such shall be an indirect expense of the client's account.

Clients are billed directly or alternatively they can authorize Breen to deduct fees from their account(s) held at a third party custodian. Breen will provide clients and the custodian with a fee statement, if requested. Fees owed are calculated on January 1, April 1, July 1 and October 1 of each year. Breen's fees are deducted in arrears.

In addition to fees paid to Breen, each custodian also charges various fees based on account maintenance (custodial) issues including transaction costs, transfers, withdrawals, and termination. These fees will be disclosed in the custodian contracts and related documents.

Clients may terminate their Agreement with Breen as follows: (1) for new clients, Clients may, without penalty, terminate upon written notice within five (5) business days after entering into the Agreement; or (2) thereafter, upon receipt of written notice, by either Client or Adviser, provided that such termination does not cause the client to forfeit any prepaid fees, or such otherwise forfeitable fees are reimbursed to client.

#### *Transaction Charges:*

In addition to the advisory fees above, clients will pay a transaction charge for each transaction. Transaction charges are not assessed by Breen and Breen does not share in the transaction charges. The transaction charges are assessed by the broker/dealer executing the transaction and may be changed at any time by the broker/dealer. The following list of fees or expenses are what you pay directly to third parties, whether a security is being purchased, sold or held in your account(s) under our management. Fees are charged by the broker dealer / custodian.

We do not receive, directly or indirectly any of these fees charged to clients. They are paid to your broker or custodian. The fees include, among others:

- Brokerage commissions;
- Transaction fees;
- Exchange fees;
- SEC fees;
- Advisory fees and administrative fees charged by Exchange Traded Funds (ETFs)
- Advisory fees charged by sub-advisers (if any are used for your account);
- Custodial Fees;
- Odd-Lot differentials;
- Transfer taxes;
- Wire transfer and electronic fund processing fees

Clients may terminate investment advisory services obtained from Breen, without penalty, upon written notice within five (5) business days after entering into the advisory agreement with Breen. Clients will be responsible for any fees and charges incurred by

client from third parties as a result of maintaining the account, such as transaction fees for any securities transactions executed and account maintenance or custodial fees. Thereafter, clients may terminate investment advisory services upon Breen's receipt of clients' written notice to terminate.

#### **Item 6. Performance-Based Fees and Side-By-Side Management**

Breen does not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance based fees). Our advisory fee compensation is charged only as disclosed above. In addition, Breen does not engage in side-by-side management.

#### **Item 7 – Types of Clients Please check this list for accuracy**

We provide our services to a number of Clients:

- Individuals, including high net worth individuals
- Trusts, estates and charitable organizations
- Pension and profit sharing Plans

#### **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

Breen provides asset management services on an ongoing basis based on the individual needs of the client. The program through Breen offers clients flexibility among payment structures, custodians, and management styles. Management will be on an active basis. Thus, Breen will actively monitor the assets in the account and make changes deemed appropriate in light of the circumstances in the market, based upon the expertise of Breen.

Proprietary research is conducted using data from Standard & Poors (S&P) and Morningstar. Fundamental company data from S&P is used to rank sectors of the economy as well as create custom indices. These rankings are generated using a multi-factor model developed by the firm. The model provides the fundamental or bottom-up view of the investments.

Price information from Morningstar is then evaluated using quantitative techniques to look for emerging trends. The price trend research is then combined with the bottom-up research to determine what securities to purchase.



Breen also supplements its proprietary research with research from outside sources including financial newspapers, public economic news, Bloomberg, prospectuses, company press releases, and interviews with mutual fund managers.

### **Risk of Loss**

Securities markets fluctuate substantially over time. All investments in securities include a risk of loss of money invested (principal) and any unrealized profits (i.e., profits in the account that have not been liquidated, sometimes called “paper profits”). In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets Breen manages that may be out of our control. Breen cannot guarantee any level of performance or that clients will not experience a loss of account assets.

Breen does not represent, warrant or imply that the services or methods of analysis used by Breen can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to major market corrections or crashes. No guarantees can be offered that clients’ goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by Breen will provide a better return than other investment strategies.

Varied fluctuations in the price of investments are a normal characteristic of securities markets due to a variety of influences. Managed account programs should be considered a long-term investment and thus long-term performance and performance consistency are the major goals.

No guarantees can be offered that client’s goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by Breen will provide a better return than other investment strategies.

### **Item 9. Disciplinary Information**

Breen is obligated to disclose any disciplinary event that would be material to clients, or potential clients, when evaluating Breen to initiate a Client / Adviser relationship, or to continue a Client /Adviser relationship with us. We do not have any legal or other disciplinary item to report.

### **Item 10. – Other Financial Industry Activities and Affiliations**

Breen is wholly owned by Horizon Investments, LLC ("Horizon"). Horizon is also affiliated with Principal Guard LLC and Horizon Fiduciary Services LLC. Horizon Fiduciary Services is 75% owned by Horizon; Horizon Fiduciary Services manages 401k retirement plans.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions And Personal Trading**

### **Code of Ethics**

In order to provide an understanding of Breen's standards for meeting our fiduciary responsibility to clients, Breen has developed a Code of Ethics that must be adhered to by all of its employees. A copy of the Company's Code of Ethics is available to clients and potential clients upon request.

Breen has a fiduciary duty to clients to act in the best interest of the client and always place the client's interests first and foremost. Breen takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as Breen's policies and procedures. Further, Breen strives to handle clients' non-public information in such a way to protect information from falling into hands that have no business reason to know such information and provides clients with Breen's Privacy Policy.

The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information about client transactions. Further, Breen's Code of Ethics establishes Breen's expectation for business conduct.

Breen's Code of Ethics is distributed to each employee at the time of hire/contract, and, as the Code is modified. In addition, Breen requires an annual certification by all employees/Advisors regarding their understanding and compliance with the Code of Ethics. Breen also supplements the Code with annual training and on-going monitoring of employee activity.

### **Participation or Interest in Client Transactions and Personal Trading**

Related persons of Breen (any advisory affiliate and any person that is under common control with Breen) may buy or sell securities identical to those securities recommended to clients. Therefore, related persons may have an interest or position in certain securities that are also recommended and bought or sold to clients. Related persons will not put their interests before a client's interest. Breen employees may not trade ahead of their clients or trade in such a way to obtain a better price for themselves than for their clients. Breen tracks employees' holdings by obtaining quarterly holdings

reports for its associated persons. Further, associated persons are prohibited from trading on non-public information or sharing such information. Breen and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

Breen has established the following restrictions in order to meet its fiduciary responsibilities:

- 1) Advisory Representatives shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her affiliation with Breen, unless the information is also available to the investing public upon a reasonable inquiry. No person shall prefer his or her own interest to that of the advisory client.
- 2) All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.
- 3) Breen requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- 4) Any individual not in observance of the above may be subject to disciplinary actions, including termination.

In accordance with Section 204A of the Investment Advisers Act of 1940, Breen also maintains and enforces written policies and procedures reasonably designed to prevent the misuse of non-public information by Breen or any person associated with Breen.

## **Item 12. Brokerage Practices**

### **A.1. Research and Other Soft Dollar Benefits- Not applicable**

### **A.2. Brokerage For Client Referrals** – Not applicable

### **A.3. Directed Brokerage**

Breen does not engage in directed brokerage transactions for clients.

## **Item 13. Review of accounts**

Breen has a committee which meets regularly to review transactions and allocation models. Individual clients' accounts are screened for allocation differences and rebalancing. Individual clients' accounts are screened for allocation differences and rebalancing.

Clients receive a monthly and/or quarterly statement from their respective custodian summarizing all trades made during the month or quarter, client's balance, cash or margin, and the amount of fees paid from the clients accounts.

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

Not applicable – Breen has no arrangements where it receives an economic benefit for providing investment advice.

#### **Item 15. Custody**

Accounts are custodied at the various firms that hold client accounts. Breen will not maintain custody of clients' funds or securities, with the exception of deduction of Breen' fees from clients' accounts that are authorized in the advisory agreement between clients and Breen. Clients will receive account statements directly from these custodians and should carefully read the statements for accuracy

#### **Item 16. Investment Discretion**

Pursuant to clients' written agreements, Breen has full discretion with respect to the purchase and sale of securities in the clients' accounts, and the amounts of such purchases or sales. Breen does not consult with clients regarding account transactions. The clients pay all transaction fees incurred in the trading of clients' assets.

Breen does not have discretion to select a brokerage firm to be used in effecting trades in a clients account.

Discretionary authorization provides Breen the ability to determine the securities to be purchased and sold and when such securities are purchased and sold.

#### **Item 17. Voting Client Securities**

Clients are advised that Breen does not vote proxies on clients' behalf or take responsibility in any way to ensure client's securities are voted. Clients retain the responsibility for voting their own proxies.

#### **Item 18. Financial Information**

As noted above, Breen has full discretionary authority over the trading in clients' accounts. Since Breen does not have custody of client funds or securities, should Breen encounter a financial condition that would impair Breen's ability to meet its commitments

under contracts with clients, such financial condition will not have a negative impact on client accounts.

**Item 19. Requirements for State-Registered Advisers**

Not Applicable