

Granite Springs

Asset Management, LLC



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Granite Springs Asset Management, LLC is a SEC registered investment advisor (RIA) that specializes in fixed-income portfolio management and ETF¹-based tactical asset allocation strategies. Granite Springs works with private clients, family offices, foundations, pension plans and other institutional investors.

This brochure provides information about the qualifications and business practices of Granite Springs Asset Management, LLC. If you have any questions about the contents of this brochure, please contact Bernard Garruppo at bgarruppo@granite-springs.com or (855) 212-0955. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Granite Springs Asset Management, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Granite Springs Asset Management, LLC CRD #149582 SEC #801-70071

¹ Exchange Traded Fund

Summary of material changes from last annual update (ADV Part 2 dated **February 15, 2013**):

Management Changes

Bernard Garruppo was named CEO and CCO on April 1, 2013.

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- A. Granite Springs Asset Management, LLC is a SEC investment advisor (RIA) firm that specializes in fixed income portfolio management and ETF-based tactical asset allocation strategies for private clients, family offices, foundations, pension plans, and other institutional investors. Granite Springs was established in May 2009.

Granite Springs is owned entirely by R. Seelaus & Co., Inc.

- B. Granite Springs provides asset management and financial planning services. Neither the Firm nor its Investment Advisor Representatives (IAR's) provide legal or tax advice of any kind. Granite Springs is a *Registered Investment Advisor* (RIA) that develops investment strategies and then executes investment decisions, on behalf of its clients, on both a discretionary and a non-discretionary basis.

Granite Springs' investment philosophy is based on two principal beliefs; that risk management leads to superior risk-adjusted returns over time, and, that asset allocation is the most important investment decision.

Granite Springs has expertise in managing taxable and tax-exempt municipal bond portfolios, and in developing and implementing ETF-based asset allocation strategies across equity, bond, and commodity markets. The Firm uses a "top-down" – "bottom-up" investment approach that seeks to identify market sectors expected to have the best return potential (top-down) and then to identify the individual securities within those sectors that have the potential to generate superior returns (bottom-up).

Granite Springs provides personal financial planning to individuals, families and their related entities, trusts, estates and family businesses. Granite Springs works with clients to define financial objectives and to develop strategies for reaching those objectives, some of which may include: identification of financial problems, cash flow and budget management, tax planning, risk exposure review, investment management, education funding, retirement planning, estate planning, charitable goals, special needs planning, family business succession issues, fringe benefits, and/or other issues specific to the client.

- C. Granite Springs tailors investment portfolios to meet the needs of its clients. Portfolio investment objectives are defined at the outset of a client's relationship with the Firm. Then, appropriate investment strategies are developed based on the knowledge of each client's income needs, time horizon and risk tolerance. Clients may impose restrictions on investing in certain securities or types of securities. Granite Springs communicates with clients on a regular basis to review investment objectives, and changes are made to their respective investment plans as necessary.

GIPS® Compliance

Granite Springs Asset Management, LLC became GIPS® compliant on November 16, 2010.

Granite Springs Asset Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®). Prospective clients can obtain a compliant presentation

and/or a list of the firm's composite descriptions by request. Please contact Patrick Smith by email at psmith@granite-springs.com or call (212) 935-0755 for more information.

Granite Springs Asset Management, LLC's compliance with the GIPS® standards has been verified for the period beginning June 30th 2009 through December 31, 2012 by Alpha Performance Verification Services. A copy of the verification report is available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite presentation.

GIPS® Standards

The GIPS® standards are a set of standardized, industry-wide ethical principles that provide investment firms with guidance on how to calculate and report their investment results to prospective clients. CFA Institute created and administers the GIPS® standards. GIPS® is a registered trademark of CFA Institute.

GIPS® Verification

Granite Springs Asset Management LLC retained Alpha Performance Verification Services of Richmond, VA to verify its firm-wide GIPS® compliance on a quarterly basis. Verification is intended to provide a firm's existing and prospective clients additional confidence in a firm's claim of compliance with the GIPS® standards.

D. As of March 31st 2013 Granite Springs managed \$78.4 million in discretionary client accounts, and \$32.7 in non-discretionary client accounts.

- A. The specific manner in which fees are charged by Granite Springs Asset Management is established in a client's written agreement. The basic advisory fee is 1.5% of assets under management paid quarterly in advance. Investment advisory fees are negotiable. If a client removes an account before the end of the quarter, the unused fee is returned.

Financial planning is billed at an hourly rate of \$250 per hour.

ALL INVESTMENT ADVISORY FEES ARE NEGOTIABLE

- B. Granite Springs deducts advisory fees directly from client's accounts with written authorization, or clients may choose to be billed for fees incurred. Clients may select either method of payment. Fees are either deducted or billed, on a quarterly basis, in advance.
- C. Clients may pay other fees in connection with our advisory services, such as custodian fees or mutual fund expenses. Clients will also incur brokerage and other transaction costs. Clients are directed to Item 12 (page 9) of our brochure for more information on brokerage costs.
- D. Investment advisory fees are billed quarterly, in advance. Clients may terminate their contracts with five days' written notice. Refunds will be given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. Clients may terminate their contracts without penalty, for full refund, within 5 business days of signing the advisory contract.
- E. Some management personnel of Granite Springs, in their individual capacities, are also agents for RSC Financial Products LLC, an affiliated insurance agency. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing insurance product transactions on behalf of clients. Clients of Granite Springs are not under any obligation to engage these individuals when considering implementation of insurance product recommendations.

Item 6 Performance-Based Fees and Side-By-Side Management

Neither Granite Springs, nor its employees, accept performance-based fees – that is, fees based on a share of capital gains on, or capital appreciation of, the assets of a client. Fixed management fees, hourly consultation fees, and investment advisory fees based on the market value of client accounts are the only sources of revenue for Granite Springs.

Item 7 Types of Clients

Granite Springs Asset Management, LLC works with private clients, family offices, trusts, foundations, pension plans and other institutional investors, including other investment advisors.

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

- A. Granite Springs combines macroeconomic and quantitative research with technical analysis to form the basis of its market expectations for a three year time horizon. These expectations of risk and return are used to develop a ***base policy mix*** (general investment plan) that sets portfolio structure guidelines and asset allocation targets.

Granite Springs develops a base policy mix for each client portfolio at inception. This proportional combination of assets, when combined with an appropriate portfolio structure, reflects the unique investment needs of each client. Granite Springs then uses ***tactical asset allocation*** (the act of making calculated changes to the base policy mix) to take advantage of relative value investment opportunities as they arise.

Granite Springs is an ***active*** investment manager that seeks to outperform its benchmarks by relying on the analytical skills, experience, and prudent judgment of its senior professionals. This is in contrast to a ***passive*** manager that seeks only to match the performance of a benchmark index. Active management at Granite Springs does not involve excessive trading. Portfolio turnover is typically around 10% annually.

Investing in securities involves the risk of loss. Although Granite Springs maintains a discipline designed to limit investment losses, it does not eliminate the risk of loss.
Clients can lose money even when invested in conservative strategies. Clients should also keep in mind that ***past performance is not indicative of future results.***

- B. Granite Springs' investment strategies do not involve significant or unusual risks. Still, **there are material risks inherent in all investment strategies.**

Granite Springs' fixed income strategies are typically conservative, but they can still subject clients to interest rate risk, credit risk, and other risks. Granite Springs' ETF-based tactical asset allocation strategies can also subject clients to market risk, including volatility caused by unforeseen events, interest rate risk, and/or credit risk, among others.

- C. Granite Springs invests in publicly traded stocks, bonds, ETF's, mutual funds, preferred stocks, and other securities that do not typically involve significant or unusual risks. Still, ***clients should keep in mind that investing in securities involves the risk of loss.*** And though Granite Springs maintains a discipline designed to limit investment losses, it does not eliminate the risk of loss. ***Clients can lose money even when invested in conservative strategies. Clients should also keep in mind that past performance is not indicative of future results.***

Item 9 Disciplinary Information

Granite Springs Asset Management, LLC has never been the subject of any disciplinary actions.

Item 10 Other Financial Industry Activities and Affiliations

Registered Representative of a Broker-Dealer

Some of our representatives are also registered representatives of R. Seelaus & Co., Inc., a securities broker-dealer. If you so choose, you may work with one of these dually registered investment adviser representatives in his or her separate capacity as a registered representative of R. Seelaus & Co., Inc. When acting in his or her separate capacity as a registered representative of R. Seelaus & Co., Inc., your Granite Springs investment adviser representative has the ability to sell, for commissions, general securities products such as stocks, bonds, mutual funds, exchange-traded funds, and variable annuity and variable life products to you in a separate commission-based brokerage account. As a registered representative of R. Seelaus & Co., Inc., your Granite Springs investment adviser representative has the ability to suggest that you implement investment advice by purchasing securities products through a commission-based brokerage account in addition to, or in lieu of, a fee-based investment advisory account. This ability to receive commissions creates a potential conflict of interest, as a dually registered representative has an incentive to recommend products for which he or she can receive a commission in his or her separate capacity as a registered representative of a securities broker-dealer. Consequently, the objectivity of the advice rendered to you could be biased.

You are under no obligation to use the services of your Granite Springs representative in this separate capacity of registered representative or to use R. Seelaus & Co., Inc. to implement securities transactions. If you choose to have your Granite Springs representative implement securities transactions in their separate capacity as a registered representative, they must use R. Seelaus & Co., Inc. Prior to effecting any such transactions, you are required to enter into a new account agreement with R. Seelaus & Co., Inc. The commissions charged by R. Seelaus & Co.,

Inc. may be higher or lower than those charged by other broker/dealers. In addition, registered representatives of R. Seelaus & Co., Inc. may also receive additional ongoing 12b-1 fees for mutual fund purchases from mutual fund companies during the period that you maintain mutual fund investments in a separate commission-based brokerage account at R. Seelaus & Co, Inc.

Insurance Agent

If you so choose, you may work with your Granite Springs investment adviser representative in his or her separate capacity as an insurance agent for RSC Financial Products LLC, an affiliated insurance agency. When acting in his or her separate capacity as an insurance agent, your Granite Springs investment adviser representative may sell, for commissions, general disability insurance, life insurance, annuities, and other insurance products to you. As such, your Granite Springs investment adviser representative, in his or her separate capacity as an insurance agent, may suggest that you implement his or her insurance recommendations by purchasing disability insurance, life insurance, annuities, or other insurance products. This receipt of commissions creates an incentive for the representative to recommend those products for which your Granite Springs investment adviser representative will receive a commission, in his or her separate capacity as an insurance agent. Consequently, the advice rendered to you could be biased. You are under no obligation to implement any insurance or annuity transaction through your Granite Springs investment adviser representative.

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

- A.** Granite Springs Asset Management, LLC has adopted the CFA Institute's *Code of Ethics & Standards of Professional Conduct*. A copy of the CFA Institute's *Code of Ethics & Standards of Professional Conduct* is available to any client or prospective client by request. (It is also available at www.cfainstitute.org)
- B.** Granite Springs may occasionally transact, on behalf of clients, with our affiliated broker-dealer R. Seelaus & Co., Inc. We ensure that all transactions are conducted in compliance with all the provisions under Section 206(3) of the Advisers Act governing principal transactions to advisory clients.
- C.** Our code of ethics does not prohibit personal trading by employees. However, all employee securities transactions require pre-approval or pre-clearance and employees must report securities transactions in employee-related accounts. This requirement may be satisfied by the CCO receiving duplicate copies of confirmations. Also, outside brokerage accounts must be approved by the CCO before opening.
- D.** Employees are prohibited from purchasing, selling or recommending the purchase or sale of a security for any account while they are in possession of material inside information. If any employee comes into possession of any material inside information, they are obligated to bring such information to the attention of the CEO, CCO or CIO.

Item 12 Brokerage Practices

- A. Granite Springs does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.
- B. Granite Springs Asset Management, LLC seeks the “best price” and “best execution” available when selecting broker-dealers for client transactions. “Best execution” refers to a trading process that seeks maximum value for the client’s portfolio, within stated investment objectives and constraints.
 - 1. Research and Soft Dollar Benefits. Granite Springs does not utilize “soft dollar benefit” arrangements.
 - 2. Brokerage for Client Referrals. Granite Springs does not direct brokerage business to any broker-dealer in return for client referrals.
 - 3. Directed Brokerage. Granite Springs does not accept directed brokerage arrangements (where a client “directs” that transactions be effected through a particular broker-dealer).
- C. Granite Springs “aggregates” orders for the purchase and/or sale of securities for client accounts, whenever possible, for “best execution” as described in Item 12 B (above).

Item 13 Review of Accounts

- A. Client accounts are reviewed periodically (quarterly at minimum) by the Firm’s portfolio managers. ***Clients are encouraged to communicate any changes in their financial situation that may have an impact on their portfolio investment objectives.***
- B. Account reviews may be triggered by market events, rebalancing of securities positions, and/or a change in a client’s financial situation, or by client request.
- C. Granite Springs provides clients with written quarterly holdings and performance reports.

Item 14 Client Referrals and Other Compensation

- A. Granite Springs does not receive economic benefit from investment advice or other advisory services provided to clients by outside firms.
- B. Third Party Solicitor: Granite Springs, from time to time, will enter into third party solicitor’s agreements. The Solicitor will perform its responsibilities in accordance with the instructions of Granite Springs and the Investment Advisers Act and the rules there under including Rule 206(4)-3.

Item 15 Custody

Granite Springs Asset Management, LLC does not have custody of any client funds or securities. All clients have a qualified third-party custodian that sends monthly statements directly to clients. Clients should carefully review custodian statements. Granite Springs provides clients with quarterly statements, and clients are urged to compare their custodian's statements to those provided by Granite Springs.

Item 16 Investment Discretion

Granite Springs typically accepts discretionary authority to manage investment accounts on behalf of clients. Discretion is exercised within the limitations of client investment objectives, and is consistent with the agreed upon strategy in place. Before accepting investment discretion, Granite Springs requests that clients execute a Limited Power of Attorney that allows the Firm discretion in the purchase and sale of securities, but restricts cash withdrawals to those requested on behalf of the client and to payment of quarterly investment advisory fees.

Item 17 Voting Client Securities

- A.** As a matter of policy, Granite Springs does not accept authority to vote proxies on behalf of clients.
- B.** Granite Springs' policy of having no proxy voting responsibility is disclosed to clients. Proxies and other solicitations are delivered to clients directly from their custodian or a transfer agent. Granite Springs may offer assistance as to proxy matters upon client request, but the client always retains the proxy voting responsibility.

Item 18 Financial Information

- A.** Granite Springs does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance.
- B.** The Firm has no financial commitment that impairs its ability to fulfill contractual and fiduciary commitments to clients.
- C.** Neither Granite Springs nor any of its Principals have been the subject of a bankruptcy petition at any time in the past ten years.

Item 19 Requirements for State-Registered Advisers