

# DISCLOSURE BROCHURE

March, 2014

## **SeaCrest Investment Management, LLC**

*a Registered Investment Adviser*

3010 Westchester Avenue, Suite 307  
Purchase, NY 10577

(914) 502-1905

[www.seacrestim.com](http://www.seacrestim.com)

This brochure provides information about the qualifications and business practices of SeaCrest Investment Management, LLC (hereinafter "SIM" or the "Firm"). If you have any questions about the contents of this brochure, please contact Ronald Lenihan at (914) 502-1905. 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 SeaCrest Investment Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

SeaCrest Investment Management, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This section of the brochure discusses only the material changes that have occurred since SIM's last annual update in February 2013.

- As of March 18, 2014, SeaCrest Emerging Markets GP, LLC, an affiliate of SIM, terminated SeaCrest Emerging Markets Debt Partners, L.P., a limited partnership for which SIM acted as the investment adviser (see "Management of Collective Investment Vehicle," page 5).

### **Item 3. Table of Contents**

Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	7
Item 6	Performance Based Fees and Side-by-Side Management	10
Item 7	Types of Clients	11
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	12
Item 9	Disciplinary Information	19
Item 10	Other Financial Industry Activities an Affiliations	20
Item 11	Code of Ethics	21
Item 12	Brokerage Practices	22
Item 13	Review of Accounts	24
Item 14	Client Referrals and Other Compensation	25
Item 15	Custody	26
Item 16	Investment Discretion	27
Item 17	Voting Client Securities	28
Item 18	Financial Information	32

### **Attachments: Supervised Person Disclosure Supplements**

## Item 4. Advisory Business

SIM provides comprehensive investment management services, including financial planning and consulting, through its advisory professional staff in three offices across the United States. The Firm was established in May 2006 by its principal owners, Rajesh K. Gupta, Richard Sanchez and Ronald Lenihan, all of whom are former senior officers with Morgan Stanley & Co., Inc.

Prior to engaging SIM to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with SIM setting forth the terms and conditions under which SIM renders its services (collectively the "Agreement"). Neither SIM nor the client may assign the Agreement without the consent of the other party. A transaction that does not result in a change of actual control or management of SIM is not considered an assignment.

SIM has approximately \$138,395,000 of assets under management as of January 1st, 2014, all of which are managed on a discretionary basis.

This disclosure brochure describes the business of SIM. Certain sections will also describe the activities of Supervised Persons. "Supervised Persons" are any of SIM's officers, partners, directors (or other persons occupying a similar status of performing similar functions), or employees, or any other person who provides investment advice on SIM's behalf and is subject to the SIM's supervision or control.

### Investment Management Services

---

Clients can engage SIM to manage all or a portion of their assets on a discretionary or non-discretionary basis. SIM primarily allocates clients' investment management assets among individual debt and equity securities, exchange traded funds ("ETFs"), options, and/or mutual funds pursuant to one or more investment strategies as further described in Item 8 below. In addition, SIM may recommend that clients who are "accredited investors," as defined under Rule 501 under the Securities Act of 1933, as amended (the "Securities Act"), invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles (including SeaCrest Emerging Markets Debt Partners, L.P., as described in the following section) when consistent with the clients' investment objective. SIM may also provide advice about any type of investment held in clients' portfolios, whether or not SIM initially advised the client on its purchase.

SIM may also render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, SIM recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

SIM tailors its advisory services to the individual needs of clients. SIM ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance based upon information

## SeaCrest Investment Management, LLC Disclosure Brochure

provided by the client at the outset of the relationship (and updated as necessary) regarding their financial condition, income and investment objectives.

Clients are advised to promptly notify SIM if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon SIM's management services.

### Management of Collective Investment Vehicle

---

SIM previously acted as the investment adviser to SeaCrest Emerging Markets Debt Partners, L.P. (the "Partnership"), a limited partnership that was engaged in the business of investing in debt securities issued by corporate and government issuers in emerging market countries. The Partnership was terminated by its general partner, an affiliate of SIM, as of March 18, 2014.

### Financial Planning and Consulting Services

---

SIM may provide its clients with a broad range of financial planning and consulting services. These services are comprehensive in nature and are tailored to the needs of the client.

In performing its services, the Firm agrees with the client that SIM is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.), and is expressly authorized to rely on such information in connection with such services. SIM may recommend the services of itself, its Supervised Persons in their individual capacities as registered representatives of a broker-dealer, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if SIM recommends its own or its Supervised Persons' services because we may have an incentive to make a recommendation based upon the compensation to be received by us or by our Supervised Persons rather than in the best interests of our clients. The client is under no obligation to act upon any of the recommendations made by SIM under a financial planning or consulting engagement, or to engage the services of any such recommended professional, including SIM itself or its Supervised Person. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of SIM's recommendations. Clients are advised that it remains their responsibility to promptly notify SIM if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising SIM's previous recommendations and/or services.

### Additions and Withdrawals to Accounts

---

Clients may make additions to and withdrawals from their account at any time, subject to SIM's right to terminate the account. Clients may withdraw account assets on notice to SIM, subject to the usual and customary securities settlement procedures. However, SIM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Investors in the Partnership will be subject to the limitations of the Partnership's governing documents with respect to any additions to or withdrawals from the Partnership.

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

SIM offers its services on a fee basis which may include hourly fees as well as fees based upon assets under management. However, as described in Item 3 above, SIM may recommend its own services, or the services of its Supervised Persons in their individual capacities as registered representatives of a broker-dealer, to implement recommendations it may make in connection with its financial planning or consulting services. In either circumstance, we or our Supervised Persons have a conflict of interest in that we may have an incentive to make a recommendation based upon the compensation we or our Supervised Persons may receive, rather than on the best interests and needs of our client. In the course of our general supervision of the Firm's activities, our supervisory or compliance personnel carefully review recommendations which would result in additional compensation to the Firm or a Supervised Person to assure that the recommendation is in the best interests of the client. Clients are advised that they are free to select any professional to implement any particular recommendation, and are not required to utilize our or our Supervised Persons' services in that regard.

### **Investment Management Fee**

---

SIM is compensated for its investment management services through an annual management fee based upon a percentage of the market value of the assets being managed by the Firm. That management fee is exclusive of, and in addition to, brokerage commissions, transaction fees, and other related costs and expenses which may be applicable to a client's account or transactions therein, all of which will be separately paid by the client. However, SIM does not receive any portion of these commissions, fees or other costs. Our management fee is generally in a range from 20 to 125 basis points (0.20% to 1.25%) per annum, and is prorated and charged on a calendar quarterly basis, either in advance or in arrears, based upon the market value of the assets being managed by SIM on the last day of the previous quarter. The annual fee varies depending upon the market value of the assets under management and the particular strategy employed for the client. SIM, in its sole discretion, may negotiate a lesser management fee to be charged to a client based upon certain criteria it deems significant in the particular situation, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.

Fees for financial planning or consulting services are separately negotiated with each client based upon the particular services to be provided.

### **Fees Charged by Financial Institutions**

---

As further discussed in response to Item 12 below, SIM generally recommends that clients utilize the brokerage and clearing services of a top-tier custodian for investment management accounts.

SIM may only implement its investment management recommendations after the client has arranged for and furnished SIM with all information and authorization regarding accounts with appropriate financial institutions as chosen by the client. Financial institutions include, but are not limited to,

## SeaCrest Investment Management, LLC Disclosure Brochure

Charles Schwab & Co., Inc, JP Morgan, Fidelity, National Advisors Trust Company, broker-dealers selected by the client, trust companies, banks, etc. (collectively referred to herein as the "Financial Institutions").

Clients may incur certain charges imposed by the Financial Institutions and other third parties, such as custodial fees, charges imposed directly by a mutual fund or ETF held in the client's account (which are disclosed in the particular fund's prospectus, e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to SIM's fees.

SIM's Agreement with the client and the separate agreements a client may have with any Financial Institutions, may authorize SIM to debit the client's account for the amount of SIM's fee and to have the Financial Institution directly remit that management fee to SIM. Alternatively, clients may elect to receive an invoice from SIM and to send payment directly to SIM. All of the Financial Institutions recommended by SIM have agreed to send a statement to the client, at least quarterly, showing all transactions in the account and indicating all amounts disbursed from the account, including the amount of management fees paid directly to SIM. To the extent that SIM also sends any statements or reports to clients, clients are advised to carefully review those statements and compare them with the statements received from the Financial Institution.

### **Fees for Management During Partial Quarters of Service**

---

If a client's account is opened on any day other than the first day of a calendar quarter, the Firm's fee will be calculated on a pro rata basis for the initial period of investment management services based upon the portion of the quarter during which the assets will be managed.

The Agreement between SIM and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. SIM's fees shall be prorated through the effective date of termination, and any remaining balance shall be refunded (if fees were paid in advance) or charged (if fees are paid in arrears) to the client, as appropriate.

Clients may add assets to their accounts, which additions may be in cash or securities, provided that SIM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. SIM may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to brokerage commissions, transaction fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges), and/or tax ramifications.

If assets are deposited into an account after the start of a calendar quarter, no additional fee will be charged with respect to such assets until the following quarter, and if assets are withdrawn during a calendar quarter, no prorated refund or adjustment will be made with respect to the withdrawn assets until the following quarter.

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

SIM does not provide any services for performance-based fees, which are fees based on a share of capital gains appreciation of the assets of a client. Since the termination of the Partnership in March 2014, no affiliate of SIM receives any performance-based fees.



## **Item 7.           Types of Clients**

SIM provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, sovereign entities and business entities.

SIM does not impose a minimum portfolio size or minimum annual fee.

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

SIM offers various strategies designed to meet the client's financial objectives. Such strategies include:

### **SeaCrest International Sovereign Debt Strategy:**

This strategy seeks to maximize return by investing in the sovereign, quasi-sovereign and supranational debt instruments of developed (ex-US) and emerging nations. The Firm seeks to provide a rigorous qualitative risk/return process which identifies macroeconomic themes, provides an in-depth evaluation of the sources of investment value, and performs an assessment of sustainability and return potential.

Risks. Investments in foreign markets and foreign securities, whether they be developed or emerging markets, pose differing risks than investing in U.S. securities. Foreign securities are subject to, and could be adversely affected by, differing political, economic and regulatory environments, different accounting standards, possible currency controls or other adverse political circumstances, as well as ordinary market risks to which all investments are subject. In addition, the prices of debt instruments are potentially subject to wide fluctuations based on changes in interest rates, with market prices rising as interest rates fall, and prices declining as interest rates rise, and the prices of longer-term debt instruments more sensitive to such changes (and therefore more volatile) than those of short- or intermediate-term securities. Debt securities are also subject to the risk of a change in the creditworthiness of their issuer, which could lead to the issuer's default or a downgrading of the issuer's credit rating which, in turn, may reduce the market price of the security.

Debt securities are occasionally subject to call by their issuer, which means that they could be redeemed before maturity and at a price that is lower than the current market price. Even if not redeemed at a lower price, securities paying a favorable interest rate may be redeemed, resulting in the Firm having to reinvest the client's funds at a lower interest rate than is currently being earned.

If such securities are issued in currencies other than the U.S. dollar, holders of the instruments will be subject to the risk that such currency may decline in value in relation to the U.S. dollar, so that upon sale or maturity, the amount of the currency received will be convertible into fewer U.S. dollars than at the time the instrument was purchased. Interest payments received would also be worth less in U.S. dollars as a result of such a decline. It is often very difficult to predict fluctuations in the relative value of currencies, and adverse changes in such values could negatively affect a client's performance.

Finally, the risks of investing in emerging market countries are greater than the risks generally associated with foreign investments from developed markets, and are specifically greater than investing in U.S. securities. Emerging market debt securities are subject to changes in the creditworthiness of the issuer that could result in either the issuer's default or the downgrading of the issuer's credit rating. Recessions, excessive borrowing or company-specific factors can result in a default by the issuer, and any such default can result in either a severe price decline in the security's value, or possibly the elimination of such value. Lower quality issuers (i.e., non-rated as investment grade), carry lower credit ratings because of an increased likelihood of default.

Emerging markets in general, and the market for non-investment grade emerging market debt in particular, can be less liquid than markets in developed countries or markets for higher-rated debt securities. Securities denominated in local currencies may also be less liquid than those denominated in the U.S. dollar. As a result of this lack of liquidity, the Firm may have to accept a lower price to sell a security, or may be unable to take advantage of an investment opportunity, both of which could adversely affect a client's performance.

### **SeaCrest Intermediate Government Strategy:**

This portfolio seeks returns that generally correspond to the performance of the U.S. Intermediate-term government bond market as defined by the Barclays Capital U.S. Government Intermediate Index. This strategy invests in intermediate-term (generally up to ten year maturity) debt instruments guaranteed by the U.S. Government.

Risks. Investments in this strategy may fluctuate within a wide range, over short or even extended periods, due to fluctuations in interest rates in general, with prices rising if interest rates fall, and prices falling if interest rates rise. There also can be no assurance that the bonds selected by the Firm in this strategy will accurately correspond to the returns of the benchmark index.

### **SeaCrest Hybrid Income Matrix Strategy:**

This strategy seeks to deliver a high level of income consistent with superior risk adjusted returns by investing in closed-end and exchange traded funds ("ETF's) which invest in any of the following securities: investment grade fixed-income instruments, high-yield fixed income instruments, master limited partnerships, high yield equities, preferred stocks, REITs and buy/write option strategies designed to generate income through the receipt of option premiums.

Risks: Investments in this strategy may fluctuate within a wide range, over short or even extended periods, due to fluctuations in interest rates and equity markets. in general, with

prices rising if interest rates fall, and prices falling if interest rates rise. Debt securities are also often subject to call by their issuer, which means that they could be redeemed before maturity and at a price that is lower than the current market price. Even if not redeemed at a lower price, securities paying a favorable interest rate may be redeemed, resulting in the Firm having to reinvest a portion of the client's funds at a lower interest rate than is currently being earned. Debt securities are also subject to the risk of a change in the creditworthiness of their issuer, which could lead to the issuer's default or a downgrading of the issuer's credit rating which, in turn, may reduce the market price of the security. See also the discussions below regarding mutual funds and exchange traded funds and options. There is no guarantee that projected returns from dividends will materialize. In some cases, ETFs' and closed-end funds may employ leverage exacerbating losses.

### **SeaCrest Global Clean Energy Strategy:**

The SeaCrest Global Clean Energy portfolio tracks the SeaCrest Global Clean Energy Index, a market capitalization weighted equity index designed to serve as a benchmark for global (i.e., both U.S. and international) stocks traded on major U.S. stock exchanges. This portfolio tracks the following clean energy sectors: bio-energy, clean power, energy efficiency, energy management, fuel cells, solar power, water management and wind power.

Risks: Since this strategy concentrates its investments in the clean energy sector to the exclusion of other sectors, this strategy may be subject to greater market risk and potential losses than if client investments were diversified among various sectors, and it may be likely to experience more volatility than a strategy which diversifies its investments. Further, this strategy is subject to the risk that the earnings, dividends, and securities prices of these types of companies will be adversely affected by changes in the prices and supplies of oil, natural gas and other energy fuels. Prices and supplies of energy may fluctuate significantly over any time period due to many factors, including international political developments; production and distribution policies of oil-producing countries; energy conservation; federal, state and foreign regulatory environments; tax policies; and the economic growth and political stability of the key energy-consuming and energy-producing countries.

In addition to the particular risks related to investments in this sector, many of the securities in which the Firm invests in this strategy may be newer, less well-established, "small capitalization" securities, which tend to be more volatile and less liquid than those of larger, more well-established companies.

### **Asset Allocation**

For some clients, the Firm may engage in an asset allocation investment approach pursuant to which the Firm may invest the client's assets in securities from one or more of the above strategies depending upon the particular investment needs and objectives of the client. The

individual investments made pursuant to such approach would be subject to the risks discussed above with respect to the particular strategies utilized.

As part of its portfolio management strategies, SIM may utilize ETFs, individual equities and debt securities, Master Limited Partnerships, options and mutual funds.

### **Mutual Funds and Exchange Traded Funds (ETFs)**

---

ETFs are similar to mutual funds in that they invest in a pool of assets like securities, commodities or bonds, and ownership of shares of the ETF represents an ownership interest in that pool. Unlike mutual funds, however, they are actively traded during the day on an exchange, and prices of the ETFs fluctuate during the course of the day. An investment in a mutual fund or ETF involves risk, which includes all of the risks to which the underlying investments made by the mutual fund or ETF are subject, any of which could result in the loss of principal. There can be no guarantee that an active trading market for the shares of any particular ETF will develop or continue, and such reduced liquidity could affect the market price at which a purchase or sale of an ETF's shares could be made. In addition, shares of an ETF may trade at prices at, above or below its most recent net asset valuation ("NAV"), which is the actual market value of all of the underlying assets. However, mutual funds shares are bought or sold at their NAV. The per share NAV of a mutual fund is calculated at the end of each business day, and fluctuates with changes in the market value of the mutual fund's holdings. The trading prices of an ETF's shares may differ significantly from NAV during periods of market volatility, which may, among other factors, lead to the ETF's shares trading at a premium or discount to NAV at any time.

### **Options**

---

SIM may recommend the use of options for certain clients. Options allow SIM to hedge (limit) certain positions that clients hold. An option may also give SIM the right but not the obligation to buy or sell a security at a certain price over a specified period of time. Clients may pay or receive a fee, called a premium, for the option. If the option falls out-the-money at the time the option period expires (i.e. the market price of the security does not justify purchasing/selling the security at the option price), the client will lose the entire premium paid for that option. Options are also sometimes used to generate additional income by writing call options against equity positions held in a client's account so that the client can receive the premium paid by the buyer of that option. In the event the option expires without being exercised, the client will retain the security as well as the premium. But if the option is exercised (which generally happens when the market price of the security exceeds the exercise price of the option), the client will be required to sell the security at that option strike price. In that instance, the client will have given up the market price appreciation of the security above the strike price, which may have exceeded the premium that he earned for writing the option.

### **Method of Analysis**

---

SIM's primary method of analysis is fundamental.

Fundamental analysis involves the review and analysis of the fundamental financial condition and competitive position of a company or, in the case of our analysis of sovereign debt, a country. SIM will analyze the financial condition, capabilities of management, earnings, new products and services of a company, as well as the company's markets and position amongst its competitors, in order to determine the recommendations made to clients. With respect to the analysis of international sovereign debt, whether issued in a developed or emerging market, we will generally consider the overall financial health of the issuing country, as well as economic and geopolitical events and conditions, to determine the advisability of investing in its debt. The primary risk in using fundamental analysis is that while the overall health and position of a company or country may be good, general market conditions or unrelated economic or political events may negatively impact the security. Further, fundamental analysis relies significantly on the accuracy of estimates and assumptions regarding future events, any of which may ultimately prove to be incorrect due to unforeseen company-specific or overall economic or market events. In addition, the profitability of a significant portion of SIM's recommendations may depend to a great extent upon correctly assessing the future course of price movements of securities. There can be no assurance that SIM will be able to predict those future events or price movements accurately.

SIM maintains an open architecture approach to analyzing the needs of its clients, and manages client assets through a long-term approach, rather than focusing on short-term events or trading.

### Use of Margin

---

To the extent that a client authorizes the use of margin (i.e., borrowing), the buying power of the client's account is magnified by increasing the funds available for investment. Notwithstanding this larger buying power, however, SIM's fee is still based on the client's net equity in the account, which is calculated by subtracting the amount of such margin from the total value of the assets in the account, and the corresponding fee payable by the client to SIM will not be increased.

While the use of margin borrowing can substantially improve returns relative to the amount of funds a client invests in his account, such margin may also increase the adverse impact to which a client's portfolio may be subject. Borrowings will usually be from securities brokers and dealers, and will typically be secured by the client's securities and/or other assets. Under certain circumstances, including a decline in the value of the client's assets, such a broker-dealer may demand an increase in the collateral that secures the client's obligations, and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.

## Risk of Loss

---

Investing in securities, whether equity or debt, and whether in U.S., developed or emerging markets, involves the risk of loss. Clients should be prepared to bear such loss.

## **Item 9.           Disciplinary Information**

SIM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. SIM does not have any required disclosure to this item.



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

SIM is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. SIM has described such relationships and arrangements below.

### **Related Investment Adviser**

---

SIM is under common control with its affiliated SEC registered investment adviser, SeaCrest Wealth Management, LLC ("SWM"). Certain Supervised Persons of SIM also serve in the same or similar capacity for SWM. SWM advises high-net-worth individuals and institutions. The advisory activities of SWM are kept separate from those of SIM. As such, SIM does not believe that this poses any additional conflicts to clients.

### **Registration as Registered Representatives**

---

Each of the principals of SIM, as well as many of its Supervised Persons, are also registered as registered representatives of a broker-dealer, and in that capacity may implement recommendations made by the Firm in its financial planning or consulting activities. Please see Item 4 for a discussion of such activities.

### **Related General Partner**

---

As discussed in Item 6 above, an affiliate of the Firm is the General Partner of the Partnership, and such affiliate may receive a performance-based incentive allocation from the Partnership.

## Item 11. Code of Ethics

SIM and persons associated with SIM ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with SIM's policies and procedures.

SIM has adopted a code of ethics that sets forth the standard of conduct expected of its associated persons and requires compliance with applicable securities laws ("Code of Ethics"). In accordance with rules adopted under Section 204A of the Advisers Act, the Firm's Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by SIM or any of its Associated Persons. The Code of Ethics also requires that certain of SIM's personnel (called "Access Persons") report their personal securities holdings and transactions.

Unless specifically permitted in SIM's Code of Ethics, none of SIM's Access Persons may effect for themselves or for their immediate family (i.e. spouse, minor children, and adults living in the same household as the Access Person) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of SIM's clients.

When SIM is purchasing or considering for purchase any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when SIM is selling or considering the sale of any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (v) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact SIM to request a copy of the Firm's Code of Ethics.

## Item 12. Brokerage Practices

In selecting Financial Institutions for the execution of client transactions (in those situations where a client has not directed that his, her or its transactions be executed through a particular Financial Institution), SIM has a duty to obtain "best execution" for such transactions. Best execution does not necessarily mean that the transaction will be executed at the lowest possible commission rate, and many factors are considered in the selection of executing Financial Institutions. SIM periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

In any particular transaction, clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where SIM determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution under the circumstances, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. SIM seeks competitive commission rates, but may not necessarily obtain the lowest possible commission rates for client transactions.

A client may direct SIM in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution, and SIM will not seek better execution services or prices from other Financial Institutions. In addition, SIM will not be able to "bunch" that client's transactions with orders for other accounts managed by SIM for execution through other Financial Institutions. As a result, the client may pay higher commissions or other transaction costs, or receive less favorable net prices, on transactions for its account than would otherwise be the case. Subject to our duty of best execution, we may decline a client's request to direct brokerage if, in SIM's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

Transactions for each client generally will be effected independently, unless SIM decides to purchase or sell the same securities for several clients at approximately the same time. In the latter situation, SIM may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among SIM's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among SIM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that SIM determines to aggregate client orders for the purchase or sale of securities, including securities in which SIM's Supervised Persons may invest, SIM shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. In the event that SIM determines that a

prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include, but not be limited to, the following: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to a sale allocation, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, SIM may exclude the account(s) from the allocation, and the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain Financial Institutions in return for investment research products and/or services which assist SIM in its investment decision-making process in accordance with Section 28(e) of the Securities Exchange Act of 1934, as amended. Such research generally will be used to service all of SIM's clients, but brokerage commissions paid by one client may be used to pay for research that is not necessarily used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because SIM does not have to produce or pay for the products or services, and we may have an incentive to select a particular Financial Institution based on our interest in receiving that research rather than our clients' interest in receiving the most favorable execution. Our periodic review of our selection of Financial Institutions is designed to assure that such selections are based upon a consideration and balancing of all relevant factors and not solely on the receipt of such research.

SIM may receive from a Financial Institution, without cost to SIM, computer software and related systems support which allow SIM to better monitor client accounts maintained at that Financial Institution. SIM may receive the software and related support without cost because SIM renders investment management services to clients that maintain assets at that Financial Institution. The software and related systems support may benefit SIM, but not its clients directly. In fulfilling its duties to its clients, SIM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that SIM's receipt of economic benefits from a Financial Institution creates a conflict of interest since these benefits may influence SIM's choice of a Financial Institution over another Financial Institution that does not furnish similar software, systems support, or services.

### **Item 13.           Review of Accounts**

For those clients to whom SIM provides investment management services, SIM monitors those portfolios as part of an ongoing process, while regular account reviews are conducted on at least a quarterly basis. For those clients to whom SIM provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of SIM's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with their advisory representatives, and to keep SIM informed of any changes thereto. The Firm will contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations, and to discuss any impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular account statements directly from the broker-dealer or custodian which holds the client's accounts. Those clients to whom SIM provides investment management services can request a report from SIM that may include relevant account and/or market-related information, such as an inventory of account holdings and account performance as the client may request from time to time. Clients should compare the account statements they receive from their custodian with those they receive from SIM.

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

SIM is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, SIM is required to disclose any direct or indirect compensation that it provides for client referrals.

SIM may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 10 above.

SIM employs third party solicitors. Such solicitors would be compensated for client referrals based on a portion of the fees SIM receives from that client. No client will pay a larger management fee because of such referral arrangement.

## **Item 15. Custody**

SIM's Agreement and/or the separate agreement it and the client may have with any Financial Institution may authorize SIM through such Financial Institution to debit the client's account for the amount of SIM's fee, and to directly remit that management fee to SIM in accordance with applicable custody rules.

As required by applicable SEC rules under such circumstances, the Financial Institutions recommended by SIM have agreed to send a statement to the client, at least quarterly, showing all transactions in the account and indicating all amounts disbursed from the account including the amount of management fees paid directly to SIM. In addition, as discussed in Item 13, SIM may also send periodic supplemental reports to clients. Clients receiving such reports should carefully review the statements sent directly by the Financial Institutions and compare them to those received from SIM.

## **Item 16. Investment Discretion**

SIM may be given the authority to exercise discretion on behalf of clients. SIM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. SIM is given this authority through a power-of-attorney included in the Agreement between SIM and the client. Clients may request reasonable limitations on the exercise of this authority, such as restricting the purchase or sale of certain securities. SIM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made;
- The Financial Institutions to be utilized;



## Item 17. Voting Client Securities

SeaCrest Investment Management, LLC recognizes our responsibility to exercise voting authority over shares we hold as fiduciary. Proxies increasingly contain controversial issues involving shareholder rights, corporate governance and social concerns, among others, which deserve careful review and consideration. Exercising the proxy vote has economic value for our clients, and therefore, we consider it to be our fiduciary duty to preserve and protect the assets of our clients including proxy votes for their exclusive benefit. It is our policy to vote proxies in a prudent and diligent manner after careful review of each company's proxy statement. We vote on an individual basis and base our voting decision exclusively on our reasonable judgment of what will serve the best financial interests of our clients, the beneficial owners of the security. Where economic impact is judged to be immaterial, we typically will vote in accordance with management's recommendations. In determining our vote, we will not and do not subordinate the economic interests of our clients to any other entity or interested party. Our responsibility for proxy voting for the shareholders of a particular client account will be determined by the investment management agreement or other documentation. Upon establishing that we have such authority, we will instruct custodians to forward all proxy materials to us. For those clients for whom we have undertaken to vote proxies, we will retain final authority and responsibility for such voting. In addition to voting proxies, we will:

- Provide clients with this proxy voting policy, which may be updated and supplemented from time to time, upon request;
- Apply the policy consistently and keep records of votes for each client in order to verify the consistency of such voting (clients may request information as to the manner in which their proxies were voted); and
- Monitor such voting for any potential conflicts of interest and maintain systems to deal with these issues appropriately.

### Voting Policy

---

We generally vote with management in the following cases:

- "Normal" elections of directors
- Approval of auditors/CPA
- Directors' liability and indemnification
- General updating/corrective amendments to charter
- Elimination of cumulative voting

## SeaCrest Investment Management, LLC Disclosure Brochure

- Elimination of preemptive rights
- Capitalization changes which eliminate other classes of stock and voting rights
- Changes in capitalization authorization for stock splits, stock dividends, and other specified needs
- Stock purchase plans with an exercise price of not less than 85% fair market value
- Stock option plans that are incentive based and are not excessive
- Reductions in supermajority vote requirements
- Adoption of anti-greenmail provisions

We generally will not support management in the following initiatives:

- Capitalization changes which add classes of stock which are blank check in nature or that dilute the voting interest of existing shareholders
- Changes in capitalization authorization where management does not offer an appropriate rationale or that are contrary to the best interest of existing shareholders
- Anti-takeover and related provisions which serve to prevent the majority of shareholders from exercising their rights or effectively deter appropriate tender offers and other offers
- Amendments to by-laws which would require super-majority shareholder votes to pass or repeal certain provisions
- Classified boards of directors
- Re-incorporation into a state which has more stringent anti-takeover and related provisions
- Shareholder rights plans which allow appropriate offers to shareholders to be blocked by the board or trigger provisions which prevent legitimate offers from proceeding
- Excessive compensation or non-salary compensation related proposals
- Change-in-control provisions in non-salary compensation plans, employment contracts, and severance agreements that benefit management and would be costly to shareholders if triggered

Traditionally, shareholder proposals have been used mainly for putting social initiatives and issues in front of management and other shareholders. Under our fiduciary obligations, it is inappropriate to use

## SeaCrest Investment Management, LLC Disclosure Brochure

client assets to carry out such social agendas or purposes. Therefore, shareholder proposals are examined closely for their effect on the best interest of shareholders (economic impact) and the interests of our clients, the beneficial owners of the securities.

When voting shareholder proposals, initiatives related to the following items are generally supported:

- Auditors attendance at the annual meeting of shareholders
- Election of the board on an annual basis
- Equal access to proxy process
- Submit shareholder rights plan poison pill to vote or redeem
- Revise various anti-takeover related provisions
- Reduction or elimination of super-majority vote requirements
- Anti-greenmail provisions

We generally will not support shareholders in the following initiatives:

- Requiring directors to own large amounts of stock before being eligible to be elected
- Restoring cumulative voting in the election of directors
- Reports which are costly to provide or which would require duplicative efforts or expenditures which are of a non-business nature or would provide no pertinent information from the perspective of shareholders
- Restrictions related to social, political or special interest issues which impact the ability of the company to do business or be competitive and which have a significant financial or best interest impact, such as specific boycotts or restrictions based on political, special interest or international trade considerations; restrictions on political contributions; and the Valdez principals.

In the case of a conflict of interest between the Firm and its clients, the Firm's Trading, Operations and Investment personnel will meet to discuss the appropriate action with regards to the existing voting policy or outsource the voting authority to an independent third party.

### **Recordkeeping**

---

SeaCrest maintains the following:

- Current voting policy and procedures;

## SeaCrest Investment Management, LLC Disclosure Brochure

- All written client requests as they relate to proxy voting; and,
- Any material research documentation related to proxy voting.

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

SIM does not require or solicit the prepayment of more than \$1,200.00 in fees six months or more in advance. In addition, SIM is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. SIM has nothing to disclose pursuant to this Item.

**SeaCrest Investment Management, LLC**

*a Registered Investment Adviser*

3010 Westchester Avenue, Suite 307  
Purchase, NY 10577

(914) 502-1905

[www.seacrestim.com](http://www.seacrestim.com)