

# Brean Asset Management, LLC

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## Brochure

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**This brochure provides information about the qualifications and business practices of Brean Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 655-1112 or [ASellinger@breansa.com](mailto:ASellinger@breansa.com). 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 Brean Asset Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Brean Asset Management, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

Since Brean Asset Management, LLC's last ADV Annual Amendment filing on March 31, 2016, the Part 2A has amended at Item 4.B and 5.A to disclose the addition of the Adviser's Market Commentary subscription service.

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

- A. Brean Asset Management, LLC (the “Adviser”) is a limited liability company formed on in the State of Delaware. The Adviser became registered as an Investment Adviser Firm in October 2015. The Adviser is principally owned by BMUR Holdings, Inc., Robert Fine and Robert Tirschwell. Messrs. Fine and Tirschwell will not provide investment advisory services to New York clients.

B.

##### **FIXED INCOME PORTFOLIO ADVISORY SERVICE**

***Portfolio Advisory Services.*** Adviser provides fixed income, equity and derivative portfolio advisory management and evaluation services, on a fee basis, to institutional clients, including financial institutions such as banks, thrift institutions, broker-dealers, federal home loan banks and insurance companies, and high net worth individuals and other accredited investors.

Adviser’s investment recommendations span asset classes and generally include, but are not limited to, advice regarding the following:

- Whole Loans and Leases, including, without limitation residential mortgage first lien, HELOC, commercial and industrial, equipment and margin loans;
- Corporate debt securities;
- Commercial paper;
- Certificates of deposit;
- Municipal securities;
- U.S. Government and agency securities;
- Collateralized mortgage obligations;
- Mortgage-backed securities;
- Asset-backed securities;
- Equities;
- Open-and closed-end funds and ETFs; and,
- Derivatives.

For fixed income securities, Adviser generally recommends investment grade securities, typically direct investments in cash fixed income securities. Depending on market conditions, Adviser may recommend that clients obtain exposure to the fixed income market through derivatives or investments in other investment companies, including open and closed-end funds and ETFs that invest primarily in fixed income securities. Adviser may recommend U.S. dollar-denominated securities of foreign issuers (typically referred to as Yankees). For clients who express a desire to achieve higher yield and assume more credit risk, Adviser may provide recommendations on non-investment grade fixed income securities, typically limited to 10% of a portfolio.

**Portfolio Advisory Services for Financial Institutions.** Adviser provides trade recommendations and/or executes and makes technology services available for risk analytics.

The client will discuss their investment guidelines, including risk tolerance and return threshold with Adviser. Among the objectives the client will articulate are:

- Target risk-adjusted return;
- Credit risk tolerance;
- Duration;
- Convexity;
- Interest rates;
- Spread; and,
- Credit.

Adviser will discuss market conditions with the client, including prevailing spreads and relative value opportunities. The Adviser shall recommend trades and portfolio optimization strategies given client's guidelines. Adviser will review the existing portfolio for bond swap ideas which present a better relative value opportunity given the client's stated objectives. This will require Adviser to keep abreast of market research and perform relative value analysis within the sectors in the client's security portfolio.

Adviser will also present sector and security specific trade ideas and gain market insight from its affiliate Brean Capital, LLC a broker-dealer and FINRA member firm (*See* Item 10 below). Adviser intends to benefit from the insights of Brean Capital, LLC personnel, among others, for:

- Real-time market color about prevailing spreads;
- Proprietary macroeconomic and fixed-income research; and,
- Relative value trading opportunities.

Adviser may, in conjunction with Brean Strategic Advisors, LLC, an affiliated risk analytics and consulting firm, perform credit loss forecasting for regulator-mandated stress testing, including the Federal Reserve's Comprehensive Capital Analysis and Review and/or the Dodd-Frank Act Stress Tests. Additional analytics may include, without limitation, economic capital analyses, funds transfer pricing, scenario generation, impairment analyses, probability-weighted credit risk adjusted return analysis.

**Portfolio Advisory Services for High Net Worth Investors.** Adviser may perform an independent evaluation of a client's portfolio and recommend changes as determined by Adviser in its discretion. Adviser may offer funds targeted to specific trading strategies in certain asset classes.

**Asset-Liability Management.** Upon request of a client, Adviser may perform analysis of our client's assets and liabilities, various risk sensitivities, value and return metrics in myriad interest rate scenarios. These analyses may include monthly Asset-Liability Management Committee reporting, scenario analyses, gap analyses, risk sensitivities, interest rate analyses and reports, which are designed to assist the Chief Financial Officer, Treasurer and Board of Directors of a bank, thrift or other depository institution

in establishing appropriate hedges, deposit and CD rates, CD maturity timeframes and interest rate management of the client's fixed income portfolio.

Upon request of a bank, thrift or other depository institution client, Adviser will send an experienced portfolio manager to attend meetings of the client's Asset-Liability Committee or Investment Committee to advise management executives and board members on investment and interest rate strategy formation and implementation.

**Market Commentary.** The Adviser makes available, on a subscription fee basis, daily and ad-hoc analysis, as well as, weekly commentary of the financial markets. Publications are intended to help identify opportunities in fixed income trading strategies and broad global macro trading strategies. Publications are prepared by Peter Tchir, the Managing Director of Brean Capital, LLC. The Adviser offers reporting only services and reporting with regular direct contact with Mr. Tchir.

### **MISCELLANEOUS**

**Limited Consulting/Implementation Services.** Neither the Adviser, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of the Adviser's services should be construed otherwise. To the extent requested by a client, the Adviser may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute recommendation from the Adviser. Please Note: If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. Please Also Note: It remains the client's responsibility to promptly notify the Adviser if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Adviser's previous recommendations and/or services.

**Fixed Fee Investment Advisory Services.** The Adviser may provide investment advisory services on a fixed fee basis based upon various objective and subjective factors, including, scope of the advisory service to be provided, the complexity of the engagement, types of investments, and in the event of a non-discretionary engagement, the dollar amount of any recommended transaction. The terms and conditions of any such engagements shall be set forth in an Investment Advisory Agreement between the Adviser and the client. Please Note: Adviser's affected fixed fee clients could pay different fees based upon these subjective factors, which services could be available from other advisers at lower fees.

**Please Note: Cash Positions.** At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), the Adviser may maintain cash positions for defensive purposes. All cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating the Registrant's advisory fee.

**Client Obligations.** In performing its services, Adviser shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Adviser in writing if there is ever any

change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Adviser's previous recommendations and/or services.

**Disclosure Statement.** A copy of the Adviser's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement*.

- C. The Adviser shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Adviser shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Adviser's services.
- D. The Adviser does not sponsor or participate in a wrap fee program.
- E. As of December 31, 2016, Adviser had \$0 in assets under management on a discretionary basis.

## **Item 5            Fees and Compensation**

- A. **Asset-Based Fee for Financial Institution Clients' Fixed Income Portfolio.** Adviser's annual fee for Executive Portfolio Management is based on a percentage of assets under management, according to the following schedule:

For portfolios with a minimum of \$100 million:

<b><i>Market Value of Account</i></b>	<b><i>Annual Fee</i></b>
First \$100 million of assets	11 basis points
Additional \$100 million of assets	9 basis points
Additional \$100 million of assets	7 basis points
Additional assets	5 basis points

For portfolios with less than \$100 million:

<b><i>Market Value of Account</i></b>	<b><i>Annual Fee</i></b>
First \$25 million of assets	15 basis points
Next \$25 million of assets	13 basis points
Next \$25 million of assets	9 basis points
Next \$25 million of assets	7 basis points

Although Adviser has established the fee schedule above, Adviser retains the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include, among other things, the complexity of the client's investment strategy, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition and reports. The annual fee schedule applicable to an institution will be set forth in the client's investment advisory agreement with Adviser (the "Advisory Agreement").

**Fixed Fee.** A fixed fee may be applicable, depending on engagement parameters such as the nature of any credit analytics and reporting, to an institution will be set forth in the client's Advisory Agreement.

**Asset-Based Fee for Certain Discretionary High Net Worth Investor Accounts with Equity Derivatives.** For certain accounts, Adviser may charge a management fee of 2% of assets under management and 20% of any return greater than a pre-determined hurdle rate. (See Item 6 below).

**Market Commentary.** The Adviser charges a subscription fee based upon the number of subscribers and the level of contact to be had with Mr. Tchir. Report only services for three (3) or fewer subscribers is offered at \$5,000 per year. Report only services for four (4) or more subscribers is offered at \$10,000 per year and also includes an annual meeting/call. For those subscribers who would like to be able to directly interact with Mr. Tchir, the Adviser offers that ability as well as the regular market reporting and an annual meeting/call for \$20,000 per year. If a subscriber would prefer more frequent meetings, the Adviser offers a quarterly meeting/call service option for \$40,000 per year.

- B. Clients may elect to have the Adviser's advisory fees deducted from their custodial account. Both Adviser's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Adviser's investment advisory fee and to directly remit that management fee to the Adviser in compliance with regulatory procedures. In the limited event that the Adviser bills the client directly, payment is due upon receipt of the Adviser's invoice. Generally, the Adviser shall deduct fees and/or bill clients monthly in arrears, based upon the market value of the assets on the last business day of the previous month.
- C. As discussed below, the Adviser may recommend broker-dealer/custodian(s) to serve as the broker-dealer/custodian for the client's investment management assets. In certain circumstances, the Adviser may recommend that Brean Capital, LLC, an affiliated broker-dealer and FINRA member firm ("Brean Capital"), serve as the broker-dealer for certain assets. Broker-dealers charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). However, on transactions executed through Brean Capital, Brean Capital will generally earn a Markup on purchases and/or sales on approved transactions, in lieu of brokerage commissions and/or transaction fees typically. "Markup" shall be defined as the difference between Brean Capital's achieved execution and the prices a client authorizes for execution of the transactions.

Adviser occasionally trades the same securities in client portfolios that are traded by Brean Capital for its clients' portfolios. When this occurs, Adviser's clients may receive a better or worse price or execution than Brean Capital's clients depending on the order of trade execution, the type of security traded and the broker-dealer used. In order to minimize the potential for any systematic disadvantage to clients, when trades are placed by (or at the direction of) a Principal in the same security on the same day for clients of Adviser, the Principal will seek to obtain best execution in a manner deemed fair and reasonable by the Adviser.

**Tradeaway/Prime Broker Fees.** Relative to the Adviser's discretionary investment management services, when beneficial to the client, individual fixed income transactions

may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate “tradeaway” and/or prime broker fee charged by the account custodian.

- D. Adviser's annual investment advisory fee shall be prorated and paid monthly, in arrears, based upon the market value of the assets on the last business day of the previous month. The Adviser generally requires a minimum asset level of \$250,000 for investment advisory services. The Adviser, in its sole discretion, may reduce its minimum asset level requirement or charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The Investment Advisory Agreement between the Adviser and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, the Adviser shall refund the prorated portion of the advanced advisory fee paid based upon the number of days remaining in the billing month.

- E. **Securities Commission Transactions.** In the event that the client desires, the client can engage certain of Registrant's representatives, in their individual capacities, as registered representatives of Brean Capital, a FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through Brean, Brean will charge brokerage commissions to effect securities transactions, a portion of which commissions Brean shall pay to Registrant's representatives, as applicable. The brokerage commissions charged by Brean may be higher or lower than those charged by other broker-dealers. In addition, Brean, as well as Registrant's Representatives, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

1. **Conflict of Interest:** The recommendation that a client purchase a commission product from Brean presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives.
2. **Please Note:** Clients may purchase investment products recommended by Registrant through other, non-affiliated broker dealers or agents.
3. The Registrant does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the Registrant recommends to its clients.
4. When Registrant's representatives sell an investment product on a commission basis, the Registrant does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, the Registrant's representatives do not also receive



commission compensation for such advisory services (except for any ongoing 12b-1 trailing commission compensation that may be received as previously discussed). However, a client may engage the Registrant to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Registrant's representatives on a separate commission basis.

## **Item 6            Performance-Based Fees and Side-by-Side Management**

Rule 205-3 of the Investment Advisers Act of 1940 permits a registered investment adviser to enter into a performance fee agreement with certain sophisticated clients who have the capacity to bear the potential additional risks of such a fee arrangement. An adviser can rely on Rule 205-3 only if the performance fee agreement is with "eligible" clients. Eligible clients are defined in the Rule as natural persons and companies that have *either* at least \$1,000,000 under management with the Adviser immediately after entering into a performance fee agreement *or* a net worth at the time the agreement is entered into in excess of \$2,100,000 (i.e. a natural person's net worth may include assets held jointly with a spouse).

Consistent with the parameters of Rule 205-3 of the Investment Advisers Act of 1940 (to the extent Rule 205-3 is applicable), the Adviser (and/or Adviser's affiliated entities) may also receive, for managed accounts, incentive or performance fee compensation on a fully disclosed written basis. Because Adviser and its representatives manage client accounts that charge both an asset-based fee and/or a performance based fee, this arrangement creates a conflict of interest, as Adviser and its representatives have an incentive to favor investments where Adviser receives both an asset-based fee and a performance fee.

## **Item 7            Types of Clients**

The Adviser's clients shall generally include banking and thrift institutions, corporations, insurance companies and high net worth individuals. The Adviser generally requires an annual minimum asset level of \$250,000 for investment advisory services. The Adviser, in its sole discretion, may charge a lesser investment management fee and/or reduce its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. The Adviser may utilize the following methods of security analysis:
- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
  - Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

The Adviser may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Swaps (the exchange of one security for another to change the maturity)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Adviser) will be profitable or equal any specific performance level(s). In fact, a client may lose some or all of their investment.

***Credit Risk.*** The issuer of a fixed income security may not be able or willing to make interest and principal payments when due.

***Change in Credit Rating and/or Risk Weight.*** If a rating agency gives a debt security a lower rating, the value of the debt security will typically decline because investors will demand a higher rate of return. The applicable regulatory risk weight may also change.

***Interest Rate Risk.*** As nominal interest rates rise, the value of fixed income securities held by client is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate. Inflation-indexed securities, including Treasury Inflation-Protected Securities (TIPS), decline in value when real interest rates rise. In certain interest rate environments, such as when real interest rates are rising faster than nominal interest rates, inflation-indexed securities may experience greater losses than other fixed income securities with similar duration.

***Duration Risk.*** Prices of fixed income securities with longer effective maturities and durations are more sensitive to interest rate changes than those with shorter effective maturities and durations.

***Prepayment and Extension Risk.*** As interest rates decline, the issuers of securities held by a client may prepay principal earlier than scheduled, forcing the client to reinvest in lower yielding securities. As interest rates increase, slower than expected principal payments may extend the average life of fixed income securities, locking in below-market interest rates and reducing the value of these securities. To the extent that a client invests in mortgage-backed securities, there is a greater risk that the client will lose money due to prepayment and extension risks associated with these securities.

***Premium/Discount Risk.*** When a client buys a fixed-income security at a premium to its face value, it will be subject to the risk that the entire coupon (interest rate) may be paid out as a dividend. Over time the value of the client's portfolio may decline, because the premium on the fixed income security declines as it approaches maturity (at maturity the market price of a fixed income equals its face value). The declining premium lowers the value of the security in the client's portfolio. Thus the client may have attained a higher payout over the life of the fixed income, but at the expense of erosion in the value of such security over time. Premium erosion is most frequent among government and investment-grade corporate bond funds.

***Municipal Securities Risks.*** Municipal securities are subject to the risk that the municipality may be unable or unwilling to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer are domiciled.

***U.S. Government and Agency Securities.*** Adviser may invest in U.S. Government securities. U.S. Government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. Government securities may be supported by the full faith and credit of the United States. If a U.S. Government agency or instrumentality defaults and the U.S. Government does not stand behind the obligation, the securities could decline in value. Securities of U.S. Government-sponsored entities, such as Freddie Mac or Fannie Mae, are neither issued nor guaranteed by the U.S. Government.

***Mortgage-and Asset-Backed Securities Risk.*** Mortgage-related securities include pass-through securities, collateralized mortgage obligations (“CMOs”), commercial mortgage-backed securities, mortgage dollar rolls, CMO residuals and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. The value of some mortgage-or asset-backed securities may be particularly sensitive to changes in prevailing interest rates. Early repayment of principal on some mortgage-related securities may expose a client to a lower rate of return upon reinvestment of principal. When interest rates rise, the value of a mortgage-related security generally will decline; however, when interest rates are declining, the value of mortgage-related securities with prepayment features may not increase as much as other fixed income securities. The value of these securities may fluctuate in response to the market’s perception of the creditworthiness of the issuers. Asset-backed securities typically are supported by some form of credit enhancement, such as a letter of credit, surety bond, limited guaranty or senior subordination. The degree of credit enhancement varies, but generally amounts to only a fraction of the asset-backed security’s par value until exhausted. If the credit enhancement is exhausted, certificate holders may experience losses or delays in payment if the required payments of principal and interest are not made to the trust with respect to the underlying loans. The value of these securities also may change because of changes in the market’s perception of the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing the credit enhancement. In addition, these securities also may be subject to prepayments which may shorten the securities’ weighted average life and may lower their returns.

***Junk Bond Risk.*** A client may be subject to greater levels of credit risk as a result of investing in high yield securities and unrated securities of similar credit quality (commonly known as “junk bonds”). These securities are considered predominately speculative with respect to the issuer’s continuing ability to make principal and interest payments. An economic downturn or period of rising interest rates could adversely affect the market for these securities and reduce a client’s ability to sell these securities (liquidity risk). If the issuer of a security is in default with respect to interest or principal payments, the client may lose its entire investment.

***Derivatives Risk.*** Adviser may invest in derivatives to gain market exposure, enhance returns or hedge against market declines. Examples of derivatives are options, futures,

options on futures and swaps. Adviser's use of derivative instruments involves risks different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. These risks include: (i) the risk that the counterparty to a derivative transaction may not fulfill its contractual obligations, (ii) risk of mispricing or improper valuation, and (iii) the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index. These risks could cause an investment to lose more than the principal amount invested. In addition, investments in derivatives may involve leverage, which means a small percentage of assets invested in derivatives can have a disproportionately larger impact on the investment.

**Equity Risk.** The prices of equity securities in which the Adviser may invest rise and fall daily. These price movements may result from factors affecting individual companies, industries or the securities market as a whole. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may decline in response. In addition, the equity market tends to move in cycles which may cause stock prices to fall over short or extended periods of time.

- B. The Adviser's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Adviser must have access to current/new market information. The Adviser has no control over the dissemination rate of market information; therefore, unbeknownst to the Adviser, certain analyses may be compiled with outdated market information, severely limiting the value of the Adviser's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Adviser's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but may incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

- C. Adviser may recommend investments in securities, loans and leases in asset classes Adviser believes to be relatively undervalued, based on credit, quality, sector, coupon or maturity. Adviser seeks to identify fixed income sectors that it believes are favorable to clients and the future prospects of each sector based on recent performance, monetary policy, investor sentiment, market momentum, business fundamentals, business cycles, and/or market cycles. Once Adviser identifies a sector that is outperforming or has the potential to outperform the market as a whole, Adviser identifies compelling specific investment opportunities based on its review of factors such as, for a fixed income

security, the issuer's current and historical spreads to comparable Treasury securities, and fundamental analysis of issuer's future prospects.

Adviser may offer funds targeted to specific trading strategies in certain asset classes. A certain fund may, for example, employ a combination of research and/or quantitative based security analysis using proprietary methods which are always being updated. Some trades will rely primarily on quantitative criteria, with no hunches or biased opinions. The trading is not systematic or automatic and each trade is chosen individually on its own merits.

The Adviser primarily allocates client investment assets among various debt instruments including corporate debt, commercial paper, certificates of deposit, municipal securities, collateralized mortgage obligations, mortgage-backed securities, equities, open and closed end mutual funds and ETFs, and derivatives in accordance with the client's designated investment objective(s).

## **Item 9           Disciplinary Information**

Neither the Adviser nor any management person of the Adviser have been the subject of any disciplinary actions.

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

- A. ***Registered Representative of Brean Capital.*** As disclosed above in Item 5.E, certain of Registrant's representatives are also registered representatives of Brean Capital, an affiliated entity and FINRA member broker-dealer.
- B. Neither the Adviser, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. ***Affiliated Broker-Dealer - Brean Capital LLC.*** Management personnel and related persons of Adviser are separately licensed as principals, registered representatives Brean Capital, a registered broker-dealer and member of FINRA/SIPC. In such capacity, these individuals may purchase and sell securities for customers and receive separate and customary commissions. While Adviser and these individuals endeavor at all times to put the interest of Adviser's clients first as part of Adviser's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest.

Also, as noted above in Item 5, in certain circumstances, the Adviser may recommend that Brean Capital serve as the broker-dealer for certain assets. Brean Capital will generally earn Markups on purchases and/or sales on an approved basis for transactions executed, in lieu of brokerage commissions and/or transaction fees typically. "Markup" shall be defined as the difference between Brean Capital's achieved execution and the prices a client authorizes for execution of the transactions.

***Affiliated asset-liability management firm – Brean Strategic Advisors, LLC.*** Management personnel and related persons of Adviser may recommend Brean Strategic Advisors, LLC, an affiliated credit and asset-liability management firm, to clients of

Adviser (“Brean Strategic”). Adviser’s principals and employees may be entitled to receive salaries, bonuses, referral fees and equity distributions from Adviser and Brean Strategic. Clients should be aware that the receipt of additional compensation by Adviser and its principals or employees creates a conflict of interest.

***Conflict of Interest.*** No client is under any obligation to engage the services of our representatives in their individual capacities as registered representatives of Brean Capital or the services of any of our affiliates. Furthermore, clients are reminded that they may purchase commission products recommended by Adviser through other, non-affiliated broker-dealers. The Registrant’s Chief Compliance Officer, Alexander Sellinger, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.

- D. The Adviser does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Adviser maintains an investment policy relative to personal securities transactions. This investment policy is part of Adviser’s overall Code of Ethics, which serves to establish a standard of business conduct for all of Adviser’s Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

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

- B. Neither the Adviser nor any related person of Adviser recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Adviser and/or representatives of the Adviser *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Adviser and/or representatives of the Adviser are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Adviser did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Adviser’s clients) and other potentially abusive practices.

The Adviser has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Adviser’s “Access Persons”. The Adviser’s securities transaction policy requires that an Access Person of the Adviser must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access

Person. Quarterly transaction reports must be submitted to the Chief Compliance Officer. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Adviser selects; provided, however that at any time that the Adviser has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Adviser and/or representatives of the Adviser *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Adviser and/or representatives of the Adviser are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Adviser has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Adviser's Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that the Adviser recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Adviser to use a specific broker-dealer/custodian), Adviser may recommend certain broker-dealer/custodians, including Brean Capital, an affiliated FINRA member broker-dealer. Prior to engaging Adviser to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Adviser setting forth the terms and conditions under which Adviser shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Adviser considers in recommending a broker-dealer/custodian or an investment platform (or any other broker-dealer/custodian to clients) include historical relationship with the Adviser, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Adviser's clients shall comply with the Adviser's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Adviser determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Adviser will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Adviser's investment management fee.

### **1. Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Adviser may receive from broker-dealer/custodian(s) without cost (and/or at a discount) support services and/or products, certain of which assist the Adviser to better monitor and service client accounts maintained at such institutions. Included within the support

services that may be obtained by the Adviser may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Adviser in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist the Adviser in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Adviser to manage and further develop its business enterprise.

Adviser's clients do not pay more for investment transactions effected and/or assets maintained at any broker-dealer/custodian as a result of any arrangement. There is no corresponding commitment made by the Adviser to any broker-dealer/custodian or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

The Adviser's Chief Compliance Officer, Alexander Sellinger, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

2. The Adviser may receive referrals from various individuals and firms, including Brean Capital, an affiliated broker-dealer and FINRA member firm. However, such referrals have no bearing on the broker-dealer recommended by the Adviser for client accounts.
3. The Adviser does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Adviser will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Adviser. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Adviser to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Adviser. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.



The Adviser's Chief Compliance Officer, Alexander Sellinger, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that the Adviser provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Adviser decides to purchase or sell the same securities for several clients at approximately the same time. The Adviser 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 the Adviser'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 be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Adviser shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Adviser provides investment supervisory services, account reviews are conducted on an ongoing basis by the Adviser's Principal and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Adviser in writing of any changes in their investment objectives and/or financial situation.
- B. The Adviser may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Adviser may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, the Adviser may receive an economic benefit from broker-dealer/custodian(s). The Adviser, without cost (and/or at a discount), may receive support services and/or products from broker-dealer/custodian(s).

Adviser's clients do not pay more for investment transactions effected and/or assets maintained at any particular broker-dealer/custodian as a result of this arrangement. There is no corresponding commitment made by the Adviser to any other entity to invest any specific amount or percentage of client assets in any specific securities or other investment products as result of the above arrangement.

The Adviser's Chief Compliance Officer, Alexander Sellinger, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.

- B. If a client is introduced to the Adviser by either an unaffiliated or an affiliated solicitor, Adviser may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Adviser's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Adviser by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of the Adviser's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Adviser and the solicitor, including the compensation to be received by the solicitor from the Adviser.

## **Item 15      Custody**

The Adviser shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Adviser may also provide a written periodic report summarizing account activity and performance.

Please Note: To the extent that the Adviser provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Adviser with the account statements received from the account custodian. Please Also Note: The account custodian does not verify the accuracy of the Adviser's advisory fee calculation.

## **Item 16      Investment Discretion**

The Adviser does not generally provide investment management services on a discretionary basis. However in certain limited circumstances the Adviser may offer investment management services to high net worth clients.

Prior to the Adviser assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming the Adviser as the client's attorney and agent in fact, granting the Adviser full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Adviser on a discretionary basis may, at anytime, impose restrictions, in writing, on the Adviser's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Adviser's use of margin, etc.).

## **Item 17      Voting Client Securities**

- A. Unless the Adviser agrees otherwise in writing, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Unless the Adviser agrees otherwise in writing to vote client proxies, clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Adviser to discuss any questions they may have with a particular solicitation.

## **Item 18      Financial Information**

- A. The Adviser does not solicit fees of more than \$500, per client, six months or more in advance.
- B. The Adviser is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Adviser has not been the subject of a bankruptcy petition.

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

- A. Robert Fine and Robert Tirschwell are Members of the Adviser.
- B. As referenced throughout this Part 2A Brochure, certain representatives are registered representative of *Brean Capital, LLC*.
- C. As referenced in Item 6, the Adviser may receive compensation based upon the performance of its recommendations.
- D. Neither the Adviser, nor its representatives have been the subject of any disciplinary actions.
- E. Neither the Adviser, nor its representatives, have any relationship or arrangement with any issuer of securities.

ANY QUESTIONS: The Adviser's Chief Compliance Officer, Alexander Sellinger, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.