

**Firm Brochure  
(Part 2 A of Form ADV)**



**Grassi Investment Management, LLC**

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**This brochure provides information about our qualifications and business practices.**

**If you have any questions about the contents of this brochure, please contact us telephone or by email at [invest@grassiinvest.com](mailto:invest@grassiinvest.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. Registration does not imply a certain level of skill or training.**

**Additional information is also available on the internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

**Our searchable IARD/CRD number is 108690**

## **Item 2: Summary of Material Changes**

We no material changes to report since the last filing on February 17, 2021

Whenever you would like to receive a complete copy of our brochure, please contact us by telephone or by email.

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## **Item 4: Advisory Business**

### **Firm Description**

Grassi Investment Management, LLC, was founded in 1984.

### **Services**

Grassi Investment Management, LLC provides discretionary and nondiscretionary investment management services.

We provide personalized confidential investment management to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations and small businesses.

We assist you in determining investment objectives and monitor accounts on a daily basis.

The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted.

We do not act as a custodian of your assets. You always maintain asset control. We place trades for you under a limited power of attorney.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

### **Principal Owners**

Peter T. Grassi is a Managing Member and Chief Compliance Officer

Peter E. Grassi is a Managing Member

### **Advisory Services**

We provide investment supervisory services, also known as asset management services.

### **Assets Under Management**

As of December 31, 2021, we manage \$1,148,980,217 in total assets for our clients. Out of the total assets we manage \$1,064,950,792 is managed on a discretionary basis, and \$84,029,425 is managed on a non-discretionary basis.

### **Asset Management**

Assets are invested primarily in the following types of portfolios:

#### **GIM Equity Portfolio**

A focused group of stocks designed to compete with the S&P 500 value index.

#### **GIM Balanced Portfolio**

Implements the GIM Equity Portfolio and allocates a portion to fixed income thus providing cash flow, and reducing risk and overall volatility to the portfolio

### **GIM Income Strategy Portfolio**

Invests in dividend paying stocks and fixed income securities, which offer total return opportunities and provide a cushion during times of challenging market conditions.

### **GIM Fixed Income Portfolio**

Invests in a variety of high quality and to a lesser extent medium quality fixed income securities.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. We do not receive any compensation, in any form, from fund companies.

We generally do allow clients to impose restrictions on investing in certain securities.

We do not invest in wrap fee programs or manage assets for any wrap fee accounts.

### **Termination of Agreement**

You may terminate our agreement on 5 days written notice. Upon termination, any pre-paid fees will be prorated to the date of termination and unearned fees will be returned to you.

We may terminate the agreement at any time by notifying you in writing. If you made an advance payment, we would refund any unearned portion of the advance payment.

## **Item 5: Fees and Compensation**

### **Description**

We base our fees on a percentage of assets under management.

We, in our sole discretion, may waive our minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

#### *Equity and Balanced Funds*

<u>Account Value</u>	<u>Annual Fee</u>
On the first \$2,000,000	1.00%
On the next \$8,000,000	0.75%
On the balance of assets	0.50%

Minimum annual fee: \$10,000

#### *Fixed Income Funds*

<u>Account Value</u>	<u>Annual Fee</u>
On the first \$10,000,000	0.50%
On the next \$10,000,000	0.35%
On the balance of assets	0.30%

Minimum annual fee: \$10,000

Fees may be negotiable in some circumstances.

### **Fee Billing**

Investment management fees are billed quarterly, in advance. Fees are calculated quarterly based on the portfolio value of the client's assets under management, including accrued interest, at the close of business on the last day of the prior calendar quarter. All assets in any form in the client's account are considered in determining the portfolio value, including cash balances, money market assets, equity and debt positions. Fees are usually deducted from a designated client account to facilitate billing. You must consent in advance to direct debiting of your investment account.

### **Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

### **Expense Ratios**

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to us.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

## **Item 6: Performance-Based Fees**

### **Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

We do not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## **Item 7: Types of Clients**

### **Description**

We generally provide investment advice to individuals, pension and profit-sharing plans, trusts, estates, or charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

We generally require discretionary advisory clients to maintain a minimum account size of \$1,000,000, although this minimum may be waived in certain circumstances. Clients receiving ongoing asset management services will be assessed a \$10,000 minimum annual fee. Clients with assets below the minimum account size may pay a higher percentage rate on their annual fees than the fees paid by clients with greater assets under management.

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

### **Methods of Analysis**

#### **Quantitative Process**

##### **Selection Process - Line-Item Forecasting**

- Companies from our custom screening process are modeled at the line-item level to fine-tune target prices and eliminate unattractive stocks.
- Upon a company's quarterly earnings announcement, the Grassi Investment Management (GIM) valuation model is updated to reflect management forecast and operating performance.
- Income statement forecasting, tying to company forecasts and accurately reflecting the consensus earnings expectations.
- Line-item balance sheet detail, with attention to working capital management and expectations for capital expenditures.
- Attention to capital structure and free cash flow allocation regarding share repurchase and dividend payments.
- The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

#### **Qualitative Factors**

- On top of quantitative research, analysts spend a significant amount of time understanding the company's strategy and risks.
- What does the competitive landscape look like and does the company maintain a sustainable competitive advantage? What are the barriers of entry in the industry?
- What specific business or economic risk does the company face?
- What, if any, significant litigation is the company facing? What regulation is the company subject to?
- Have there been any changes in the executive team?



- Has the company recently made any significant acquisitions and, if so, what are the strategic implications and costs?

### **Investment Strategies**

For equity portfolios, we employ a "bottom up" investment strategy that focuses on fundamental analysis and research and seeks to identify specific companies that have both value and growth potential. For fixed income portfolios, we focus on the total rate of return and seek to achieve this goal by purchasing debt securities with staggered maturities to take advantage of fluctuating interest rates. Accounts can be managed to suit certain socially responsible investors.

We implement a portion of our investment recommendations with mutual funds. You, like all mutual fund shareholders, will be paying a proportionate share of the mutual fund's management and administrative fees and sales charges, in addition to our fees. Detailed information regarding each fund's expenses and fees may be obtained in the prospectus for each fund.

### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind.

Investors face the following investment risks:

**Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

**Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

**Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

**Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

**Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

**Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

**Pandemic Risk –** Large-scale outbreaks of infectious disease that can greatly increase morbidity and mortality over a wide geographic area, crossing international boundaries, and causing significant economic, social, and political disruption.

## **Item 9: Disciplinary Information**

### **Legal and Disciplinary**

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

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

### **Financial Industry Activities**

We are not involved in any other financial industry activities.

### **Affiliations**

We have no arrangements that are material to our advisory business or you with any other entity.

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

### **Code of Ethics**

We have adopted a Code of Ethics. The Code sets forth the expectations as respects standards of conduct, fiduciary duties, required compliance with all securities regulations, required reporting of personal trading, pre-approval of participation in any initial public offering or private placement, required reporting of violations of the Code to the Chief Compliance Officer, and required written acknowledgement of receipt of the Code by personnel. A copy of the Code of Ethics is available to clients and prospects upon request.

### **Participation or Interest in Client Transactions**

From time to time, we may cause you to buy a security in which we or an associated person has an ownership position, or we or an associated person of ours may purchase a security of the same class as securities held in a client's account. It is our policy not to permit associated persons (or certain of their relatives) to trade in a manner that takes advantage of price movements caused by your' transactions.

From time to time, trading by us and our associated persons (and certain of their relatives) in particular securities may be restricted in recognition of impending investment decisions on behalf of clients. If transaction orders for you and us (and/or our associated persons and

relatives) are not aggregated (see discussion under Order Aggregation), then transaction orders for us and its associated persons will be the last orders filled. Our members, officers and employees will be required to report all personal securities transactions to us quarterly.

We and our associated persons may purchase or sell specific securities for their own account based on personal investment considerations without regard to whether the purchase or sale of such security is appropriate for clients.

### **Personal Trading**

The Chief Compliance Officer is Peter T. Grassi. He reviews all employee trades each quarter. His trades are reviewed by Peter E. Grassi. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment.

## **Item 12: Brokerage Practices**

### **Selecting Brokerage Firms**

We do not have any affiliation with product sales firms. Specific custodian recommendations are made to you based on your need for such services. We recommend custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

We recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we may recommend that clients establish accounts at Schwab, it is your decision to custody assets with Schwab. We are independently owned and operated and not affiliated with Schwab.

Schwab provides us with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon us committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to us other products and services that benefit us but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of our accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade

confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of our fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab also offers other services intended to help us manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to us. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to us. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that client's custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### **Directed Brokerage**

In some instances, because of a prior relationship between a client and one or more brokers, or for other reasons, you may instruct us to execute any or all securities transactions for your account with or through one or more brokers designated by you. In such cases, you are responsible for negotiating the terms and conditions (including, but not limited to, commission rates) relating to all services to be provided by such brokers and you are satisfied with such terms and conditions. We have no responsibility for obtaining the best prices or any particular commission rates for transactions with or through any such broker for such account. You recognize that we may not obtain rates as low as we might otherwise obtain if we had discretion to select broker-dealers other than those chosen by you. If we believe, in our exclusive discretion, that we cannot satisfy our fiduciary duty of best execution by executing a transaction for your account with a broker designated by you, we may execute that transaction with a different broker-dealer. Any client providing instructions to us regarding direction of brokerage transactions must notify us in writing if the client desires us to cease executing transactions with or through any such broker-dealer.

We do not receive fees or commissions from any of these arrangements.

### **Best Execution**

We review the execution of trades at each custodian annually. The review is documented in our Compliance Manual. Trading fees charged by the custodians are also reviewed on an annual basis. We do not receive any portion of the trading fees.

### **Soft Dollars**

We do not receive any soft dollar benefits from broker/dealers acting as custodian for your accounts.

## **Order Aggregation**

We perform investment management services for various clients. There are occasions in which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by us, some of which accounts may have similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they will be effected only when we believe that to do so will be in the best interest of the affected accounts. When such concurrent authorizations occur, the objective will be to allocate the trades in a manner which is deemed equitable to the accounts involved. We may aggregate trades for employee accounts with those of clients, however, such employee transactions will occur only after client orders are completed or at the same time but not on terms that are more favorable than those received by clients.

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

### **Periodic Reviews**

Your investments are reviewed at the inception of our relationship, and thereafter as often as is mutually agreed between us based on your stated objectives.

Account reviews are performed more frequently when market conditions dictate.

### **Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

### **Regular Reports**

Generally all investment reports are provided to clients at inception of the relationship and during each review cycle with the client, as mutually agreed. Reports are also provided to clients by the custodian of the assets.

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

### **Incoming Referrals**

We have been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. We do not compensate referring parties for these referrals.

In the past we received client referrals from Charles Schwab & Co., Inc. ("Schwab") through our participation in Schwab Advisor Network ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with us. Schwab does not supervise us and has no responsibility for our management of clients' portfolios or our other advice or services. We pay Schwab continuation fees for prior client referrals from the Service.

### **Referrals Out**

We do not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

### **Other Compensation**

We do not receive any commissions or referral fees for any recommendations we make to other professionals.

## **Item 15: Custody**

It is our policy to not accept custody of your securities. In other words, we are not granted access to your accounts which would enable us to withdraw or transfer or otherwise move funds or cash from any of your account(s) to our accounts or the account of any third party (other than for purposes of fee deductions).

However, with your consent, we may be provided with the authority to seek deduction of our fees from your accounts; this process generally is more efficient for both you and us, and there may be tax benefits for you to this method when fees can be paid from certain tax-deferred accounts of clients.

### **Account Statements**

All assets are held at qualified a custodian, which means the custodians provide account statements directly to clients at their address of record at least quarterly.

### **Performance Reports**

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by us.

## **Item 16: Investment Discretion**

### **Discretionary Authority for Trading**

We accept discretionary authority to manage securities accounts on your behalf. We have the authority to determine, without obtaining your specific consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, we consult with you prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

You approve the custodian to be used and the commission rates paid to the custodian. We do not receive any portion of the transaction fees or commissions paid by you to the custodian on certain trades. A limited power of attorney is a trading authorization for this purpose.

## **Item 17: Voting Client Securities**

### **Proxy Votes**

We do not vote proxies. Therefore, although we may provide investment advisory services relative to your investment assets, our clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by you shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to your investment assets. We and/or you shall correspondingly instruct each custodian of the assets to forward to you the copies of all proxies and shareholder communications relating to your investment assets.

## **Item 18: Financial Information**

### **Financial Condition**

We do not have any financial impairment that will preclude us from meeting contractual commitments to clients.

A balance sheet is not required to be provided because we do not serve as a custodian for client funds or securities, and we do not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

## Privacy Notice

We are committed to maintaining the confidentiality, integrity and security of the personal information entrusted to us. Categories of nonpublic information that we collect from Clients will include information about personal finances. If authorized to do so, we will provide specific information to attorneys, accountants, and mortgage lenders with whom clients have established a relationship. With authorization, we also share a limited amount of information about you with various Brokers/Custodians in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, data encryption techniques and authentication procedures in our computer environment. It is also our policy to shred any paper containing non-public information prior to discarding it. We do not provide personal information to mailing list vendors or solicitors.

We have also adopted policies regarding the destruction of data on computers when they are replaced. We will notify clients in the event that there is a breach of computer security.

We require strict confidentiality in our agreements with unaffiliated third parties that require access to clients' personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our records and clients' personal records as permitted by law.

Personally identifiable information about clients is maintained during the time that they are clients, and for the required period thereafter as required by federal and state securities laws. After that time, the information is destroyed.