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***March 31, 2022***

This brochure provides information about the qualifications and business practices of ARX Management, LLC. If you have any questions about the contents of this brochure, please contact us at 310-546-5279 or [arxadmin@arxmgmt.com](mailto:arxadmin@arxmgmt.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 ARX Management, LLC is also available on the SEC's Web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The IARD/CRD number for ARX, LLC is 305659.

ARX Management, LLC is registered as a SEC registered investment adviser. This registration does not imply a certain level of skill or training.

This Firm Brochure (Form ADV Part 2A) is the fifth version prepared by ARX Management, LLC. ARX Management, LCC has made no material changes since the last annual update of its Brochure on March 31, 2021. Certain language has been updated to enhance existing disclosures to this Brochure since ARX Management, LLC filed its last annual amendment although we do not consider such changes to be material.

ARX MANAGEMENT, LLC

**TABLE OF CONTENTS**

Cover Page	1
Material Changes	1
Table of Contents	2
Advisory Business	3
Ownership	3
Qualified Settlement Fund Management	4
Fees and Compensation	4
Types of Clients	5
Methods of Analysis, Investment Strategies and Risk of Loss	5
Disciplinary Information	6
Other Financial Industry Activities and Affiliations	6
Code of Ethics, Participation or Interest in Client Transactions & Personal Trading	7
Brokerage Practices	8
Review of Accounts	8
Client Referrals and Other Compensation	8
Custody	9
Investment Discretion	9
Voting Client Securities	9
Financial Information	9
Biographies	10
Brochure Supplement	11

## **Advisory Business:**

ARX Management, LLC (“hereafter “ARX”) is a Registered Investment Adviser and settlement administrator established in 2011 to meet the needs of attorneys and their clients. Founded by principals with direct experience in the complex litigation and institutional investments management fields, ARX possesses an unmatched mix of expertise relevant to managing Qualified Settlement Funds (“QSF’s”) of all sizes. We take a boutique approach to client service and take pride in building long-term relationships by being accessible and constructing customized solutions for our clients.

ARX is 100% partner-owned and independent. We operate in the best interest of our clients, without the conflicts of interest that may result from affiliations with law firms or other financial institutions.

Our services fall under three primary categories:

- Fiduciary and Trustee Services
- Settlement Administration
- Attorney and Claimant Services

As a **Fiduciary**, ARX is charged with maintaining the highest standard of care when overseeing settlement proceeds. Our 1.468B Qualified Settlement Funds are designed to preserve capital and generate earnings that can offset claimant expenses and augment attorney fees. Each of our funds is directly managed and customized to each settlement, with a keen focus on risk management and capital preservation.

ARX also offers comprehensive **Settlement Administration** services, either directly or through our network of strategic partners. These include claims administration, case management, and lien resolution services.

**ARX Attorney and Claimant Services** are uniquely designed to offer innovative solutions throughout all phases of a litigation. Through our network of strategic partners, we can help arrange attorney fee assignments, structured settlement and attorney fee payments, and special needs trusts.

## **Ownership:**

The principal owner of ARX is Derek S. Brown, CFA. Mr. Brown has 29 years of investment experience, primarily in the construction and management of innovative income and capital preservation products. Prior to establishing ARX, Mr. Brown was the Director of Fixed Income at Transamerica Investment Management (“TIM”) where he managed portfolios and directed investment strategy for a team managing \$8 billion in institutional and retail assets under management. Please see the attached biography for more information.

## **Qualified Settlement Fund Management:**

ARX specializes in the management of IRC 1.468B Qualified Settlement Funds (“QSFs”). In this capacity, ARX is the fiduciary and investment manager for institutional group legal settlement funds. Our strategies are customized to the unique characteristics of each settlement, and seek to achieve principal preservation, meet anticipated liquidity needs, and generate income. ARX utilizes a wide range of high-quality fixed income securities and FDIC-guaranteed bank products to achieve this objective through a highly diversified portfolio. The typical duration range for this strategy is 0.5 to 1.5 years with an average credit quality of A or higher.

These strategies are fully discretionary within the context of guidelines customized to each account.

ARX plans to expand its income-oriented product offerings over the next several years.

As of December 31, 2021, ARX managed \$1.097 billion in discretionary client assets.

## **Fees and Compensation:**

### **Standard Fee Schedule**

#### *Qualified Settlement Fund / Enhanced Cash / Limited Duration:*

First \$50 million	25 basis points
Next \$50 million	20 basis points
Thereafter	15 basis points

The fees described above are annualized and calculated based on average assets under management during the period. Fees are billed directly to the QSF monthly, in arrears.

Client funds may be subject to additional expenses, such as custodial fees, accounting fees, and costs related to the execution of trades. ARX will execute trades under a strict best execution policy, and will use all reasonable means at its disposal to minimize the cost of these services

Fees may be negotiated based on the entire scope of services provided by ARX to the client. For example, fixed fund administration fees may be assessed if the scope of services expands beyond managing Qualified Settlement Funds.

Neither ARX nor any of its supervised persons will accept any compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

**Types of Clients:**

ARX offers fund management services to business entities, corporations, and trusts. Our standard minimum account size is \$1 million. Principals of ARX and its affiliates are not subject to a minimum account size requirement.

**Methods of Analysis, Investment Strategies and Risk of Loss:*****Investment Philosophy:***

Our investment philosophy is based on our belief that the markets are not efficient, and that this dynamic creates opportunities for active managers to add alpha relative to the broad market. We believe benchmarks are simply broad proxies for the market, and do not necessarily represent the best opportunities for income investors. ARX constructs customized portfolios to reflect each client's desired risk and return characteristics, and does not structure portfolios with benchmark tracking error as a consideration. We view investment opportunities through a comprehensive lens and will look across markets and capital structures to identify the best investment opportunities.

***Investment Process:***

Our investment process begins with our assessment and outlook for the global economy over the next 2-5 years. The inputs of this assessment include economic data, credit conditions, fiscal and monetary policy, the geopolitical environment, and business confidence measures.

The macro outlook informs our duration, term structure, and sector positioning. We seek to identify asset classes and sectors we believe offer the best relative value within the opportunity set permitted by each mandate. Once these are identified, we embark on a bottom-up research process at the security level. We focus on fundamental health and credit characteristics of the issuer, security specific structural features, and valuation relative to other opportunities.

Risk management is inherent in every step of our process. Our portfolios are constructed to reflect our best investment ideas in a mandate-appropriate manner, with each client's risk tolerance and liquidity requirements as our primary considerations. We utilize proprietary and state-of-the-art third-party systems to construct and monitor portfolios, manage risk, and execute trades. Portfolio and security compliance are monitored daily, and formal investment targets are reviewed monthly.

We utilize the process outlined above for our most conservative enhanced cash portfolios, which must maintain minimal margin for loss, as well as our strategic income offerings, which possesses higher risk and return characteristics.

***Risk of Loss:***

Investing in securities is inherently risky. An investment in individual securities or in a portfolio of securities could lose money. The investments selected by the ARX are designed for sophisticated investors who fully understand and are capable of bearing the risk of loss of their entire investment. The Advisor cannot give any guarantee that it will achieve its investment objectives or that any client will receive a return of its investment. Investments in fixed income securities are subject to credit, liquidity, prepayment, and interest rate risks, any of which may adversely impact the price of the security and result in a loss. Portfolio investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.) which may therefore adversely affect the performance of client accounts and their investments. Some force majeure events may adversely affect the ability of ARX to perform its obligations until it is able to remedy the force majeure event.

**Disciplinary Information:**

Neither ARX, its principals, nor any of its related persons have been subject to any legal or disciplinary events. Clients and prospective clients are welcome to view the CRD records (registration records) for ARX through FINRA's database online at [www.finra.org/investors](http://www.finra.org/investors). The CRD number for ARX is 305659.

**Other Financial Industry Activities and Affiliations:**

The primary business of ARX and its officers is investment management and administration of IRC 468B Qualified Settlement Funds. In this capacity, ARX acts as fiduciary and trustee of the funds and is responsible for establishing the funds, setting and executing investment strategy, managing investments, making required disbursements, and ensuring IRS and regulatory compliance. At its discretion, ARX may outsource a portion or all of this function to other investment managers. If ARX chooses to outsource management to a third-party manager, it will ensure the manager is licensed prior to outsourcing or referring any of its functions. ARX does not accept compensation, gifts, or entertainment from the outside managers.

Neither ARX nor any of its management persons are registered, or have an application pending to register, as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities.

ARX outsources certain parts of its business to other firms with proven expertise in specialized non-investment fields, typically legal services firms.

ARX may at times refer clients to financial products provided by third parties, for which we may receive compensation. These referrals are for products not offered by ARX, such as tax-advantaged attorney fee deferral programs and structured settlements for claimants. Many of these products are customized, and our basis for recommendation is the provider's ability to provide a solution that addresses very specific client needs. In cases where we are referring more widely available investment products, we make every effort to direct clients to products with the lowest possible fees.

These referrals in no way impact the management of our Qualified Settlement Funds or separate accounts.

This practice presents a conflict of interest, inasmuch as it provides members of ARX an incentive to recommend products for which we receive compensation. In the case that recommended investment products are widely available, we advise clients of their option to purchase these products from another provider.

## **Code of Ethics, Participation or Interest in Client Transactions & Personal Trading:**

ARX maintains a Code of Ethics that promotes its fiduciary duty. The Code of Ethics articulates the importance of trust as a foundation to the relationship between an investment adviser and its clients and establishes policies and procedures to ensure that ARX places the interests of clients first. The Code of Ethics requires that ARX adhere to all applicable securities and related laws and regulations. The Code of Ethics also requires ARX to follow industry “best practices” involving confidential information, suitability of investments, personal trading on the part of ARX, and the disclosure of conflicts of interest.

ARX or its management persons may have an interest in client transactions insofar as they may personally invest in the same securities invested into the clients accounts. These transactions involve a conflict of interest as ARX or its management persons may benefit from an increase in price from subsequent purchases by advisory clients. To address this conflict of interest, ARX and its management persons will adhere to the following procedures regarding personal trading:

(1) Client transactions will always be placed ahead of those for ARX Management and its management persons;

(2) ARX and its management persons will primarily invest in securities that are widely traded;

(3) Neither advisory clients nor ARX and its management persons will have enough funds invested in any given security to move the market in that particular security.

(4) ARX and its management persons are prohibited from buying or selling any securities at the same time or about the same time the security is being bought or sold for the client’s account. ARX may establish (or close) client positions in particular securities over multiple trading days, ARX’s prohibition on trading in advance of clients refers not only to intraday sequence but across days as well, sometimes even weeks. ARX will maintain a policy requiring pre-clearance for all personal account trading.

A copy of the Adviser’s Code of Ethics is available upon request for any client or prospective client.



**Brokerage Practices :**

ARX selects and determines the broker to be used for each transaction strictly on execution. Consistent with our best execution policy, our trading policy is to put brokers in competition when executing buy or sell transactions and execute the trade with the broker offering the best level. For less liquid securities we use brokers that, in our professional opinion, can provide adequate liquidity at fair market levels. In these situations, we make every effort to verify the appropriate market level for the transaction.

As standard practice, broker/dealers provide transacting clients access to their firm's research. Under no circumstances will ARX choose to execute a trade at an inferior level in exchange for research. Further, ARX does not engage in business with any soft dollar brokers. ARX has no directed brokerage arrangements.

**Review of Accounts:**

ARX reviews all clients' account holdings and transactions daily and calculates management fees monthly. All portfolios are reviewed by Derek S. Brown, CFA, CEO of ARX. All clients are encouraged to meet with ARX at least once per year and participate in quarterly investment review calls, ensuring that our strategy aligns with their current financial condition, goals and objectives.

**Client Referrals and Other Compensation:**

ARX and its affiliates may receive referral fees for recommending the services of a third party to attorneys or their clients who engage us to administer Qualified Settlement Funds.

ARX may refer clients for services provided along the following product types:

- Vendors who provide legal claims administration services.
- Vendors who provide lien resolution and lien verification services.
- Vendors who construct and manage special needs trusts for claimants.
- Vendors who construct and manage annuity or structured settlement products for claimants.
- Vendors who provide medical record procurement and review services.
- Vendors engaged in attorney fee assignments.

ARX and its affiliates may pay referral fees to third parties for recommending our services as a QSF administrator. These arrangements in no way impact the manner in which ARX administers or manages the funds

None of the above referral arrangements are involved with broker/dealers.

**Custody:**

Clients engage an independent custodian or escrow agent to maintain their accounts, therefore ARX will not have *physical* custody of clients' assets, monies, or securities. ARX is authorized to provide instructions to the custodian with respect to all investment decisions regarding the assets and the custodian is authorized and directed to effect transactions, deliver securities, and otherwise take such actions as ARX shall direct in connection with the performance of the adviser's obligations in respect of the Assets. ARX requires clients to provide written authorization for their custodian to automatically deduct management fees from the account.

ARX will provide the client with Quarterly Statements at a minimum, which will include all account holdings, transactions, fees and expenses.

**Investment Discretion:**

ARX has full investment discretion for its clients who elect portfolio management services. For all QSF clients, ARX will obtain a court order authorizing ARX as fiduciary and permitting it to make decisions for the Fund. Non-QSF clients will execute ARX's standard investment advisory agreement and will sign a trading authorization form with their custodian. This agreement grants discretionary authority to ARX; however, clients may still place restrictions on the adviser, such as a prohibition on investing in specific securities, industries, or markets that the client identifies. Additionally, unless specifically instructed otherwise by the client, ARX will construct diversified investment portfolios.

**Voting Client Securities:**

For any security that entails a voting right in the underlying company, ARX will have or accept authority to vote client securities. All voting issues, proxies, and solicitations will be communicated to ARX through the client's custodian.

**Financial Information:**

ARX would be required to disclose additional financial information if it were to charge fees in advance, but as described in the "Fees and Compensation" section (page 4 of this *FIRM BROCHURE*), ARX, charges all advisory fees in arrears, upon delivery of a service, or at the conclusion of a consultation. In any case, ARX and its partners have no material financial information (e.g. bankruptcies, liens, judgments) in their backgrounds.

## **Biographies:**

### **Derek S. Brown, CFA**

Founding Partner & Chief Executive Officer

Mr. Brown is a Founding Partner and Chief Executive Officer of ARX since its inception in 2011. In this role, he is responsible for business strategy, client and vendor relations, Qualified Settlement Fund investment strategy, and all other aspects of the organization's business.

Mr. Brown was most recently a Managing Director with a focus on income products and product development at Resource Financial Fund Management, an investment management company with nearly \$14 billion in assets under management. In this role, he was responsible for coordinating the launch of a retail mutual fund business specializing in the management of income and capital preservation products.

Prior to joining RFFM, Mr. Brown managed a group responsible for investing \$8 billion in fixed income assets as Director of Fixed Income at Transamerica Investment Management in Los Angeles. While in this role, assets under management grew over 50% during a 10-quarter period. In addition, performance for all products during his tenure was in the first or second quartile vs. institutional peer groups, including the top decile core product during the period and #1 government bond fund in 2009. While at Transamerica, he also served as a portfolio manager for the core, core plus, credit, government, and short duration strategies.

Mr. Brown previously held portfolio management, trading and marketing positions for Bradford & Marzec, The Boston Company Asset Management, and Putnam Investments. Derek earned his B.A. in Communication Studies from The University of Maine and his M.B.A. from Boston College. He is a Chartered Financial Analyst.

**BROCHURE SUPPLEMENT**  
***March 31, 2022***

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EL SEGUNDO, CA 90245  
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**PURPOSE OF THE BROCHURE SUPPLEMENT:**

This *BROCHURE SUPPLEMENT* provides information about Derek S. Brown, CFA that supplements the ARX MANAGEMENT, LLC *FIRM BROCHURE* document. You should have received a copy of that *FIRM BROCHURE*. Please contact ARX if you did not receive ARX MANAGEMENT, LLC's *FIRM BROCHURE* or if you have any questions about the contents of this *BROCHURE SUPPLEMENT*

Addition information about Mr. Brown is available on the FINRA's website at [www.finra.org/investors](http://www.finra.org/investors) (the CRD number for Derek S. Brown is 2344826).

**NOTE:**

While ARX Management, LLC may refer to itself as a "registered investment adviser" or "RIA" Clients should be aware that registration itself does not imply any level or skill or training.

**EDUCATIONAL AND BUSINESS EXPERIENCE:**

**Derek S. Brown, CFA** (b. 1970), CEO/ Founder of ARX Management, LLC

***Education:***

MBA - Boston College  
BA - University of Maine  
CFA - Chartered Financial Analyst  
*Issued by: CFA Institute (1999, member number 240707)*

***Business Background:***

***ARX MANAGEMEN, LLC*** (2011-Present): Mr. Brown is the CEO and founder of ARX. He is responsible for all fiduciary and business-related activities of the firm. These duties include managing and overseeing all of the firm's investment strategies.

***RESOURCE FINANCIAL FUND MANAGEMENT*** (2011-2012): Mr. Brown was a Managing Director responsible for launching a retail mutual fund platform specializing in the management of income and capital preservation products.

***TRANSAMERICA INVESTMENT MANAGEMENT, LLC*** (2005-2011): Mr. Brown was the Director of Fixed Income. He was responsible for overseeing the management of \$8 billion in fixed income assets under management.

**DISCIPLINARY INFORMATION:**

Mr. Derek S. Brown has not or had any legal or disciplinary events. Clients and prospective clients can view the CRD records (registration records) for Mr. Brown through the SEC's Investment Adviser Public FINRA's database online at [www.finra.org/investors](http://www.finra.org/investors). The CRD number for Derek S. Brown is 2344826.

**OTHER BUSINESS ACTIVITIES:**

Mr. Brown is not engaged in any investment-related businesses or occupations outside of ARX.

**ADDITIONAL COMPENSATION:**

Mr. Brown does not receive additional compensation for advisory services outside of ARX.

**SUPERVISION:**

As CEO of ARX, Derek S. Brown, CFA is primarily responsible for supervision of all ARX employees. In addition, Mr. Brown regularly reviews client reports, emails, and trading, as well as employees' personal securities transaction and holdings reports. Mr. Brown reviews all recommended transactions at the end of each day. Mr. Brown also reviews accounts as a whole each quarter in conjunction with the calculation of advisory fees. Advisory clients may contact either ARX or Mr. Brown directly.

Derek S. Brown, CFA (310) 546-5279

## **REQUIREMENTS FOR STATE-REGISTERED ADVISERS:**

Derek S Brown is required to disclose additional information if it had any other relationship or arrangement with any issuer of securities or was ever found liable in either: (a) an arbitration, or (b) a civil, self-regulatory organization, or administrative proceeding. As none of these apply to Mr. Brown, he has no information to disclose in these regards.

Derek S. Brown, CFA has not been the subject of a bankruptcy petition.

ARX assures that all material conflicts of interest under CCR Section 260.238 (k) are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.