

**Bastion Management II, LLC**

**PART 2A OF FORM ADV: FIRM BROCHURE**

**Bastion Management II, LLC**

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**March 2, 2022**

**This brochure provides information about the qualifications and business practices of Bastion Management II, LLC (“Bastion” or the “Firm”). If you have any questions about the contents of this brochure, please contact Bastion’s Chief Compliance Officer at (305) 468-6022 or [treimink@bastionmgmt.com](mailto:treimink@bastionmgmt.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.**

**Any reference to Bastion as a registered investment adviser does not imply a certain level of skill or training.**

**Additional information about Bastion also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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***Item 2: Material Changes***

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This is Bastion's Annual Amendment to Form ADV for the fiscal year ending December 31, 2021. Since Bastion's last Brochure, filed on March 24, 2021, there have been the following material changes:

- Item 4 has been updated to reflect additional clients and a change of ownership at the Firm.
- Item 5 has been updated to reflect fees associated with the Firm's new client.
- Item 8 has been updated to reflect additional risks associated with the Firm's new client.

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**Item 3: Table of Contents**

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

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- A. Bastion, a Delaware limited liability company, is a privately held investment adviser founded in March 2016. The Firm is co-owned by Jay Braden, Coral Way Capital, LLC (100% owned by Timothy Reimink) and Castillo LLC (100% owned by TSLA CAPITALS S A P I DE CV), and has its principal place of business in Stamford, Connecticut.
- B. Bastion provides discretionary investment advisory services to privately offered pooled investment vehicles. Currently, this includes Bastion Consumer Funding II, LLC ("**Fund II**"), Bastion Consumer Funding III, LLC ("**Fund III**"), Bastion Funding IV, LLC ("**Fund IV**"), and Bastion Funding V LP ("**Fund V**") (each, a "**Fund**" and collectively, the "**Funds**"). Bastion serves as the manager (the "**Manager**") for the Funds and as the investment adviser with discretionary authority to implement investment decisions for Fund II, IV and V, and non-discretionary authority for Fund III. Bastion's investment decisions and advice with respect to the Funds are in accordance with the investment objectives and restrictions set forth in the constituent documents of each Fund. Investment advisory services are provided directly to the Funds and not to investors in the Funds.
- C. Bastion tailors its advisory services to the Funds as set forth in the applicable Fund's operative documents. Investment advice is provided directly to each Fund and not individually to investors in the Funds.
- D. Bastion does not participate in wrap fee programs.
- E. As of December 31, 2021, Bastion had \$199,991,375 in discretionary regulatory assets under management and \$40,544,212 in non-discretionary regulatory assets under management.

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

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- A. The fees applicable to each Fund are set forth in detail in each Fund's operating documents. The Firm or its designee is entitled to receive a management fee (the "**Management Fee**"). The Management Fee for Fund II and Fund IV is 1.5% (per annum) of assets under management, paid monthly in arrears, as more fully described in the operative documents. The Management Fee for Fund III is 0.75% (per annum) of investor's contributed capital, paid quarterly in advance. The Management Fee for Fund V is 1.5% (per annum) on committed capital, paid monthly in advance during the Investment Period<sup>1</sup>. Subsequent to the Investment Period, the Management Fee for Fund V will be 1.5% (per annum) on net invested capital, calculated in advance as of the last business day of each month. The Firm or Bastion Promote LLC, an affiliate of Bastion, is entitled to receive a performance fee (the "**Incentive Fee Payment**") from each Fund subject to the terms described in each Fund's operating documents.

The Firm, in its sole discretion, may waive or modify the Management Fee for investors that are members, employees or affiliates of the Firm, relatives of such persons, and for certain other investors.

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<sup>1</sup> "Investment Period" is the two-year period beginning after the final closing date, unless a one-year extension is approved by the Fund's Advisory Committee.

- B. The Management Fee payable by the Funds is deducted from the assets of the Funds and paid to the Firm. The Incentive Fee Payment is distributed by the Fund to Bastion Promote LLC.
- C. Generally, Bastion and its affiliated entities will bear the compensation and benefits of their respective employees, as well as the rent of office space and other general office overhead of the Firm and its affiliates.

Generally, each Fund will bear its own expenses relating to its operations and affairs. The Funds will bear their own expenses, including expenses directly related to transactions and positions for the Funds including but not limited to: (a) organizational costs, (b) ongoing operating costs and expenses, (c) legal, accounting, audit, and custodial fees, (d) registration and related fees and expenses, (e) the applicable portion of the Bastion's fees and expenses (including legal fees and expenses) incurred in connection with preparing and filing Form ADV, in each case to the extent that such fees and expenses are allocable to the Funds, and any other SEC filings and registrations or other filings (including registrations and related requirements of non-U.S. regulators) that are made with respect to the Funds or the Fund assets (such allocation to be made in good faith by the Firm), (f) costs and expenses of preparing the Fund's financial statements, tax returns, Schedule K-1s and other reports, (g) third party consulting and advisor fees incurred for due diligence purpose or otherwise in connection with the business of the Funds, (h) insurance premiums, (i) litigation-related and indemnification expenses, (j) taxes and other charges, fees and duties imposed on the Funds, (k) administrative expenses, including, without limitation, state registration fees, dissolution and wind-up expenses and fees and expenses of the Fund's administrator (currently SS&C), (l) costs and expenses of reporting to investors (including meeting and Advisory Committee expenses) and to governmental authorities with respect to investors and the Fund's activities and investments, (m) appraisal and valuation expenses, and (n) travel expenses associated with any of the foregoing (which may include business class airfare, lodging, ground transportation and meals and entertainment events with investment partners, lenders and service providers and partners) and (o) costs and expenses associated with the continued offering of Units (as defined in the Funds operating documents). For further information, please refer to the Funds' operating documents, and see Item 12 below for a discussion of the Fund's brokerage practices.

- D. Fund II and Fund IV Management Fees are payable in arrears no later than the 15<sup>th</sup> day of the next succeeding month. Fund III Management Fees are paid quarterly in advance. Fund V Management Fees are paid in advance. If the management agreement terminates during a quarter, the pro-rated portion of Management Fees received but not earned will be returned to the investors.

The Management Fee will be prorated for any period that is less than a full month or quarter, as applicable.

- E. Bastion and/or its supervised persons do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

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As stated in Item 5 above, Bastion Promote LLC, an affiliate of the Firm, is generally eligible to receive the Incentive Fee Payment. Such Incentive Fee Payment is based on investment profits and, as a result, may

create an incentive for Bastion to make investments on behalf of a Fund that are riskier or more speculative than would be the case in the absence of such incentive allocation. In the allocation of investment opportunities, performance-based fee or incentive fee arrangements may also create an incentive for the Firm to favor accounts with performance or incentive fee or allocation arrangements over accounts that do not have such arrangements or, alternatively, favor accounts with higher performance-based fees or allocation arrangements over accounts with lower performance-based fees or allocation arrangements. If an investment is appropriate for one or more of the Funds, the investment generally will be allocated among such Funds based on senior management's discretion regarding, among other factors: portfolio concentration, sectoral concentration and capital availability at each of the Funds. Bastion has adopted a Trade Allocation Policy (the "**Allocation Policy**") designed to treat each Fund fairly and equitably and to prevent this form of conflict from influencing the allocation of investment opportunities among our Funds.

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

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Bastion provides investment advisory services to pooled investment vehicles. Typically these vehicles are private investment vehicles structured as partnerships and are marketed to high net worth investors and institutional investors. Minimum investment requirements vary by Fund.

Each investor in the Funds must meet the eligibility provisions outlined in the applicable Fund's operative documents. Please refer to each Fund's applicable operating documents for more complete information on the minimum investment requirements.

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

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#### **A. Methods of Analysis and Investment Strategies**

Bastion focuses on providing secured financing solutions to small to medium sized businesses in consumer finance, small business finance, and specialty finance related assets. Bastion overlays internal sourcing, research, and underwriting capabilities with a targeted sourcing partnership with selected originating partners, which further enhances deal flow and alignment of interests.

The Funds do not typically invest in subordinated debt, preferred equity, or equity-like instruments where the outcomes are dependent on the upward direction in the market. Bastion avoids distressed loans or loans which are unlikely to be performing for the duration of the loan, except in circumstances where the Firm can accomplish all of its credit metrics (particularly, a satisfactory loan-to-value) and are likely to generate a premium return with negligible incremental risk.

#### **B. Investment Strategies and Risk of Loss**

The Firm's primary investment focus is on the origination of credit to predominantly small and medium businesses, secured by first lien positions in consumer finance, small business finance, and specialty finance assets. The Firm seeks out companies backed by strong management teams and equity sponsors to create a portfolio diversified by sector, geography, and company.

Diligence of prospective investments includes due diligence on the company investment, competitive landscape of the industry, company-specific items like margins, free cash flow, and vintage performance data, as well as legal and regulatory surveys.

#### *Risks Associated with the Firm's Methods of Analysis*

The success of the Firm's strategies depends in large part on its ability to accurately assess the fundamental value of an investment. An accurate assessment of fundamental value depends on a complex analysis of a number of economic, financial, operating, legal and other factors. No assurance can be given that we can assess the nature and magnitude of all material factors having a bearing on the value of securities.

In performing our analysis, the Firm's judgment about the attractiveness, value and potential performance of an individual investment may be incorrect, and there is no guarantee that the investments the Firm selects will perform as anticipated. The value of an investment can be more volatile than the market as a whole, or the Firm's approach may fail to produce the intended results. As a result, there is a risk of loss of the assets the Firm manages that is out of its control. Although the Firm will do its best in managing Fund assets, it cannot guarantee any level of performance or that a Fund will not experience a loss.

Additionally, in performing analysis, the Firm may use commercially available information services and financial publications, research materials prepared by various broker-dealers and other research developed by other third-party providers. The Firm's methods rely on the assumption that the sources relied upon are providing accurate and unbiased data. While the Firm is alert to indications that data may be incorrect, there is always a risk that the Firm's analysis may be compromised by inaccurate or misleading information.

#### *General Risks of Investment Strategies*

An investment in a Fund includes a risk of lost principal (invested amount) and any profits that have not been realized. Investors should be prepared to bear that risk. In addition, as recent global and domestic economic events have shown, the performance of any investment is not guaranteed.

### **C. Specific Risks of Fund Investments**

As stated above, the Firm's primary investment focus is on the origination of credit to predominantly small and medium businesses, secured by first lien positions in consumer finance, small business finance, and specialty finance assets. Risks associated with these types of investments include:

- *Fixed Income Risk:* The credit quality rating of securities may be lowered if an issuer's financial condition deteriorates and issuers may default on their interest and/or principal payments. Typically, a rise in interest rates causes a decline in the value of fixed income securities. Note also that the U.S. is currently experiencing historically low interest rate levels. A rising interest rate environment may cause the value of the investments held in client accounts to decrease, a decline in income and yield, and an adverse impact on the liquidity of the investments held.
- *Credit Risk:* Borrowers targeted by our strategy may not make interest or principal payments on securities, resulting in losses to an investor. Default rates, though low today, could increase. In addition, the credit quality of an issuer's securities may be lowered if an issuer's financial condition changes.

- *Liquidity Risk:* There is no organized exchange on which most of our investments are traded and reliable market quotations may not be readily available. A majority of the assets held in Fund accounts are likely to be less liquid than securities traded on national exchanges.
- *Debt Covenant Risk:* There has been a recent trend to reduce the number of debt covenants in credit agreements. This may adversely affect the Firm's ability to recover on a particular investment.
- *Key Personnel Risk:* The success of our strategies depends greatly on the investment skills of our principals and key personnel. Performance of a Fund's portfolio could be adversely affected if, due to illness or other factors, the services of certain principals or key personnel were not available for any significant period of time.
- *Market Risk:* Overall fixed income market risks affect the value of a client's portfolio. Factors such as domestic or global economic growth, market conditions, interest rate levels and political events affect the securities markets.
- *Strategy Risks:* The business of investing in securities is highly competitive and the identification of attractive investment opportunities is difficult and involves a high degree of uncertainty.
- *Valuation Risk:* Some portfolio holdings, potentially a large portion of a Fund's investment portfolio, may be valued on the basis of factors other than market quotations. There are multiple methods that can be used to value a portfolio holding when market quotations are not readily available. The value established for any portfolio holding at a point in time might differ from what would be produced using a different methodology or if it had been priced using market quotations.
- *Changing Economic Conditions:* The success of the investment strategy could be significantly impacted by changing external economic conditions in the U.S. and global economies. The stability and sustainability of growth in global economies may be impacted by terrorism or acts of war or pandemics. Changing economic conditions could potentially adversely impact the valuation of portfolio holdings. The United States and global economies have recently experienced a volatile and unstable period, which has included bank failures, a credit crisis, a loss of confidence among major financial institutions and instability in the public markets. Each of these conditions and the potential repercussions thereof, may have lasting adverse effects on the returns of the Fund and its portfolio companies. Moreover, the potential regulatory reactions to the recent economic turmoil may further adversely impact the Funds in unanticipated ways.
- *Difficulty in Valuing Portfolio Investments:* Generally, there will be no readily available market for a substantial number of the Funds' investments and hence, most of the Funds' investments will be difficult to value. Due to the absence of readily available market valuations or market quotations for securities of the Funds' privately held portfolio companies, the valuation of the Funds' investments in such portfolio companies is determined in good faith by the general partner; the Funds are not required to have such valuations independently determined. Despite the general partners' efforts to acquire sufficient information to monitor certain of the Funds' investments and make well-informed valuation and pricing determinations, the general partner may only be able to



obtain limited information at certain times. It is possible that the general partners may not be aware on a timely basis of material adverse changes that have occurred with respect to certain of the Funds' investments. The general partner may have to make valuation determinations without the benefit of an adequate amount of relevant information. Prospective limited partners should be aware that as a result of these difficulties, as well as other uncertainties, any valuation made by the general partner may not represent the fair market value of the securities acquired by the Funds.

- *Competitive Marketplace:* The marketplace for venture capital and private equity investing has become increasingly competitive. Involvement by financial intermediaries has increased, substantial amounts of funds have been dedicated to making investments in the private sector and the competition for investment opportunities is at historically high levels. Some of the Funds' potential competitors may have more relevant experience, greater financial resources and more personnel than the general partner. There can be no assurances that the general partner will locate an adequate number of attractive investment opportunities. To the extent that the Funds encounter competition for investments, returns to limited partners may vary.

The foregoing risk factors do not purport to be a complete explanation of the risks involved in a Fund investment. Please see each Fund's offering documents for additional discussion of the risks associated with such Fund's investment strategies and methods of analysis.

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***Item 9: Disciplinary Information***

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Bastion is not aware, after having conducted a reasonable inquiry into the Firm and its management persons, of any legal or disciplinary events that would be material to the Funds or prospective investors' evaluation of Bastion's advisory business or the integrity of its management.

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

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**A. Broker-Dealer Registration and Registered Representatives**

Neither Bastion nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

**B. Futures and Commodity Registration**

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

**C. Material Relationships and Conflicts of Interest**

Bastion has no relationship or arrangement with other investment advisers that creates a material conflict of interest with Advisory Clients.

## **D. Selection of Other Advisers**

Bastion does not recommend or select other investment advisers for its Funds.

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

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#### **A. Code of Ethics**

Bastion has adopted a formal compliance code of ethics (the “Code”) designed to meet the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 (“Advisers Act”). The Code includes a securities trading code of ethics, insider trading policies and procedures, and procedures to address “pay to play” rules and regulations. Among other things, the Code requires that employees act with integrity, place the interests of clients above their own, avoid actual and potential conflicts of interest, and comply with applicable provisions of all laws. Any exceptions to the policies outlined in the Code require the prior approval of the Firm’s Chief Compliance Officer. Additionally, any violations of the Firm’s Code are required to be reported to the Chief Compliance Officer for documentation and remediation.

The policies also require employees to certify on a quarterly basis that they have complied with the Firm’s *Restrictions on Personal Investing Activities* policy. Bastion regularly reviews its compliance systems and procedures with experienced compliance consultants.

A copy of the Firm’s Code is available to the Firm’s clients, investors, and prospective investors upon request.

#### **B, C, and D. Participation or Interest in Client Transactions and Personal Trading**

The Firm and its supervised and management persons (“we”) do not (i) buy or sell the same investment or related investments that we buy or sell for clients, (ii) buy or sell securities for our own accounts at the same time that we buy or sell the same investments for client accounts, or (iii) include buy or sell orders in an aggregated transaction along with client buy or sell orders.

We do not buy or sell investments for client accounts if we and/or one of our supervised or management persons have a material financial interest in the issuer or the investment.

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### ***Item 12: Brokerage Practices***

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Bastion currently does not engage in securities trading transactions on behalf of its Funds or utilize the services of securities broker-dealers for transaction related services. If it requires the services of a securities broker-dealer, Bastion will seek to obtain best execution on an overall basis. Bastion will aggregate such of those orders as it deems appropriate and in accordance with the Funds’ organizational documents and in the best interests of the Funds.

If the Firm has more than one client account participating in a particular investment, Bastion aggregates (combines) contemporaneous orders for the same investment, with applicable accounts participating in the aggregated order on a fair and equitable basis. See item 6 for the factors the Firm uses to allocate investments. The allocation is not based on account performance or the amount or structure of management fees.

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**Item 13: Review of Accounts**

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As noted above, Bastion primarily focuses on providing structured credit products to small to medium sized, US domiciled businesses. The Funds' investments are internally reviewed on a regular basis, not less than quarterly. Bastion provides periodic reports (including annual audited financial statements) to investors in each Fund in accordance with the terms of the operating documents of the relevant Fund.

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

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**A. Economic Benefits for Providing Services to Funds**

Bastion does not receive economic benefits from third parties (other than fees from the Funds) for providing investment advice or other advisory services to the Funds.

**B. Compensation to Non-Supervised Persons for Referrals to Funds**

Bastion utilizes the services of unaffiliated third-party marketers, Old City Securities LLC and Independent Investment Bankers Corp., to solicit prospective investors on behalf of certain of the Funds, as disclosed in Part 1A of the Firm's Form ADV.

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**Item 15: Custody**

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Bastion is deemed to have custody of the Funds' assets as defined by Rule 206(4)-2. Bastion and its affiliates are exempt from many of the provisions of Rule 206(4)-2 because the financial statements of the Funds are audited in accordance with U.S. generally accepted accounting principles on an annual basis by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Audited financial statements are distributed to each investor in the Funds in accordance with the requirements of Rule 206(4)-2.

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**Item 16: Investment Discretion**

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Bastion serves as the investment adviser with discretionary authority to implement investment decisions for Fund II, Fund IV, and Fund V, and with non-discretionary authority for Fund III. Such authority is provided to Bastion per the terms of the applicable management agreement. Bastion's investment decisions and advice with respect to the Funds is subject to each Fund's operative documents.

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**Item 17: Voting Client Securities**

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Bastion generally does not intend to invest in the equity securities of companies that regularly conduct shareholder meetings and solicit proxies for shareholder voting. However, Bastion has adopted a proxy policy in the event a proxy solicitation is received or to handle any class actions. Should any matters arise that require a vote of the holders of any securities or investments held by the Funds, senior management of Bastion will review the issue or issues to be voted on and cast their votes in the best economic interest of the Funds. A copy of the proxy voting policy and a record of all votes cast by Bastion on behalf of the Funds may be obtained by mailing the request to the attention of Tim Reimink.

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**Item 18: Financial Information**

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- A. Bastion does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.
- B. Currently, Bastion and its affiliates are not aware of any financial condition that is reasonably likely to impact Bastion's ability to meet its contractual obligations and commitments to clients.
- C. Bastion has never been the subject of a bankruptcy petition.