



Ranger Alternative Management, L.P.

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This Brochure provides information about the qualifications and business practices of Ranger Alternative Management, L.P. If you have any questions about the contents of this Brochure, please contact us at (214) 871-5200. 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.

Ranger Alternative Management, L.P. registered with the United States Securities and Exchange Commission in May 2008 in accordance with the Investment Advisers Act of 1940. Registration as an investment adviser does not imply any level of skill or training.

Additional information about Ranger Alternative Management, L.P. (CRD # 145543) is also available on the SEC's website at www.adviserinfo.sec.gov. The SEC's web site also provides information about persons who are both affiliated with Ranger Alternative Management, L.P. and registered as investment advisors with the SEC.

Item 2 – Material Changes

SEC rules require Ranger, and other registered investment advisors, to provide its Clients with a copy of its Form ADV 2 within 120 days of the close of its fiscal year, as well as on an ongoing basis when material changes make such disclosures necessary. Ranger's Form ADV 2 is intended to provide its Clients with a clearly written and meaningful disclosure, in plain English, about Ranger's business practices, conflicts of interest and advisory personnel.

Ranger's Form ADV 2 is divided into two parts, *Part 2A* and *Part 2B*. *Part 2A* of the Form ADV 2 (the "Brochure") provides information about a variety of topics relating to an Ranger's business practices and conflicts of interest. *Part 2B* of the Form ADV 2 (the "Brochure Supplement") provides information about certain Ranger advisory personnel.

Item 2 of this Brochure discusses only specific material changes made to the Brochure from the most recent prior filing date and provides clients with a summary of such changes.

The effective date of this Brochure is March 31, 2012, and updates the Brochure filed on March 31, 2011. The current Brochure contains no material revisions to the version made to the previous version of the Firm's Brochure.

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Item 4 – Advisory Business

Ranger Alternative Management, L.P. (“Ranger” or the “Firm”) was founded in 2008. The Firm is controlled by its General Partner, Ranger Alternative Management (GP), LLC (the “General Partner”). The General Partner is controlled by Ranger Capital Group Holdings, L.P., which serves as its managing member. As of February 28, 2011, Ranger managed approximately \$37 million of client assets.

The Firm currently serves as a sub-advisor to and provides investment advisory services on a discretionary basis to the Active Bear ETF (ticker: HDGE). The Active Bear ETF is a class of the AdvisorShares Trust, an investment company registered with the U.S. Securities and Exchange Commission in accordance with the Investment Company Act of 1940. While not applicable at this time, the Firm may provide investment advisory services to unregistered pooled investment vehicles and/or separately managed accounts on a future date.

Investment supervisory services include: (1) establishing a client’s investment objectives within a short-only equity investment strategy; (2) buying or selling portfolio securities on behalf of each client; and (3) periodically reporting to investors the current investment holdings, valuations, transactions, capital gains or losses, investment income and performance.

Ranger serves as a sub advisor to and manages the day-to-day portfolio management activities of the Active Bear ETF (ticker: HDGE). The investment objective of the portfolio the Firm manages includes capital appreciation through short sales of U.S. exchange-traded equity securities of mid- and large-capitalization public companies, exchange-traded funds (“ETFs”) registered pursuant to the Investment Company Act of 1940, exchange-traded notes (“ETNs”) and other exchange traded products (“ETPs”). The Firm’s portfolio management team implements a bottom-up, fundamental, research-driven security selection process. In selecting short positions, the portfolio management team seeks to identify securities with low earnings quality or aggressive accounting which may be intended on the part of company management to mask operational deterioration and bolster the reported earnings per share over a short time period. In addition, the portfolio management team seeks to identify earnings driven events that may act as a catalyst to the price decline of a security, such as downwards earnings revisions or reduced forward guidance.

As of February 28, 2011, all accounts of the Firm were managed on a discretionary basis.

Item 5 – Fees and Compensation

Additional Information

The Firm charges clients advisory fees which are a fixed percentage of assets under management (“Management Fees”). The Firm generally charges a one percent (1%) annualized Management Fees for investment advisory services. However, Ranger reserves the right to negotiate

Management Fees with clients which differ from the standard schedule, based on specific circumstances and on a case by case basis. Examples of these circumstances include without limitation: the relative size of a client account, a client's affiliation to Ranger, and/or a client's status as a seed investor. Accordingly, Management Fees incurred by Clients may vary substantially. In addition, with respect to Separate Accounts, all other terms of such investment, including terms relating to expenses and redemption terms, may also be negotiable on a case by case basis. To the extent that the Firm provides sub-advisory services for a client, the Management Fees charged by the Firm may be less than the Management Fees incurred by an investor in the product sub-advised by the Firm.

Management Fees received by the Firm are exclusive of brokerage commissions, transaction fees, and other related costs and expenses incurred by the client. Clients may incur certain charges imposed by custodians, brokers and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds may also charge additional fees, which are disclosed in such fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to the Firm's Management Fee, and the Firm will not receive any portion of these commissions, fees or costs.

For Additional information with respect to the factors the Firm considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation, please see Item 12 - Brokerage Practices.

Item 6 – Performance-Based Fees and Side-By-Side Management

While not applicable at this time, the Firm may enter into performance fee arrangements with qualified clients on a future date. Performance based fee arrangements may create an incentive for the Firm to invest in securities which may be riskier or more speculative than the securities it would invest in under a different fee arrangement. In addition, performance fee arrangements may create an incentive for the Firm to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Ranger employs procedures designed and implemented to ensure all clients are treated fairly and equally, and to prevent this potential conflict from influencing the allocation of investment opportunities among clients.

Item 7 – Types of Clients

Ranger serves as a sub advisor to exchange traded funds and mutual funds. Specifically, the Firm serves as sub-advisor to AdvisorShares Investments, LLC and manages the day-to-day portfolio activities of the Active Bear ETF (HDGE). There is no minimum to invest in the Active Bear ETF (HDGE).

Though not applicable at this time, the Firm may provide portfolio management services for additional public funds, private funds and/or separately managed accounts in the future.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

The investment objective of the Firm's portfolio includes capital appreciation through the short sales of U.S. exchange-traded equity securities of mid- and large-capitalization public companies, exchange-traded funds ("ETFs") registered pursuant to the Investment Company Act of 1940, exchange-traded notes ("ETNs") and other exchange traded products ("ETPs"). The Firm implements a bottom-up, fundamental, research driven security selection process that seeks to identify securities with low earnings quality or aggressive accounting that may tend to mask operational deterioration and bolster the reported earnings per share over a short time period. In addition, the Firm seeks to identify earnings driven events that may act as a catalyst to the price decline of a security, such as downwards earnings revisions or reduced forward earnings outlook.

On a day-to-day basis, the portfolio may hold U.S. Government securities, short-term high quality fixed income securities, money market instruments, overnight and fixed-term repurchase agreements, cash and cash equivalents with maturities of one year or less for investment purposes and to cover its short positions.

Additional information regarding the Firm's investment strategy may be found in the prospectus for the Active Bear ETF (HDGE).

RISK FACTORS

INVESTMENT PRODUCTS OR SERVICES MANAGED BY THE FIRM ENTAIL A DEGREE OF RISK, INCLUDING THE POTENTIAL FOR LOSS OF ALL OR PART OF AN INVESTMENT. THEREFORE, AN INVESTMENT SHOULD BE UNDERTAKEN ONLY BY INVESTORS CAPABLE OF EVALUATING AND BEARING THE RISKS OF SUCH AN INVESTMENT. THERE CAN BE NO ASSURANCE THAT THE FIRM WILL BE ABLE TO AVOID LOSS, ACHIEVE ITS INVESTMENT OBJECTIVE OR RECEIVE A RETURN ON INVESTMENT CAPITAL. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS IN CONNECTION WITH AN INVESTMENT. PLEASE NOTE THAT THE FOLLOWING LIST IS NOT A COMPLETE LIST OF ALL RISKS INVOLVED IN CONNECTION WITH AN INVESTMENT PRODUCT OR SERVICE MANAGED BY THE FIRM. WITH RESPECT TO THE ACTIVE BEAR ETF, ADDITIONAL RISK DISCLOSURES MAY BE FOUND IN THE PROSPECTUS AND SAI OF THE ACTIVE BEAR ETF.

Equity Risk

The prices of equity securities, in which the Firm invests, include short positions which may rise and fall daily. These price movements may result from factors affecting individual companies, industries or the securities market as a whole.

Exchange-Traded Investments Risk

The Firm may invest a portion of the portfolio it manages in (or short) ETFs, ETNs and ETPs. While the risks of owning shares of an ETP, ETF, or ETN generally reflect the risks of owning the underlying securities the ETP, ETF, or ETN is designed to track, lack of liquidity in an ETP, ETF, or ETN can result in its value being more volatile than the underlying portfolio securities. In addition, certain of the ETPs, ETFs, or ETNs may hold common portfolio positions, thereby reducing any diversification benefits.

Fixed Income Risk

The portfolio the Firm manages may be exposed to fixed income risk through its short positions in ETFs and ETPs that primarily invest in fixed income securities. The value of an ETF's or ETP's portfolio of fixed income securities will change in response to interest rate changes and other factors, such as the perception of the issuers' creditworthiness. The portfolio managed by the Firm is subject to the risk that interest rates may fall causing the value of an ETF's or ETP's fixed income investments to rise and the value of the Firm's fixed income oriented investments to decline.

Issuer Risk

From time to time the Fund may have exposure via its short positions to a limited number of issuers. During such times, the Fund is more susceptible to the risk that an issuer's securities may appreciate in value.

Liquidity Risk

Trading in shares of the Fund may be halted because of market conditions or for reasons that, in the view of the New York Stock Exchange, make trading in shares inadvisable. In addition, trading in shares is subject to trading halts caused by extraordinary market volatility pursuant to "circuit breaker" rules. There can be no assurance that the requirements necessary to maintain the listing of the shares of the Fund will continue to be met or will remain unchanged.

Market Risk

Investments in securities, in general, are subject to market risks that may cause their prices to fluctuate over time. An investment in a portfolio or investment vehicle managed by the Firm may lose money.

Mid-Cap and Large-Cap Risk

The portfolio is subject to the risk that medium and large capitalization stocks may underperform other segments of the equity market or the equity market as a whole.

Short Sales Risk

Short sales are transactions in which the portfolio management team sells a security it does not own. To complete the transaction, the Firm must borrow the security to make delivery to the buyer. The Firm is then obligated to replace, or cover, the security borrowed by purchasing the security at the market price when the portfolio management team decides to remove all or a portion of the holding from the portfolio. At this time, the price may be higher or lower than the price at which the security was sold by the Firm. If the underlying security goes down in price between the time the portfolio management team sells the security and buys it back, the portfolio will realize a gain on the transaction. Conversely, if the underlying security goes up in price during the period, the portfolio will realize a loss on the transaction. Any such loss is increased by the amount of premium or interest the Firm must pay to the lender of the security. Likewise, any gain will be decreased by the amount of premium or interest the Firm must pay to the lender of the security.

As with any investment fund, there is no guarantee that an investment portfolio managed by the Firm will achieve its investment goal or be able to avoid loss.

POTENTIAL CONFLICTS OF INTEREST

Other Client Accounts

While not applicable at this time, the Firm may manage other client accounts on a future date, some of which may have objectives similar to those of the short-only portfolio Ranger sub advises on behalf of the Active Bear ETF (HDGE). These accounts may include pooled investment vehicles and separate accounts which may be managed by the Firm or an affiliate and in which the Firm or an affiliate may have an equity interest. In addition, the portfolio management team for the Firm may be employed by investment advisers unaffiliated with the Firm; and therefore advise portfolios which are not affiliated with the Firm.

Trade Allocation

Generally, the Firm believes that aggregation of orders for multiple clients is consistent with its duty to seek best execution for its clients. Aggregation of orders for all accounts often facilitates more efficient and less costly execution. In any case in which the Firm believes that aggregation is not consistent with its duty to seek best execution for its clients, it will not execute the transaction on an aggregated basis. It may not be feasible, however, for the Firm to aggregate orders for reasons including, but not limited to: the differences in timing of investment decisions and order placement, the nature and availability of a security, available cash balances, tax considerations, investment guidelines, directed brokerage arrangements and an intent to minimize the impact on price and execution capability when trading large volumes of security.

In certain circumstances, the Firm may determine to place orders for the same security with more than one broker dealer in order to obtain best execution. For example, if any single market maker has an insufficient inventory to satisfy an aggregated purchase order, it may be necessary to use multiple market makers to complete the order.

The Firm recognizes that it must allocate securities among clients in a fair and equitable manner, depending on the facts and circumstances of each situation. In addition, the Firm will seek to allocate all aggregated orders to all accounts on an equitable basis. The Firm believes that the principles set forth herein are fair and equitable, but may not be so in every instance. In all instances, however, the Firm will seek to determine and effect the allocation beforehand or promptly after the transaction.

Generally, orders are allocated pro-rata to all accounts with similar or overlapping investment strategies. The Firm does not invest in initial public offerings.

Personal Trading

The employees of the Firm may not buy or sell individual securities for their own accounts, except to sell individual securities which were in their personal accounts prior to the adoption of Firm's current Personal Trading Policy. Pre-clearance from the Firm's Chief Compliance Officer is required when an employee wishes to sell an individual security from his or her account. Employees may purchase interests in pooled investment vehicles such as limited partnerships, mutual funds, index funds, exchange trade funds and hedge funds. For additional information with respect to the Firm's Personal Trading Policy, please see Item 11 - Code of Ethics.

Soft Dollar Credits

The Firm's authority to use "soft dollar" credits generated by the securities transactions to pay for research and brokerage services might otherwise have been borne by the Firm. The use of "soft dollar" credits may give the Firm an incentive to select brokers or dealers for the securities transactions, or to negotiate commission rates or other execution terms, in a manner that takes into account the soft dollar benefits received by the Firm rather than giving exclusive consideration to the interests of investors. For additional information with respect to the Firm's use of soft dollars, please see Item 12 – Brokerage Practices.

Investing in securities involves risk of loss that clients should be prepared to bear.

Item 9 – Disciplinary Information

Since January 2011, Brad Lamensdorf has served as both a Portfolio Manager and Principal of Ranger through his interest in Sand Dollar Beach, LLC. From or about January 1999 to February 2005 Brad Lamensdorf rendered investment advice in Texas to clients of Tarpon

Capital Management, L.P. at a time when Mr. Lamensdorf was not registered as an “investment advisor representative” with the Texas State Securities Board. Notwithstanding that Mr. Lamensdorf attempted to register with Texas prior to receiving notice of deficiency from the Texas State Securities Board, (i) section 115.1(a)(3) of the Rules and Regulations of the Texas State Securities Board, as in effect from December 2, 1997 through August 11, 2001, required investment advisers and their agents involved in the rendering of investment advice in Texas to be registered with the Securities Commissioner of Texas; and (ii) section 12.B of the Texas Securities Act, prohibits rendering services as an investment adviser representative in Texas unless the person is registered under the Texas Securities Act and submits a notice of filing as provided by Section 12-1 of the Texas Securities Act, or is otherwise exempt.

As such, on January 25, 2005, Mr. Lamensdorf was found to be in violation of Section 115.1(a)(3) of the Rules and Regulations of the Texas State Securities Board and Section 12.B of the Texas Securities Act. Pursuant to Section 14.A (6) of the Texas Securities Act, and concurrently with an order which registered Mr. Lamensdorf as an investment adviser representative with the Texas Securities Commissioner, the Board reprimanded Mr. Lamensdorf for said violations. However, Tarpon Capital Management, L.P., an advisory affiliate of Mr. Lamensdorf in 2005, was subject to a monetary fine of eighty thousand dollars (\$80,000).

For purposes of clarification, (i) Mr. Lamensdorf was not affiliated with Ranger Alternative Management, L.P. on the date of, or prior to, the dates of said violations or orders; and (ii) Tarpon Capital Management, L.P. is not and has never been an affiliate of any Ranger entity.

An Investment Adviser Representative Public Disclosure Report may be accessed on-line at [http://www.adviserinfo.sec.gov/\(S\(gn5aebvdm0toiyyoqwkbvv2d\)\)/IAPD/Support/ReportViewer.aspx?indvl_pk=1979074](http://www.adviserinfo.sec.gov/(S(gn5aebvdm0toiyyoqwkbvv2d))/IAPD/Support/ReportViewer.aspx?indvl_pk=1979074)

Item 10 – Other Financial Industry Activities and Affiliations

Ranger Alternative Management, L.P. is affiliated with four investment advisers by virtue of common control and ownership by Ranger Capital Group Holdings, L.P. The Firm and each of its investment advisory affiliates mentioned below maintain independent investment teams and processes; and focus on differing investment strategies.

- Ranger Investment Management, L.P. manages investment portfolios which consist of U.S. exchange traded equity securities of small and/or mid capitalization growth oriented companies.
- Ranger Advisors, L.P. manages multi-strategy fund-of-hedge funds.
- Ranger International Management (TX), L.P. manages long-only (i) global equity, (ii) international equity and (iii) global income and growth portfolios.

- Ranger International Management, LP manages long-only (i) global equity, (ii) international equity and (iii) global income and growth portfolios.
- Ranger Fund Management, L.P. is a fund-of-funds for friends and family to invest in Ranger affiliated investment advisers.

All Ranger investment advisers are registered with the U.S. Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940. Registration as an investment adviser does not imply any level of skill or training.

Item 11 – Code of Ethics, Participation/Interest in Client Transactions and Personal Trading

As a fiduciary, the Firm has an affirmative duty to act in the best interests of its investors and to make full and fair disclosure of all material facts, particularly where the Firm’s interests may conflict with those of its investors. The Firm’s Code of Conduct and Code of Ethics (the “Codes”) serve as behavior benchmarks from which the Firm’s compliance program is built. Briefly, the Codes require each Ranger employee to act with integrity, competence, diligence, respect, and in an ethical manner when dealing with current and prospective clients, the Firm, other employees, colleagues in the investment profession, and other participants in the global capital markets. Employees are expected to place the interests of clients and the Firm above their own personal interest and to avoid any actual or potential conflicts of interest. In addition, the Firm’s Code of Ethics requires, among other things, that all employees to comply with applicable provisions of the federal securities laws and to promptly report any potential violations of the Firm’s compliance policies and procedures to the Chief Compliance Officer.

Personal Trading Policy

The Firm has implemented a personal trading policy which prohibits employees from purchasing individual securities which the Firm may invest in for the benefit of its clients. Employees may continue to hold investments initiated prior to the adoption of the policy or their employment with the firm, and may sell such securities only after all anticipated clients’ purchases or sales of such securities are completed, if any. In addition, the Firm requires that all employees receive pre-clearance from the Chief Compliance Officer by submitting a written request prior to the sale of individual securities transactions. Employees may invest in pooled investment vehicles, ETFs, Closed End Mutual Funds and SEC non-restricted securities, such as open-end mutual funds, certain U.S. government securities and cash equivalents. Pre-clearance and reporting requirements vary for a number of these investments. The Firm’s personal trading policy requires employees to provide the Chief Compliance Officer with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

In addition to personal trading activities, other policies and procedures found in the Code of Ethics provide guidelines the Firm and/or employees follow with respect to:

- Insider Trading
- Outside Business Activities
- Political Contributions
- Gifts and Entertainment

A copy of the Firm's Code of Ethics is available to current or prospective clients upon written request.

Item 12 – Brokerage Practices

Generally, the Firm has complete discretion over the selection and amount of securities to be bought or sold for investor accounts without obtaining their consent or approval (within the parameters established by the investment management agreement or private placement memorandum).

Broker Selection and Transactions

The Firm selects brokers for its direct securities transactions based on a number of factors, including, but not limited to, the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of the order and difficulty of execution; the financial strength, integrity and stability of the broker; the broker's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services and other services considered by the Firm to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying the Firm's other selection criteria.

With respect to research and brokerage products or services provided by brokers dealers, the Firm seeks to maintain a soft dollar policy that falls within the safe harbor established by Section 28(e) of the Securities Exchange Act of 1934 ("1934 Act"). Research services, as that term is used in Section 28(e)(3), may include both services generated internally by a broker's own research staff and services obtained by the broker from a third party research firm. The research services may include a broad variety of financial and related information and services, including written or oral research and information relating to the economy, industries or industry segments, a specific company or group of companies, software or written financial data, electronic or other quotations or market information systems, financial or economic programs or seminars, or other similar services or information the Firm believes assists its advisory functions and services.

Among other things, the Firm considers research provided to it when considering through which brokerage firm it should execute transactions. Generally, the Firm will attempt to place portfolio transactions with broker dealers who, in its opinion, provide the best combination of price and

execution (including brokerage commissions). However, the Firm may pay a broker dealer a commission for effecting a transaction in excess of the amount of commission another broker or dealer would have charged as long as the Firm makes a good faith determination that the amount of commission is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer.

The amount of brokerage specifically allocated to any broker will be based, in part, on the cost of research and brokerage products or services to the broker, and the amount allocated is generally higher than that which the Firm would pay for the research if it paid for it in cash using its own funds. Clients should consider that there is a potential conflict of interest between their interests in obtaining best execution and the Firm's receipt of and payment for research through brokerage allocations as described above.

The soft dollar research obtained by the Firm may benefit many accounts rather than just the one(s) for which the order is being executed, and not all research may be used by the Firm in connection with the account(s) which paid commissions to the broker providing the research. For example, the Firm may utilize the commissions paid by its clients who invest in equity securities on a short basis only to obtain research services for securities purchased on a long basis only. In this situation, the securities research may benefit only a select group of the Firm's clients that is different from the group whose commissions generated the soft dollar credits.

Best Execution Reviews

On a quarterly basis, the Firm holds a best execution review meeting to determine the value each broker dealer brought to the firm over the previous three (3) month period. In attendance at the meeting are members of the Firm's investment team and Chief Compliance Officer. At the meeting the participants address issues such as, the quality of execution, quality of research, responsiveness of the broker, access to analysts and other variables. Each active broker dealer on the approved list is also discussed to determine whether the commissions earned are commensurate with the value the Firm receives from each broker dealer with respect to the investment decision making process. At this time, the meeting participants review the trading costs associated with commission levels. Following the review, the Portfolio Manager and the Chief Compliance Officer document the changes made to the approved list of broker/dealers.

Each quarter as part of the best execution review, the Portfolio Managers and the Chief Compliance Officer discuss general soft dollar activities and possible changes to the list of all soft dollar services. At the meeting, examples of soft dollar issues addressed include:

- Changes to the current level of service
- New services
- Services that are not being fully utilized, are obsolete, or redundant and should be eliminated
- Whether the commissions targeted for the current quarter or year are in line with the budgeted amounts

The Chief Compliance Officer documents and maintains the information discussed in the best execution review.

Order Aggregation

Generally, the Firm aggregates and allocates all client orders for the same security on a *pro-rata* basis. The Portfolio Managers reviews and monitors trades. Upon completion, the Operations Manager confirms the trades. All accounts with similar investment guidelines are typically managed *pari passu*.

Directed Brokerage

An investor may instruct the Firm to effect securities transactions from the investor's account through a specific broker/dealer. The Firm considers such instruction to be a "directed brokerage arrangement." In such circumstances, the investor is responsible for negotiating the terms and arrangements for their account with that broker/dealer. The Firm will not seek better execution services or prices from other broker/dealers or be able to aggregate the investor's transactions for execution through other broker/dealers, with orders for other accounts the Firm advises or manages. As a result, the Firm may place a directed trade following aggregated trading activity for a particular security. In addition, the Firm may not obtain best execution on behalf of the investor, who may pay materially disparate commissions, greater spreads or other transaction costs, or receive less favorable net prices on transactions for the account than would otherwise be the case.

Soft Dollar Reviews

In addition to quarterly reviews, the Firm conducts an annual evaluation of its soft dollar products and services to, (1) ensure the products and services continue to provide the value to the investment manager which was originally established upon initial evaluation; and, (2) prepare an annual soft dollar budget which it believes is in the best interest of the Firm's clients. The Chief Compliance Officer and Chief Financial Officer must approve the annual soft dollar budget. The President will provide resolution for any differences of opinion between the Chief Compliance Officer and Chief Financial Officer.

Every month, all copies of invoices for soft dollar products and services are reviewed by a member of the accounting department and then forwarded to the Portfolio Manager(s) for verification as necessary. The invoices are stamped and dated, and then forwarded to the soft dollar broker for payment. The soft dollar broker submits a monthly summary of all payments made for research, as well as a detailed listing of commissions generated with the executing soft dollar brokers. The soft dollar broker resolves any discrepancies, and any unresolved disputes will be promptly brought to the attention of the Chief Financial Officer.

Mixed-Use Soft Dollar Products and Services

In some instances, brokerage and research products or services received by the Firm may also be used by the Firm for functions that are not entirely brokerage or research related (i.e. not related to the investment decision-making process). Where a research product or service has a mixed-use, the Firm will make a reasonable allocation according to its use and will pay for the non-

research portion in cash (hard dollars) using its own funds. Mixed-use allocation decisions are generally based on a reasonable combination of factors such as:

- the percentage of time the Firm devotes to the use of the product for research vs. non-research applications;
- the relative value of the product for each use as the Chief Compliance Officer and Chief Financial Officer determine to be reasonable and appropriate; and,
- the availability and value of comparable products and services.

Ranger's Chief Compliance Officer supervises the evaluation of all mixed-use soft dollar items upon initial receipt of the product or service, and then again on an annual basis. Evaluation results, along with guidance from the Chief Financial Officer, will assist the Chief Compliance Officer in the establishment of a final mixed-use allocation decision.

Item 13 – Review of Accounts

Each account will be reviewed and valued on a daily basis or more frequently if triggered by market or economic conditions. At this time, there is one account requiring review. Members of the investment staff will review each account in a manner consistent with the investment goals of each account. Under the supervision of the Chief Financial Officer, members of the Firm's accounting and operations staffs will review the accounts' valuation, including net asset value calculations, securities positions and pricing information, interest accrual calculations, and cash balance reports from the Firm's accounting system, custodian, prime broker and brokerage firms.

Currently, the Firm's sole client is an investment adviser to an exchange traded fund, and its sole portfolio is that of such exchange traded fund. As such, the Firm's client receives a report of the portfolio's holdings on a daily basis. The Firm's operations staff, supervised by the Chief Financial Officer, will review the accounts' valuation, including net asset value calculations, securities positions and pricing information, interest accrual calculations, and cash balance reports generated by the Firm's accounting system, custodian, prime broker and brokerage firms.

Item 14 – Client Referrals and Other Compensation

The Firm may enter into agreements with an affiliated or unaffiliated marketing groups or individuals that will market and/or solicit investors for the Active Bear ETF (HDGE) or other Ranger accounts. For their services, such marketing groups or individuals may receive a percentage of the Firm's Management Fee.

The Firm's arrangements with an affiliated or unaffiliated marketing groups or individuals may result in a potential conflict of interest by creating an incentive for the marketing group to recommend Ranger investment advisory products and services based on compensation received rather than the investor's needs. The Firm has implemented procedures to ensure compensation arrangements with an affiliated or unaffiliated third-party for client or investor referrals will comply with Rule 206(4)-3 under the Adviser's Act.

Item 15 – Custody

At this time, the Firm does not take direct or indirect possession of investor funds or securities. As such, the Firm does not have custody of client assets.

Item 16 – Investment Discretion

Subject to the general oversight of any investment adviser to which it provides sub-advisory services, the Firm has complete discretion over the selection and amount of securities to be bought or sold for investor accounts without obtaining their consent or approval within the parameters established by the investment management agreement or private placement memorandum. Discretionary authority over client portfolio will only be undertaken pursuant to specific instructions set forth in an investment management agreement or sub-advisory agreement. Discretionary trades Ranger executes on behalf of its discretionary accounts will be in accordance with that client's investment objectives and goals.

Item 17 – Voting Client Securities

Generally, the Firm invests, on a short basis only, in U.S. exchange traded equity securities and does not have the right to vote proxies for securities of the accounts it advises.

Item 18 – Financial Information

Ranger has no known financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. In addition, the Firm has never been the subject of a bankruptcy petition.