

# NFC Investments, LLC

## Form ADV Part 2A

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This Brochure provides information about the qualifications and business practices of NFC Investments. If you have any questions about the contents of this Brochure, please contact us at (901) 767-5576. 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.

NFC Investments is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

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

**Date of Brochure: January 18, 2024**

**Commented [ACM1]:** Instruction for Item 1.

A. The cover page of your *brochure* must state your name, business address, contact information, website address (if you have one), and the date of the *brochure*.

**Note:** If you primarily conduct advisory business under a name different from your full legal name, and you have disclosed your business name in Item 1.B of Part 1A of Form ADV, then you may use your business name throughout your *brochure*.

B. Display on the cover page of your *brochure* the following statement or other clear and concise language conveying the same information, and identifying the document as a "brochure".

C. If you refer to yourself as a "registered investment adviser" or describe yourself as being "registered," include a statement that registration does not imply a certain level of skill or training.

**Ascendant Comment:** Rule 204-3(e) of the Investment Advisers Act provides. "Other disclosure obligations. Delivering a brochure or brochure supplement in compliance with this section does not relieve you of any other disclosure obligations you have to your advisory clients or prospective clients under any federal or state laws or regulations." The sample language provided includes the statement referenced in response to instruction C. above.

## Item 2 – Material Changes

There were no material changes to this document when compared to the Form ADV Part 2 filed January 20, 2023.

Additional information about NFC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with NFC who are registered, or are required to be registered, as investment adviser representatives of NFC.

### Commented [ACM2]: Instruction for Item 2

If you are amending your *brochure* for your annual update and it contains material changes from your last annual update, identify and discuss those changes on the cover page of the *brochure* or on the page immediately following the cover page, or as a separate document accompanying the *brochure*. You must state clearly that you are discussing only material changes since the last annual update of your *brochure*, and you must provide the date of the last annual update of your *brochure*.

**Note:** You do not have to separately provide this information to a *client* or prospective *client* who has not received a previous version of your *brochure*.

**Ascendant Comment:** See Rule 204-3 of the Investment Advisers Act for specific delivery obligations to new clients, and obligations for ongoing and annual delivery. Rule 204-3 has been significantly amended and requires that new policies and procedures be implemented. Ascendant's suggested language is designed to explain to clients the transition to the new ADV Part 2 brochure format. Future updates to brochures will require specific information noted above in the SEC instructions.

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#### Commented [ACM3]: Instruction to Item 3.

Provide a table of contents to your *brochure*.

**Note:** Your table of contents must be detailed enough so that your *clients* can locate topics easily. Your *brochure* must follow the same order, and contain the same headings, as the items listed in Part 2A.

**Ascendant Comment:** Do not delete any of the 19 specific Item Headings in the Template. Each Heading is required, except Item 19 which SEC registered advisers should delete. You may further use the outline feature for any Item to indicate subheadings as you deem necessary.

#### Item 4 – Advisory Business

NFC Investments, LLC was founded in June of 2004 and is principally owned by Charles K Slatery, William V Thompson III, Emmel B Golden III, and Daniel T Butts. NFC Investments provides discretionary investment advisory services to a variety of individual and institutional clients. NFC Investments manages client accounts in accordance with investment objectives, guidelines, and restrictions that are agreed upon between NFC Investments and its clients. In advising the client as to a proposed investment objective and any proposed investment guidelines, NFC Investments will rely upon the information provided by the client regarding the client's financial circumstances, investment goals, expected investment time horizon, and risk tolerance. NFC Investments maintains full investment discretion as to which securities to purchase or sell in a client's account in a manner consistent with the client's investment objective, guidelines, and restrictions. Purchases and sales of securities for clients' accounts are executed either by broker-dealers or other firms selected by NFC Investments or through firms which clients may direct NFC Investments to use.

NFC Investments manages clients' accounts on an individualized basis. Therefore, accounts within the same investment objective may, at any given time, differ as to securities, industries and cash levels. In addition, restrictions and guidelines established by clients affect the composition and performance of accounts. For these reasons, performance of accounts within the same investment objective may differ.

For a new account, NFC Investments will evaluate any securities initially contributed by the client to the account. NFC Investments may sell all or a portion of such securities if it believes such securities are not consistent with the client's investment objectives and guidelines or if NFC Investments would not ordinarily hold such securities for the client's account. The client will be responsible for any tax liabilities that result from any sale transactions initially and during management of the account.

NFC Investments' services may be terminated by either party upon written notification in accordance with the agreement with the client. There is no penalty for terminating the client's account, and NFC Investments' fee will be pro-rated as of the date of termination. Upon termination, the client must instruct NFC Investments in writing as to the disposition of the client's assets. Although NFC Investments will cease its advisory services with respect to the client's account as of the date of termination, NFC Investments will use commercially reasonable efforts to assist the client, pursuant to the client's written instructions, in the transfer of the assets in the account in-kind to an investment adviser,

#### Commented [ACM4]: Instruction for Item 4.

A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).  
**Notes:** (1) For purposes of this item, your principal owners include the *persons* you list as owning 25% or more of your firm on Schedule A of Part 1A of Form ADV (Ownership Codes C, D or E). (2) If you are a publicly held company without a 25% shareholder, simply disclose that you are publicly held. (3) If an individual or company owns 25% or more of your firm through subsidiaries, you must identify the individual or parent company and intermediate subsidiaries. If you are an SEC-registered adviser, you must identify intermediate subsidiaries that are publicly held, but not other intermediate subsidiaries. If you are a state-registered adviser, you must identify all intermediate subsidiaries.

B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.

C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of *clients*. Explain whether *clients* may impose restrictions on investing in certain securities or types of securities.

D. If you participate in *wrap fee programs* by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.

E. If you manage *client* assets, disclose the amount of *client* assets you manage on a *discretionary basis* and the amount of *client* assets you manage on a *non-discretionary basis*. Disclose the date "as of" which you calculated the amounts.

**Note:** Your method for computing the amount of "*client* assets you manage" can be different from the method for computing "assets under management" required for Item 5.F in Part 1A. However, if you choose to use a different method to compute "*client* assets you manage," you must keep documentation describing the method you use. The amount you disclose may be rounded to the nearest \$100,000. Your "as of" date must not be more than 90 days before the date you last updated your *brochure* in response to this Item 4.E.

**Ascendant Comments:** Amended Rule 204-2 of the Investment Advisers Act requires you to create and maintain a record describing how you calculated assets under management differently than in Item 5.F. of Form ADV, Part 1A, if applicable.

Be sure that your business description is consistent with your investment advisory agreements and marketing materials.

portfolio manager or other financial professional designated in writing by the client or to a brokerage account designated in writing by the client. Alternatively, upon the client's written instruction, NFC Investments will liquidate the client's account and forward the proceeds to the client.

As of December 31, 2023, NFC Investments had approximately \$1,900,000,000 in client assets under management.

### Item 5 – Fees and Compensation

As a general rule, NFC Investments' advisory fee is based on a percentage of assets under management. NFC Investments' standard annual advisory fee is 1.0% of the client's assets under management. However, that fee is subject to negotiation based on the particular circumstances of the client and other factors, including, but not necessarily limited to, the type and size of the account, pre-existing relationship and account complexity.

NFC Investments' fees with respect to the private investment funds that are advised by NFC Investments, including WBL Partners, LLC, NFC Partners, LLC, Knox Holdings, LLC, NFC Arizona Renewables, LLC, and NFC Insurance Partners, LLC are disclosed in the applicable offering documents for those funds.

Certain accounts of NFC Investments may be managed by NFC Investments without an advisory fee.

NFC Investments' fee is generally paid monthly or quarterly, in arrears, as provided in the agreement with the client, based on the market value of the account as of the close of the last trading day of the applicable billing period. NFC Investments' fee does not include any fees or commissions payable by the client to any broker-dealer or the account custodian for their respective services. Clients generally authorize direct deduction of NFC Investments' fee from their accounts custodied with the account custodians.

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

In certain situations, NFC Investments may consider receiving fees based on criteria other than a percentage of assets under management, such as a fee based on the performance of the account. Performance-based fees may create an incentive for NFC Investments to make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee and NFC Investments' compensation may be larger than it would otherwise have been because the fee will be based on account performance instead of a

#### Commented [ACM5]: Instruction to Item 5.

A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.

**Note:** If you are an SEC-registered adviser, you do not need to include this information in a *brochure* that is delivered only to qualified purchasers as defined in section 2(a)(5)(A) of the Investment Company Act of 1940.

B. Describe whether you deduct fees from *clients'* assets or bill *clients* for fees incurred. If *clients* may select either method, disclose this fact. Explain how often you bill *clients* or deduct your fees.

C. Describe any other types of fees or expenses *clients* may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that *clients* will incur brokerage and other transaction costs, and direct *clients* to the section(s) of your *brochure* that discuss brokerage.

D. If your *clients* either may or must pay your fees in advance, disclose this fact. Explain how a *client* may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.

E. If you or any of your *supervised persons* accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.

1. Explain that this practice presents a conflict of interest and gives you or your *supervised persons* an incentive to recommend investment products based on the compensation received, rather than on a *client's* needs. Describe generally how you address conflicts that arise, including your procedures for disclosing the conflicts to *clients*. If you primarily recommend mutual funds, disclose whether you will recommend "no-load" funds.

2. Explain that *clients* have the option to purchase investment products that you recommend through other brokers or agents that are not affiliated with you.

3. If more than 50% of your revenue from advisory *clients* results from commissions and other compensation for the sale of investment products you recommend to your *clients*, including asset-based distribution fees from the sale of mutual funds, disclose that commissions provide your primary or, if applicable, your exclusive compensation.

4. If you charge advisory fees in addition to commissions or markups, disclose whether you reduce your advisory fees to offset the commissions or markups.

#### Commented [ACM6]: Instruction to Item 6.

If you or any of your *supervised persons* accepts *performance-based fees* – that is, fees based on a share of capital gains on or capital appreciation of the assets of a *client* (such as a *client* that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your *supervised persons* manage both accounts that are charged a *performance-based fee* and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your *supervised persons* face by managing these accounts at the same time, including that you or your *supervised persons* have an incentive to favor accounts for which you or your *supervised persons* receive a *performance-based fee*, and describe generally how you address these conflicts.

**Ascendant Comment:** Please see the two sample responses we have provided in the body of the document.

percentage of assets under management. Performance-based fee arrangements will comply with the requirements of Rule 205-3 under the Investment Advisers Act of 1940.

#### Item 7 – Types of Clients

NFC Investments provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, private investment funds, trust programs, and corporations.

NFC Investments has a stated \$1,000,000 minimum value of assets to start/open an account, but that minimum can be waived at NFC's discretion for different reasons and circumstances.

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

NFC Investments relies primarily on fundamental analysis of its investments. Fundamental analysis involves the analysis of financial statements, the general financial health of companies and/or industries, management, and competitive advantages. NFC Investments primarily invests in public equities and fixed income, but will occasionally invest in other areas including private investments, derivatives, and commodities. A large portion of NFC Investments' assets under management are those of insurance companies. Often insurance company portfolios are required by regulatory authorities to invest in certain asset classes to satisfy compliance with specific insurance regulations.

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

#### Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of NFC Investments or the integrity of NFC Investments' management. NFC Investments has no information applicable to this Item.

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

##### Commented [ACM7]: Instruction to Item 7.

Describe the types of *clients* to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.

**Ascendant Comment:** Be sure this response is consistent with Form ADV Part 1, Item 5.D.

##### Commented [ACM8]: Instruction to Item 8.

A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that *clients* should be prepared to bear.

B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.

**Ascendant Comment:** Various mutual fund and private fund prospectuses should serve as important sources of sample disclosure for this Item. Also review and consider your Investment Committee records.

##### Commented [ACM9]: Instruction to Item 9.

If there are legal or disciplinary events that are material to a *client's* or prospective *client's* evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.

Items 9.A, 9.B, and 9.C list specific legal and disciplinary events presumed to be material for this Item. If your advisory firm or a *management person* has been *involved* in one of these events, you must disclose it under this Item for ten years following the date of the event, unless (1) the event was resolved in your or the *management person's* favor, or was reversed, suspended or vacated, or (2) you have rebutted the presumption of materiality to determine that the event is not material (see Note below). For purposes of calculating this ten-year period, the "date" of an event is the date that the final *order*, judgment, or decree was entered, or the date that any rights of appeal from preliminary *orders*, judgments or decrees lapsed.

Items 9.A, 9.B, and 9.C do not contain an exclusive list of material disciplinary events. If your advisory firm or a *management person* has been *involved* in a legal or disciplinary event that is not listed in Items 9.A, 9.B, or 9.C, ...

##### Commented [ACM10]: Instruction to Item 10.

A. If you or any of your *management persons* are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.

B. If you or any of your *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, disclose this fact.

C. Describe any relationship or arrangement that is material to your advisory business or to your *clients* that you or any of your *management persons* have with any *related person* listed below. Identify the *related person* and if the relationship or arrangement creates a material conflict of ...

NFC Investments is the managing member of NFC Partners, LLC and NFC Insurance Partners, LLC, each Tennessee limited liability companies. Charles Slatery, an officer and member of NFC Investments, is President of WBL Partners, LLC and Knox Holdings, LLC, both Tennessee limited liability companies. WBL Partners, Knox Holdings, NFC Partners, and NFC Insurance Partners are private investment funds in which clients of NFC Investments may be solicited to invest. WBL Partners and Knox Holdings primarily make venture capital and other private equity investments. NFC Partners and NFC Insurance Partners invest primarily in publicly-traded securities, although both can make some private equity investments if such investments fit the investment risk profile.

Subject to applicable client investment guidelines and suitability determinations made by NFC Investments, NFC Investments may provide advice regarding an illiquid investment in a privately-held company that is made indirectly through a partnership, Limited Liability Company or other pooled investment vehicle formed for the single purpose of making the investment. In that situation, NFC Investments or one or more of its related persons also may be a partner, member, stockholder, director or officer of the entity through which the investment is made.

Charles Slatery and William Thompson, officers and members of NFC Investments, are both Managers and Directors of Deleo Holdings, LLC. Deleo Holdings, LLC is a private single company technology investment made by advisory clients of NFC Investments. Deleo Holdings, LLC is not billed directly by NFC Investments, LLC.

William Thompson is the President of NFC Arizona Renewables, LLC, a private fund invested in energy projects.

## Item 11 – Code of Ethics

NFC Investments has adopted a Code of Ethics in accordance with Rule 204A-1 under the Investment Advisers Act of 1940. The Code of Ethics sets forth NFC Investments' standard of business conduct as a fiduciary and requires employees to comply with the federal securities laws. Among other things, NFC Investments' Code of Ethics also requires advisory personnel to report to NFC Investments all personal securities transactions on a quarterly basis, subject to some exceptions such as transactions in U.S. government securities and transactions involving mutual fund shares. Advisory personnel must also have duplicate copies of confirmations and brokerage account statements sent to NFC Investments so that it can monitor compliance with its personal trading policies and restrictions. Under the Code of Ethics, NFC Investments restricts the ability of its personnel to acquire securities in an initial public offering or private placement without the consent

### Commented [ACM11]: Instruction to Item 11.

A.If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any *client* or prospective *client* upon request.

B.If you or a *related person* recommends to *clients*, or buys or sells for *client* accounts, securities in which you or a *related person* has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

Examples: (1) You or a *related person*, as principal, buys securities from (or sells securities to) your *clients*; (2) you or a *related person* acts as general partner in a partnership in which you solicit *client* investments; or (3) you or a *related person* acts as an investment adviser to an investment company that you recommend to *clients*.

C.If you or a *related person* invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a *related person* recommends to *clients*, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.

D.If you or a *related person* recommends securities to *clients*, or buys or sells securities for *client* accounts, at or about the same time that you or a *related person* buys or sells the same securities for your own (or the *related person's* own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

**Note:** The description required by Item 11.A may include information responsive to Item 11.B, C or D. If so, it is not necessary to make repeated disclosures of the same information. You do not have to provide disclosure in response to Item 11.B, 11.C, or 11.D with respect to securities that are not "reportable securities" under SEC rule 204A-1(e)(10) and similar state rules.

**Ascendant Comment:** State registered investment advisers should review their applicable state regulations regarding the requirement to have a Code of Ethics.

of NFC Investment's Chief Compliance Officer. Employees are required to report violations of the Code of Ethics to NFC Investments' Chief Compliance Officer. NFC Investments will provide a copy of its Code of Ethics to any client or prospective client upon request.

NFC Investments may recommend that clients invest in shares or other interests in certain private investment funds, such as WBL Partners, NFC Partners, or NFC Insurance Partners to which NFC Investments or its related persons provide advisory or other services and from which NFC Investments or its related persons receive advisory or other fees. NFC Investments' fees with respect to those private investment funds are disclosed in the applicable offering documents for the funds. To the extent a client invests assets in such a private investment fund through the client's advisory account with NFC Investments, NFC Investments may, depending on the arrangement with the client, waive its investment advisory fee (i.e., the advisory account level fee) on the assets invested in such fund, credit the account for the fees paid by the fund to NFC Investments or its related persons, avoid or limit the payment of duplicative fees to NFC Investments and its related persons through other means, or charge fees both at the fund level and account level to the extent permitted by applicable law.

Subject to applicable client investment guidelines and suitability determinations made by NFC Investments, NFC Investments may provide advice regarding an illiquid investment in a privately-held company that is made indirectly through a partnership, Limited Liability Company or other pooled investment vehicle formed for the single purpose of making the investment. In that situation, NFC Investments or one or more of its related persons also may invest through the partnership, Limited Liability Company or other entity as a partner, member, stockholder or other equity owner, as applicable. Likewise, one or more of NFC Investments' related persons may serve as directors (or the equivalent thereof) and/or officers of the entity through which the investment is made. Under certain circumstances, to the extent the investment generates returns above certain pre-established targets, NFC Investments or its related persons may receive priority distributions of the pooled investment vehicle's profits. The specific economic arrangement for each partnership, Limited Liability Company or other pooled investment vehicle will be described in the applicable offering materials, which may include a partnership agreement, operating agreement or stockholder agreement, as applicable.

NFC Investments does not buy securities from, or sell securities to, any investment advisory client. However, NFC Investments' employees from time to time may, directly or indirectly, purchase or sell, or hold positions in, securities recommended to clients, including purchasing securities that are being sold for clients and vice versa. NFC Investments seeks to ensure that neither it, nor its employees, personally benefit from the



short term market effects of their recommendations to clients. Generally, NFC Investments personnel may not effect transactions in securities for their own account, or for accounts in which they have an interest or control, where such securities are simultaneously contemplated for purchase or sale for a client account or are the subject of an unexecuted order for a client account. NFC Investments also restricts the ability of its personnel to acquire securities in an initial public offering or private placement without the consent of NFC Investments' Chief Compliance Officer.

On occasion, NFC Investments may order brokers to effect "cross" transactions between client accounts in which one client will purchase securities held by another client. Such transactions are only entered into when NFC Investments deems the transaction to be in the best interests of both clients and at a price NFC Investments has determined to be fair to both clients by reference to independent market indicators (or as otherwise prescribed by law) and which NFC Investments believes to constitute "best execution." Client consent is required for "cross" transactions.

Neither NFC Investments nor any of its related persons receives any compensation in connection with such "cross" transactions. Brokers executing transactions for or on behalf of clients in connection with "cross" transactions may charge the client a commission for such transaction unless otherwise prohibited by law. Total brokerage compensation to any particular broker in connection with such "cross" transactions may be determined by the commission rate negotiated by NFC Investments on the transaction (if any), the terms of the client's brokerage agreement with the participating broker and/or any other local market regulations and/or practices. The Investment Advisers Act of 1940 imposes constraints on "cross" transactions.

NFC Investments and its employees may give advice and take action in the performance of their duties that may differ from advice given, or the timing or nature of actions taken, for other client accounts or for their proprietary or personal accounts. NFC Investments has no obligation to acquire for a client account a position in any investment which it or any of its employees may acquire, and the client accounts will not have first refusal, co-investment or other similar rights in respect of any such investment.

## Item 12 – Brokerage Practices

### Client-Directed Brokerage Arrangements

#### Commented [ACM12]: Instruction to Item 12.

A. Describe the factors that you consider in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (e.g., commissions).

1. **Research and Other Soft Dollar Benefits.** If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with *client* securities transactions ("soft dollar benefits"), disclose your practices and discuss the conflicts of interest they create.

**Note:** Your disclosure and discussion must include all soft dollar benefits you receive, including, in the case of research, both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

a. Explain that when you use *client* brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services.

b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your *clients'* interest in receiving most favorable execution.

c. If you may cause *clients* to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), disclose this fact.

d. Disclose whether you use soft dollar benefits to service all of your *clients'* accounts or only those that paid for the benefits. Disclose whether you seek to allocate soft dollar benefits to *client* accounts proportionately to the soft dollar credits the accounts generate.

e. Describe the types of products and services you or any of your *related persons* acquired with *client* brokerage commissions (or markups or markdowns) within your last fiscal year.

**Note:** This description must be specific enough for your *clients* to understand the types of products or services that you are acquiring and to permit them to evaluate possible conflicts of interest. Your description must be more detailed for products or services that do not qualify for the safe harbor in section 28(e) of the Securities Exchange Act of 1934, such as those services that do not aid in investment decision-making or trade execution. Merely disclosing that you obtain various research reports and products is not specific enough.

f. Explain the procedures you used during your last fiscal year to direct *client* transactions to a particular broker-dealer in return for soft dollar benefits you received.

2. **Brokerage for Client Referrals.** If you consider, in selecting or recommending broker-dealers, whether you or a *related person* receives *client* referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.

a. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving *client* referrals, rather than on your *clients'* interest in receiving most favorable execution.

b. Explain the procedures you used during your last fiscal year to direct *client* transactions to a particular broker-dealer in return for *client* referrals.

#### 3. Directed Brokerage.

Some of the firm's clients utilize a broker-dealer as custodian for their securities. Clients who establish custodial accounts with a broker-dealer typically direct NFC Investments to effect all portfolio transactions through that broker-dealer at a rate agreed upon between the client and the broker.

If a client is referred to the firm by a broker-dealer, or if the client has opened a custodial account with a broker-dealer, it is NFC Investments' practice not to negotiate commission rates with such broker-dealer unless expressly requested to do so by the client. Clients are free to choose or change broker-dealers at their discretion unless there is reason to believe the chosen brokerage firm cannot offer adequate service. In such an event, NFC Investments might be unable to accept management of the account.

Some clients may come as a result of referrals from various brokerage firms. When an account is referred by a particular registered representative and NFC Investments is directed to effect brokerage transactions through that representative, NFC Investments may have a conflict of interest between its duty to the client to obtain the most favorable brokerage commission rates available under the circumstances and its desire to obtain future referrals from that registered representative or brokerage firm.

A client who directs NFC Investments to use a particular broker-dealer, including a client who directs use of a broker-dealer as custodian of the client's assets, should consider whether such a designation may result in certain costs or disadvantages to the client. Costs and disadvantages may include higher commissions and/or less favorable executions. Accordingly, the client should satisfy itself that the broker-dealer can provide adequate price and execution of transactions.

A client who directs the use of a broker-dealer may also be subject to certain disadvantages regarding allocation of new issues and aggregation of orders, as discussed below. NFC Investments may place orders for transactions in certain securities initially only for those accounts which are custodied at banks or brokerage firms that permit NFC Investments to place trades with other brokerage firms. Accounts custodied at brokerage firms which do not permit NFC Investments to place transactions with other brokerage firms may not be able to participate in the initial transaction and may not be able to participate in the same gains or losses as other clients whose accounts are not so restricted. In determining whether to establish an account with a broker-dealer or to direct NFC Investments to use a particular broker-dealer, the client should consider possible costs and disadvantages of such an arrangement.

If a client decides to direct where its brokerage is placed by NFC Investments, the client should consider: (1) NFC Investments' brokerage placement practices; (2) that the client may pay higher commissions on some transactions than might be attainable by NFC Investments, or may receive less favorable execution of some transactions, or both; (3) that the client may forego any benefit from savings on execution costs that NFC Investments could obtain for its clients through negotiating volume discounts on batched transactions; (4) that the client may not be able to participate in an allocation of a new issue if that new issue is provided by another broker; and (5) that the client may not generate returns equal to clients which do not direct commissions.

### ***Brokerage Discretion***

Since NFC Investments does not act as a custodian, clients must establish a custodial relationship with another institution, such as a brokerage firm, bank or trust company, in order to use NFC Investments' services. Clients who do not have an existing custodial arrangement sometimes ask NFC Investments to suggest an appropriate broker-dealer to them. Factors considered by NFC Investments in suggesting broker-dealers may include the execution, clearance, settlement and custodial capabilities of the broker-dealer and its willingness to negotiate commission rates with clients. Broker-dealers who have referred new clients to the firm may be suggested. There may be conflict of interest between the firm's desire to receive future referrals from the broker-dealer and the suggestion of a broker-dealer to the client.

In some instances the client may grant brokerage discretion to NFC Investments. In such an event, NFC Investments considers a number of factors when selecting a brokerage firm for execution of individual transactions. These factors include, but are not limited to, the nature of the security being traded, the size and type of transaction, the nature and character of the market for the security to be purchased or sold, the execution, clearance and settlement capabilities of the broker, the broker's financial condition and business reputation, the research (if any) provided by the broker, brokerage commissions, transaction costs (if any), and the broker's execution services rendered on a continuing basis and in other transactions. Based on these and other factors, NFC Investments may elect to pay a brokerage commission in excess of that which another broker might charge for effecting the same transaction.

When clients have given NFC Investments brokerage discretion, if more than one broker is believed to be capable of providing best price and execution, the firm, with client's specific authorization, may select a broker in recognition of its referral of clients to the firm. In this

case, the client does not pay brokerage commissions higher than those it pays brokers that do not make such referrals.

NFC Investments' objective in selecting brokers and dealers and in effecting securities transactions is to seek to obtain the best combination of price and execution with respect to its accounts' transactions. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant. These factors include, but are not necessarily limited to: NFC Investments' knowledge of negotiated commission rates and spreads currently available; the nature of the security being traded; the size and type of transaction; the nature and character of the markets for the security being traded; the size and type of transaction; the nature and character of the markets for the security to be purchased or sold; desired timing of the trade; activity existing and expected in the market for the particular security; confidentiality; execution, clearance and settlement capabilities as well as the reputation and perceived soundness of the broker-dealer; NFC Investments' knowledge of actual or apparent operational problems of any broker-dealer; the broker-dealer's execution services rendered on a continuing basis and in other transactions; and the reasonableness of spreads or commissions. NFC Investments may also consider the quality of research provided by executing brokers or dealers and its usefulness in the management of client accounts.

On occasion, NFC Investments may enter into a "step-out" arrangement. In some cases, NFC Investments may direct the broker executing a client's trade to allocate all or part of the trade to another broker for clearance and settlement. For example, client accounts may be maintained with one broker, while client trades are executed with a different broker. In that arrangement, it may be beneficial for the client if NFC Investments requests the executing broker to execute the trade, but then "step-out" of the clearance and settlement, so that those functions can be performed by the broker that maintains the client's account. In other cases, NFC Investments may desire that the executing broker step out a portion of a trade to another broker that provides research to NFC Investments.

#### ***Trade Aggregation and Allocation***

Although each client account is individually managed, NFC Investments often will, at any given time, purchase and/or sell the same securities for many accounts. It is the firm's practice, where feasible, to aggregate for execution as a single transaction ("batch") orders for the purchase or sale of a particular security for the accounts of several clients. Batching may enable NFC Investments to obtain somewhat lower commissions based on the volume of the clients in the particular order. Clients in an aggregated transaction will each receive

the same price per share or unit (i.e., the average price for all transactions of the clients in that security on that given day), and all transaction costs will be shared among those clients on a pro rata basis.

Trading restrictions placed by a client on his account may preclude NFC Investments from batching that client's transactions with others. In such a case the client may pay a higher commission than those in an aggregated order. Likewise, in those cases where a client and broker-dealer have previously negotiated a commission rate, NFC Investments is unable to negotiate further volume discounts, thus precluding the client from receiving the benefit of any lower commission that might otherwise be available from the aggregation.

The following general guidelines will apply with respect to the allocation of aggregated orders: (1) If the entire aggregated order cannot be filled, securities purchased or sold will generally be allocated on a pro rata basis based on order size. (2) If several clients seek to buy as many of the same securities as they can, purchased securities will be allocated based on the size of such clients' accounts. (3) If several clients seek to sell as many of the same securities as they can, the securities sold will be allocated based on the total size of each such client's position in that security.

Securities acquired in initial public offerings will be allocated fairly and equitably to clients for whose accounts NFC Investments considers such securities to be suitable, and such securities will be allocated among those clients based on the size of the clients' accounts.

Each advisory client of NFC Investments is offered the opportunity to participate in any private investment made on behalf of NFC clients. For various reasons, clients often opt out of participating in private investments. Due to the nature of private investments, some clients do not qualify for specific private investments due to accredited/qualified investor status, inability to meet investment minimum, or suitability limitations. Once an advisory meets investment requirements and indicates intent to participate in private investment opportunities, allocations are made on a pro rata basis based primarily on the size of client accounts and each client's indication of interest in the specific investment.

#### ***"Soft Dollar" Policy***

When appropriate under its discretionary authority and consistent with its duty to seek best execution, NFC Investments may direct brokerage transactions for client accounts to broker-dealers who provide NFC Investments with research and brokerage products and services. The brokerage commissions used to acquire research are known as "soft dollars." The federal securities laws provide a "safe harbor" which allows an investment adviser to

pay more than the lowest available commission for brokerage and research services if it determines in good faith that the commission paid was reasonable in relation to the brokerage and research services provided.

Broker-dealers typically provide a bundle of services including research and execution of transactions. The research provided can be either proprietary (created and provided by the broker-dealer, including tangible research products as well as access to analysts and traders) or third-party (created by a third party, but provided by a broker-dealer). NFC Investments may use soft dollars to acquire either type of research. NFC Investments may use soft dollars to obtain a service or product only if it qualifies as research or brokerage and NFC Investments determines that the service or product provides lawful and appropriate assistance to NFC Investments in carrying out its investment decision-making responsibilities.

Research obtained with soft dollars is not necessarily utilized for the specific account that generated the soft dollars. NFC Investments does not usually attempt to allocate the relative costs or benefits of research among client accounts because it believes that, in the aggregate, the research it receives benefits clients and assists NFC Investments in fulfilling its overall duty to its clients.

The receipt of research in exchange for soft dollars benefits NFC Investments by allowing the firm, at no cost to it, to supplement its own research and analysis activities, to receive the views and information of individuals and research staffs of other securities firms, and to gain access to persons having special expertise on certain companies, industries, aspects of the economy and market factors. Research and brokerage products and services acquired with soft dollars may include, without limitation, traditional research reports analyzing the performance of a particular company or stock, financial newsletters, trade journals and other financial and economic publications, market data, company financial data, economic data, quantitative analytical software, post-trade matching of trade information, electronic communication of trade allocation instructions, routing of settlement instructions, connectivity services between NFC Investments and the broker, and trading software.

The determination and evaluation of the reasonableness of the brokerage commissions paid in connection with account transactions are based primarily on the professional opinions of the persons responsible for the placement and review of such transactions. These opinions are formed on the basis of, among other things, the experience of these individuals in the securities industry and information available to them concerning the level of commissions being paid by other investors of comparable size and type. NFC

Investments may select broker-dealers based on its assessment of their ability to provide quality executions and its belief that the research, information and other services provided by such broker-dealer may benefit client accounts. It is not possible to place a dollar value on the special executions or on the research services NFC Investments receives from broker-dealers effecting transactions in portfolio securities. Accordingly, broker-dealers selected by NFC Investments may be paid commissions for effecting portfolio transactions for client accounts in excess of amounts other broker-dealers would have charged for effecting similar transactions if NFC Investments determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by whose broker-dealers, viewed either in terms of a particular transaction or NFC Investments' overall duty to its client accounts.

NFC Investments will not enter into any agreement or understanding with any broker-dealer which would obligate NFC Investments to direct a specific amount of brokerage transactions or commissions in return for such services. However, certain broker-dealers may state in advance the amount of brokerage commissions they require for certain services and the applicable cash equivalent.

In some cases, a product or service acquired in a soft dollar arrangement may have both eligible and non-eligible uses. If the product or service obtained by NFC Investments is a "mixed use" item, NFC Investments may pay for the research/brokerage component of the product or service with soft dollars and the non-research/non-brokerage component of the product or service with NFC Investments' own funds. Although the allocation between soft dollars and cash is not always capable of precise calculation, NFC Investments will make a good faith effort to allocate such items reasonably. Records of any such allocations will be prepared.

NFC Investments evaluates the brokerage and research services provided by broker-dealer firms at least on an annual basis. The evaluation criteria primarily focus upon the quality and quantity of research and brokerage services provided by such broker-dealer firms. In addition to that formal evaluation, NFC Investments periodically reviews the trading performance of its brokers, evaluates trading strategy, and assesses the efficacy and efficiency of its trading policies and procedures.

### Item 13 – Review of Accounts

NFC Investments reviews each client account on an ongoing basis for conformity with investment style, asset allocation and changes to performance of individual securities. NFC

#### Commented [ACM13]: Instruction to Item 13.

A. Indicate whether you periodically review *client* accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the *supervised persons* who conduct the review.

B. If you review *client* accounts on other than a periodic basis, describe the factors that trigger a review.

C. Describe the content and indicate the frequency of regular reports you provide to *clients* regarding their accounts. State whether these reports are written.

**Ascendant Comment:** Cross-reference your response about reports provided to clients with information about custody required in Item 15.

Investments also reviews accounts when it is notified of changes in client objectives, guidelines or financial circumstances, among other factors. Reviews generally include analysis of account performance and may include comparison with relevant standards and review of account objectives and guidelines. William Thompson, President of NFC Investments, performs all reviews of client accounts.

NFC Investments arranges for the executing broker to furnish clients with confirmations of trades or debit/credit advice promptly after completion of any transaction for which NFC Investments has placed an order. NFC Investments also provides clients with duplicate trade confirmations for every transaction. The nature and frequency of reports to clients are determined primarily by the particular needs or preferences of each client. Generally, clients receive a quarterly report that includes a list of all transactions for that period, a list of current holdings, and a summary of the current market environment.

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

NFC Investments has an agreement with Patrick M Kerney, a client of NFC Investments, where he is compensated to refer clients to NFC Investments. Mr Kerney entered into an independent contractor relationship with NFC Investments in July of 2015 where he receives a portion of referred client fees. Clients referred to NFC Investments by Mr Kerney pay fees in line with other NFC clients and do not pay higher fees simply because they were referred by Mr Kerney.

#### Item 15 – Custody

NFC Investments does not take custody of typical advisory client accounts. However, as managing member of a few private funds, NFC Investments has custody of those accounts.

Advisory clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. NFC Investments urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Investors in NFC Partners, NFC Insurance Partners, Deleo Holdings, Knox Holdings, NFC Arizona Renewables, and WBL Partners receive an annual audit of each Limited Liability Corporation from a third-party accounting firm.

##### Commented [ACM14]: Instruction to Item 3.

A.If someone who is not a *client* provides an economic benefit to you for providing investment advice or other advisory services to your *clients*, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.

B.If you or a *related person* directly or indirectly compensates any *person* who is not your *supervised person* for *client* referrals, describe the arrangement and the compensation.

**Note:** If you compensate any *person* for *client* referrals, you should consider whether SEC rule 206(4)-3 or similar state rules regarding solicitation arrangements and/or state rules requiring registration of *investment adviser representatives* apply.

##### Commented [ACM15]: Instruction to Item 15.

If you have *custody* of *client* funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your *clients*, explain that *clients* will receive account statements from the broker-dealer, bank or other qualified custodian and that *clients* should carefully review those statements. If your *clients* also receive account statements from you, your explanation must include a statement urging *clients* to compare the account statements they receive from the qualified custodian with those they receive from you.

**Ascendant Comment:** According to our reading of Rule 206(4)-2 of the Investment Advisers Act, an adviser is only required to *urge* such a comparison between its statements and the qualified custodian's statements if an adviser has authority to open accounts on clients' behalfs (e.g., adviser has general power of attorney, acts as trustee, or other circumstances). However, this instruction imposes a broader disclosure obligation for Item 15. Remember that for these purposes SEC registered advisers are deemed to have custody based solely on the ability to debit advisory fees.



#### Item 16 – Investment Discretion

NFC Investments generally accepts accounts only when it is given full investment discretion (i.e., the authority to make investment decisions for the account without prior consultant with the client). The firm's discretionary authority regarding investments may, however, be subject to certain limitations, such as restrictions or prohibitions placed by the client on transactions in certain types of securities or industries. Any such limitations are to be agreed upon in advance with each client. Each client must execute an advisory contract to enable NFC to obtain discretion over accounts.

Due to the nature of private investment, advisory clients often technically have investment discretion. Specifically, offering documents and operating agreements, for example, must be executed by underlying advisory client as NFC Investments does not have authority to do so on behalf of advisory clients.

Investment guidelines and restrictions must be provided to NFC Investments in writing.

#### Commented [ACM16]: Instruction to Item 16.

If you accept *discretionary authority* to manage securities accounts on behalf of *clients*, disclose this fact and describe any limitations *clients* may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).

#### Item 17 – Voting Client Securities

Decisions on voting proxies for securities held in a client account are made by the client unless the client delegates voting authority to NFC Investments and NFC Investments accepts such authority. If and to the extent the client delegates to NFC Investments voting authority with respect to the client's securities, NFC Investments will vote proxies in a manner it believes is in the best interest of the client. To assist it in doing so, NFC Investments has adopted proxy voting policies and procedures. NFC Investments will consider only those factors that relate to the client's investment, including how its vote will economically impact and affect the value of the client's investment. Proxy votes will be cast in favor of proposals that, in NFC Investments' reasonable judgment, maintain or strengthen the shared interests of shareholders and management, increase shareholder value, and maintain or increase the rights of shareholders. Proxy votes will be cast against proposals that NFC Investments believes have the opposite effect. A copy of NFC Investments' proxy voting policies and procedures is available to clients upon request. In addition, if applicable, clients may obtain information as to how NFC Investments voted their securities by writing NFC Investments, Attn: Proxy Voting, at the address set forth on page 1 of this form, or by calling NFC Investments at the telephone number set forth on page 1 of this form.

#### Commented [ACM17]: Instruction to Item 17.

A. If you have, or will accept, authority to vote *client* securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6. Describe whether (and, if so, how) your *clients* can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your *clients* with respect to voting their securities. Describe how *clients* may obtain information from you about how you voted their securities. Explain to *clients* that they may obtain a copy of your proxy voting policies and procedures upon request.

## Item 18 – Financial Information

NFC Investments has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

### Commented [ACM18]: Instruction to Item 18.

A.If you require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance, include a balance sheet for your most recent fiscal year.

1.The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity.

2.Show parenthetically the market or fair value of securities included at cost.

3.Qualifications of the independent public accountant and any accompanying independent public accountant's report must conform to Article 2 of SEC Regulation S-X.

**Note:** If you are a sole proprietor, show investment advisory business assets and liabilities separate from other business and personal assets and liabilities. You may aggregate other business and personal assets unless advisory business liabilities exceed advisory business assets.

**Note:** If you have not completed your first fiscal year, include a balance sheet dated not more than 90 days prior to the date of your *brochure*.

**Exception:** You are not required to respond to Item 18.A of Part 2A if you also are: (i) a qualified custodian as defined in SEC rule 206(4)-2 or similar state rules; or (ii) an insurance company.

B.If you have *discretionary authority* or *custody of client* funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to *clients*.

**Note:** With respect to Items 18.A and 18.B, if you are registered or are registering with one or more of the *state securities authorities*, the dollar amount reporting threshold for including the required balance sheet and for making the required financial condition disclosures is more than \$500 in fees per *client*, six months or more in advance.

C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.