

# **PITON INVESTMENT MANAGEMENT, LP**

**401 Franklin Avenue, Suite 202B  
Garden City, NY 11530**

**March 2024**

This brochure provides information about the qualifications and business practices of Piton Investment Management, LP ("Piton"). If you have any questions about the contents of this brochure, please contact us at 646-518-2800 or email [agilmore@pitonim.com](mailto:agilmore@pitonim.com).

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration as an investment adviser does not imply a certain level of skill or training.

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

**Item 2: Material Changes**

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Effective January 2024, Jamed Slattery became President of Piton. There have not been any other material changes to Piton's advisory business or personnel to disclose as of this filing.

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**Item 4: Advisory Business**

Piton Investment Management, L.P. ("Piton" or the "Firm") is an investment adviser. Piton is a limited partnership that was formed in July 2015, under the laws of the State of Delaware. Piton is 96% owned by Piton Management LLC, a Delaware limited liability company, and 4% owned by various limited partners. James P. Fortescue and Kristopher Konrad are the Elected Managers of Piton Management LLC.

Piton is an investment advisory firm specializing in fixed-income investment management services to institutions, other investment advisors and high net worth individuals. Piton tailors its advisory services to the individual needs of Clients. While Piton generally makes investment decisions on behalf of Clients, the Firm will permit Clients to impose investment restrictions on certain securities or other limitations as mutually agreed upon. Piton provides advisory services in a manner that we believe is consistent with our fiduciary duties to all Client accounts.

Piton also offers consulting, advisory, sub-advisory and related services to and for clients. These are either ongoing or in a short-term manner. For these accounts, Piton could make investment decisions, depending on the terms of the applicable agreement.

Alan Gilmore is Piton's Chief Compliance Officer ("CCO").

As of December 31, 2023, the Firm manages approximately \$920 Million in Regulatory Assets Under Management.

**Item 5: Fees and Compensation**

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**Investment Advisory Services**

Piton offers fixed-income investment advisory services for a fee. For Discretionary Management Accounts and Sub-Advised Accounts, fees are stated as an annual percentage of assets under management, and generally range between 0% and 1.0% and are charged in arrears. Piton has full discretion to negotiate fees based on certain criteria, such as, but not limited to, complexity of the management strategy, mandate size, related accounts, preexisting relationships and account composition.

The amount of fees, periods over which fees are calculated, and method of payment of fees will be documented in a written agreement prior to engagement. Such factors will vary based on the requirements of individual Clients. Fees can be deducted from the account invoiced to the Client, the Client's financial consultants, or to the Client's custodian as directed by the Client.

**SMArtX Advisory Solutions LLC ("SMArtX") Platform**

Piton has entered into an Investment Advisory Agreement with SMarTX Advisory Solutions LLC ("SMArtX"). SMarTX is an investment adviser registered with the SEC and has established and operates an advisory platform comprised of selected managers that provide discretionary advisory services to certain their clients. SMarTX has retained Piton to perform discretionary investment management services with respect to designated client accounts on the SMarTX Advisory Platform. Piton will be paid an annualized investment management fee based on the assets managed (including any accrued income) with respect to each designated client account in accordance with the fee schedule assigned to the applicable strategy through the SMarTX Advisory Platform.

Piton's Clients will often also incur charges imposed by third parties, such as, but not limited to, broker-dealers, custodians, trust companies, other investment advisors, banks and other financial institutions. These charges could include securities brokerage commissions, ticket charges, transaction fees, trade-away fees, custodial fees, borrowing expenses, charges imposed directly by a mutual fund or ETF in a Client's account (as disclosed in a fund's prospectus), 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.

### **Consulting Services**

Piton performs consulting, advisory, sub-advisory and related services to and for Clients as reasonably requested and agreed to by Piton from time to time, including, but not limited to, (i) evaluating specific assets; (ii) providing market information; (iii) advising Clients on a course of action; (iv) providing portfolio management advice; (v) processing and executing trades and (vi) providing sub-advisory services.

Clients enter into a separate Services or Investment Advisory Agreement with Piton for consulting services in either an ongoing manner or in a short-term manner. Management fees generally range from 0 to 1%. For consulting services on an ongoing manner, the fee is annual, paid monthly in arrears and negotiable. There are also flat fees for certain services and these fees will depend on the nature of such services, as agreed to by both parties in the Services Agreement. For consulting services in a short-term manner, fees are generally calculated in arrears based on asset values and negotiated on an ad hoc basis depending on the scope, complexity, length of the engagement and services to be provided, as agreed to by both parties in the Services Agreement. Fees are deducted from the account, invoiced to the Client, the Client's financial consultants, or to the Client's custodian as directed by the Client.

Piton's Clients will often also incur charges imposed by third parties, such as, but not limited to, broker-dealers, custodians, trust companies, other investment advisors, banks and other financial institutions. These charges could include securities brokerage commissions, ticket charges, transaction fees, trade-away fees, custodial fees, borrowing expenses, charges imposed directly by a mutual fund or ETF in a Client's account (as disclosed in a fund's prospectus), 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.

### **Sub-Advisory Services to Exchange Traded Fund(s)**

#### **PIFI ETF**

Piton serves as the portfolio manager to the Piton Intermediate Fixed Income ETF (NYSE: PIFI). Piton acts in the capacity as sub-advisor to ClearShares LLC, the advisor to PIFI. Within PIFI, Piton seeks to provide a diversified portfolio of high-grade fixed income securities with an average life and interest rate risk profile that is lower than many "core" intermediate fixed income ETFs. Generally, the PIFI portfolio will contain a mix of US treasury securities, US government agency bonds, corporate debt, and other high-grade securities in accordance with our macro-economic outlook.

PIFI's Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment) includes a Management Fees 0.45%, Distribution and/or Service (12b-1) Fees 0.00% and Other Expenses 0.00%. Total Annual PIFI Fund Operating Expenses is 0.46%. Piton received a percentage of the Management Fee as the Portfolio

Manager of PIFI. These expenses do not include the brokerage commissions and other fees to financial intermediaries that investors may pay on their purchases and sales of PIFI shares.

#### OPER ETF

Piton serves as the portfolio manager to the OPER ETF (NYSE: OPER). Piton acts in the capacity as sub-advisor to ClearShares LLC, the advisor to OPER. Within OPER, Piton seeks to actively manage the portfolio seeking current income by investing in repurchase “repo” agreements, collateralized by U.S. Government Securities and other fixed income instruments.

OPER’s Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment) includes a Management Fees 0.20%, Distribution and/or Service (12b-1) Fees 0.00% and Other Expenses 0.00%. Total Annual OPER Fund Operating Expenses is 0.20%. Piton receives a percentage of the Management Fee as the Portfolio Manager of OPER. These expenses do not include the brokerage commissions and other fees to financial intermediaries that investors may pay on their purchases and sales of OPER shares.

#### **Piton Specialty Finance Fund – Segregated Portfolio**

Piton serves as the investment adviser to Glide Direct Series LLC, a “multi-series” limited liability company organized under Section 18-215(b) of the Delaware Limited Liability Company Act, as amended (the “Fund”), which is offering limited liability company Membership interests (the “Interests”) of the Segregated Portfolio known as Piton Specialty Finance Fund – Segregated Portfolio (“Piton Fund”). The Piton Fund was created to deliver attractive risk-adjusted returns by participating in private lending strategies, including trade finance strategies. The Piton Fund was formed to invest substantially all its assets into Piton Specialty Finance Trading Strategies LLC (“the Trading Entity”), a special purpose vehicle created to participate in private lending and financing opportunities. Piton has engaged a sub-advisor, Highmore Group Advisors, LLC, to manage the Trading Entity

The Piton Fund’s assets will be invested predominantly in private market transactions in trade finance and other asset-based and receivables-based investment strategies. The Piton Fund may invest globally across all industry groups. The Piton Fund can originate, invest and service investments directly as well as provide capital to specialty finance operators that originate, underwrite, structure and service transactions. The Piton Fund can invest in the following transaction types: 1. Accounts Receivable Financing & Factoring; 2. Accounts Payable Financing; 3. Purchase Order Financing; 4. Floor Plan Financing; 5. Asset-Based Loans and Lines of Credit; 6. Term Loans

The investment strategies employed within the Piton Fund are speculative and entail substantial investment risks. No assurance can be given that the investment objectives of the Piton Fund will be realized. All investments in the Piton Fund are limited to accredited investors and qualified clients, who must complete a subscription agreement and Private Placement Memorandum.

#### **Advisory Fee**

The Piton Fund will assess an Advisory fee based upon several Share Class categories.

Class A Membership interests will pay an advisory fee of 1.00% per annum, Class B Membership interests will pay an advisory fee of 1.25% per annum and Class C membership interests will pay an advisory fee of 1.50% per annum. All fees will be paid quarterly in arrears, of the invested capital (before deduction of that quarter’s Advisory Fee and Operator Fee, and before making any deduction for any accrued Performance Allocation) as

at the last Valuation Day in each quarter. The Advisory Fee will be paid quarterly in arrears, and will be paid to the Investment Advisor as soon as reasonably practicable after the end of each calendar quarter.

Please refer to the Piton Fund's offering documents for more specific information.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

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### Piton Fund Performance Allocation

Piton generally receives a performance fee (allocation) from the Piton Fund equal to a percentage of the positive difference between the net asset value of each investor's investment in the funds and the hurdle rate or high-water mark attributable to such investor's investment, as set forth below.

*Piton Fund: 12.5-15% on realized and unrealized gains in excess of an investor's original investment in the Piton Fund or the value of such investor's investment in the Piton Fund at the time the last performance allocation was assessed. The specific structure and calculation of the performance fee (allocation) and high-water mark are described in detail in the Piton Fund's offering materials.*

The performance fee (allocation) arrangements may give Piton an incentive to engage in more speculative investment strategies in order to potentially receive greater compensation. Such fee arrangements may also create an incentive to favor higher fee-paying clients over other clients in the allocation of investment opportunities. Piton implements and follows procedures it believes are reasonably designed to ensure that all clients are treated fairly over time, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

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

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Piton offers its services to institutional, individual, and high net worth individual Clients. Clients include individuals, other investment advisors, family offices, banking or thrift institutions, insurance companies, trusts, estates, broker-dealers, charitable institutions, foundations, endowments, sovereign and domestic government entities, corporations and/or other business entities and other institutional investors, collectively "Clients".

Account minimums are subject to negotiation. Generally, Piton requires a minimum account size of \$250,000. The Firm, in its sole discretion, accepts Clients with smaller portfolios based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationships, account retention, and pro bono activities. Piton only accepts Clients with less than the minimum portfolio size if, in the sole opinion of the Firm, the smaller portfolio size will not result in a substantial increase of investment risk beyond the Client's identified risk tolerance. Piton, in its sole discretion, also aggregates the portfolios of family members or related accounts to meet the minimum portfolio size.

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

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Piton manages fixed-income strategies in accordance with Client investment objectives and risk tolerance, with a focus on duration and credit risk management.

Investing in fixed-income securities involves risk, which could be a substantial degree of risk, including the potential to lose all or a substantial portion of one's original investment. Past

performance is no guarantee of future results and Piton does not provide assurance that any particular investment or strategy will be profitable or meet the Clients intended investment objectives. Investments can be impacted by market conditions, economic events, as well as other risks as outlined below. The following risks should be carefully evaluated before making an investment with Piton.

**Fixed-Income Securities.** The Firm focuses on investing in fixed-income securities and other yield-oriented securities and/or instruments. Fixed-income securities are generally issuer obligations to make scheduled payments of interest and/or principal on predetermined dates in the future. All fixed-income securities are subject to the risks outlined below, among others:

- **Interest rate risk** relates to changes in a security's value as a direct result of changes in interest rates. Even though fixed-income investments often provide a stable stream of cashflows, the prices of such securities are generally affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. Typically, the value of a fixed-income security increases when prevailing interest rates decline, and conversely the value of fixed-income securities decreases when interest rates increase. Fixed-income securities can have fixed, adjustable, or floating rate coupons, or a combination thereof. There are also fixed-income securities that have zero percent coupons which are issued at discounts to par value. In general, securities with variable rate coupons (adjustable or floating) typically have less sensitivity to changes in interest rates in relation to securities with fixed coupons of comparable credit and maturity profiles.
- **Market (or spread) risk** relates to the changes in the risk or perceived risk of an issuer, government, country, or region. The value of an investment will go up or down due to changes in economic and market conditions, irrespective of the prevailing or perceived level of interest rates.
- **Credit risk** relates to the risk or perceived risk of an issuer's ability to make obligatory payments of principal and interest. The value of fixed-income securities could be affected by changes in an issuer's credit ratings or financial conditions, as security values are directly predicated on the underlying issuer's ability to pay all the corresponding security's cash-flows in accordance with the security prospectus. A decline in the issuer's credit ratings, adverse changes in the market's perception of an issuer's creditworthiness, or an increase in an issuer's market-based credit spreads, are all likely to adversely affect the value of their issued securities. Security issuers can be highly leveraged entities. Excessive leverage can impair a company's ability to finance future operational and capital needs. As a result, these companies' ability to respond to changing business and economic conditions, as well as future business opportunities, could be limited. Therefore, companies could be subject to restrictive financial and operating covenants which can have differing effects on the valuations of their issued securities.
- **Currency Risk.** Clients could have exposure to currencies through non-U.S. dollar denominated securities, derivatives, and other instruments that the Issuers could choose not to hedge against the U.S. dollar. To the extent Clients' assets are unhedged, the value of those assets will fluctuate with changes in U.S. dollar exchange rates in addition to price changes of Clients investments in the



various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which a Client's investments are denominated should reduce the effect of increases and magnify the effect of decreases in the prices of Clients' securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on Clients' non-U.S. dollar securities. Exchange rates can change dramatically over short periods of time, particularly during times of political or economic unrest or as a result of actions taken by central banks, which could be intended directly to affect prevailing exchange rates.

- **Liquidity risk** relates to the ability to convert an investment into cash in a timely fashion. When there is a lack of demand in the marketplace, a Client might not be able to sell some or all of an investment promptly or only be able to sell investments at less than desired prices. Such circumstances would negatively impact the performance of an investment or investment strategy and could result in realized losses.
- **Counterparty Risk** relates to the risk of doing business with other financial institutions. Client accounts could be exposed to the credit risk of the banks, broker dealers, exchanges, swap counterparties, and other counterparties through which they deal and transact. Piton's counterparties, prime brokers, or other financing counterparties, at times could hold Client assets as collateral for margin loans or other financing provided to those Clients and their respective accounts. If a counterparty becomes insolvent, the assets and/or collateral of the Client and/or their respective accounts by such counterparty might not be recoverable by the Client and their respective accounts. Client accounts are also subject to risk of loss of their funds on deposit with non-U.S. brokers because non-U.S. regulatory bodies might not uniformly require such brokers to segregate customer funds. Client accounts could also be required to post margin for foreign exchange transactions with foreign exchange dealers who are not required to segregate funds (although such funds are generally maintained in separate accounts on the foreign exchange dealer's books and records in the name of Clients' accounts). Under certain circumstances, such as the inability of another customer of the broker dealer to satisfy substantial deficiencies in such other customer's account, Clients would be subject to a risk of loss of their funds on deposit with such broker dealer, even if such funds are properly segregated.

In the case of a bankruptcy of a broker-dealer through which an account deals directly, Clients might not be able to recover any of their assets held, amounts owed to them by such entity, or amounts specifically traceable to their account. To the extent such assets or amounts are recoverable, the accounts might only be able to recover a portion of such amounts. Further, even if Clients can recover a portion of such assets or amounts, such recovery could take a significant period of time. Prior to any such recovery, the Clients would likely be unable to trade any positions held by such person, to transfer any positions and cash held by such person or have transparency with respect to the positions held by such person on behalf of the accounts. This could hinder Piton's ability to provide sufficient risk management with respect to Client's account portfolio, which in turn could result in significant losses to Clients' accounts.

Even if a counterparty remains solvent, Clients would be materially impacted if the counterparty fails to adequately perform its duties and obligations. Clients rely on service providers for certain key activities (including, without limitation,

trading, market data, and reconciliation), and, in some cases, the Firm's reliance is concentrated in a particular service provider or group of service providers. Failure of one of these key service providers to perform as expected could negatively impact Client accounts.

- **Prepayment Risk.** The frequency at which prepayments (including voluntary prepayments by the obligors and liquidations due to defaults and foreclosures) occur on loans underlying certain fixed-income securities, most notably Agency Mortgaged-Backed Securities ("Agency MBS"). There are a variety of factors that could influence the level of prepayments on these types of securities including the prevailing level of interest rates, as well as economic, demographic, tax, social, legal and other factors. With Agency MBS, mortgage obligors generally tend to prepay their mortgages when prevailing mortgage rates fall below the interest rates enough to incentivize them economically to refinance their existing mortgage loans into newly originated, lower rate mortgages. This would result in a full prepayment of that loan within the MBS security in which it is pooled. In general, "premium" securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and "discount" securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since many Agency MBS will be discount securities when interest rates are high and will become premium securities when interest rates are low, these types of securities could be adversely affected by changes in prepayments in any interest rate environment. Prepayments (at par) could also limit the potential upside of many Agency MBS to their principal or par amounts. This effect is mitigated to some degree for Agency MBS in which the underlying mortgage loans have certain characteristics that deter borrowers from making prepayments or refinancing their entire mortgage. These characteristics are generally referred to as "call protection." In general, all prepayments relating to Agency MBS will expose the Client to reinvestment risk. As prevailing mortgage rates tend to fluctuate over time, it is difficult to reliably and consistently predict the rate at which any pool of mortgage loans will prepay over the life of the security.
- **Changes to the Legal and Regulatory Environment for Agency Securities.** The payments of principal and interest Clients receive on the Agency securities (Debt & MBS) are guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. Ginnie Mae is a U.S. government agency, and its guarantees are backed by the full faith and credit of the United States. Fannie Mae and Freddie Mac are government-sponsored enterprises ("GSEs"), but their guarantees are not backed by the full faith and credit of the United States. Although the U.S. government has committed to support the positive net worth of Fannie Mae and Freddie Mac, the two GSEs could default on their guarantee obligations, which could materially and adversely affect the value of Agency backed securities. In addition, the future roles of Fannie Mae and Freddie Mac in US mortgage financing could be significantly reduced, and the nature of their guarantee obligations could be considerably limited relative to historical measurements. Any such changes to the nature of their guarantee obligations could re-define what constitutes an Agency MBS and could have broad adverse implications for the market. To the extent that Clients rely on Agency securities as collateral for their financings, any decline in the value of agency securities, or perceived market uncertainty about their value, could make it more difficult for Clients to obtain financing on favorable terms or at all, or to maintain their compliance with the terms of any financing transactions for such investments. Further, the

current support provided by the U.S. Department of the Treasury to Fannie Mae and Freddie Mac, and any additional support it provides in the future, could have the effect of lowering (or increasing) the interest rates Clients expect to receive from Agency issued securities. Actions by the U.S. Department of the Treasury could thereby tighten (or expand) the spread between the interest Clients can earn on Agency investments and the cost of financing those assets. Future legislation could change the relationship between Fannie Mae and Freddie Mac and the U.S. government, and could also nationalize, privatize, or eliminate these entities entirely. Any law affecting these GSEs could create market uncertainty and have the effect of reducing the actual or perceived credit quality of securities issued or guaranteed by Fannie Mae or Freddie Mac. Moreover, if the guarantee obligations of Freddie Mac or Fannie Mae were repudiated by the Federal Housing Finance Agency, payments of principal and/or interest to holders of Agency MBS issued by Freddie Mac or Fannie Mae would be reduced in the event of any borrower's late payments or failure to pay or a servicer's failure to remit borrower payments promptly. In that case, trust administration and servicing fees could be paid from mortgage payments prior to distributions to holders of Agency MBS. Any actual direct compensatory damages owed due to the repudiation of Freddie Mac or Fannie Mae's guarantee obligations might not be sufficient to offset any shortfalls experienced by holders of Agency MBS. As a result, such laws or changes could increase the risk of loss on Client investments in Agency MBS guaranteed by Fannie Mae and/or Freddie Mac; and could adversely impact the market for such securities and spreads at which they trade. All of the foregoing could materially and adversely affect Clients' accounts.

- ***Mortgage Loan Modification and Refinancing Programs.*** The U.S. Government, through the U.S. Federal Reserve, the Federal Housing Administration, and the Federal Deposit Insurance Corporation, has implemented several federal programs designed to assist homeowners in managing their mortgage debt. Such programs and other loss mitigation programs could involve, among other things, the modification of mortgage loans to reduce the principal amount of the loans (through forbearance and/or forgiveness) and/or the rate of interest payable on the loans, or the extension of payment terms of the loans. These loan modification programs, future legislative or regulatory actions, including possible amendments to the bankruptcy laws, could result in the modification of outstanding residential mortgage loans. These modifications as well as changes in the requirements necessary to qualify for refinancing mortgage loans with Fannie Mae, Freddie Mac or Ginnie Mae, could adversely affect the value of Agency MBS.
- ***Reinvestment Risk.*** This risk occurs when bonds are called prior to maturity, or partially return principal before maturity, or mature in full, and the proceeds from maturity are unable to be reinvested into similar bonds paying similar rates of interest. The reinvestment of proceeds into different bonds with lower rates of interest will adversely impact the level of income generated in a Client's account.
- ***Municipal Security Risk.*** Factors unique to municipal securities, including state or local economic or business developments or legislative changes, could adversely impact the yield or value of applicable bonds. These factors could have a significant impact on the ability of the municipality to make principal and interest payments on their outstanding bonds. Lower rated municipal bonds are generally subject to greater credit and market risk than higher quality municipal

bonds. Municipal bonds are generally tax-free at the federal level but are sometimes taxable in individual states other than the state in which both the investor and municipal issuer are domiciled.

- **State Risk.** This risk occurs when a state-specific concentrated portfolio is adversely impacted due to events that affect the state's economy and economic stability. Higher concentrations to a specific state will likely have higher credit risk exposure.
- **Political Risk.** The risk that political events, such as changes in government leadership, policies, regulation, or other government actions, could adversely impact market functions which in turn could negatively impact the value of Clients investments.
- **Tax Risk** is the risk that the tax-exempt status of municipal securities might change.

**Equity Securities and Equity-Related Securities.** Client accounts often invest in equity securities and equity-related instruments. The value of equity securities varies in response to many factors. Factors specific to an issuer, such as certain decisions by management, lower demand for its products or services, or even loss of key executives, could result in a decrease in the value of the issuer's securities. Factors specific to the industry in which the issuer participates, such as increased competition, costs of production, consumer or investor perception, can have a similar effect. The value of an issuer's stock can also be adversely affected by changes in financial markets in general, such as an increase in interest rates, or a decrease in investor confidence, or events that are unrelated to the issuer itself or its industry. These factors and others can cause significant fluctuations in the prices of the securities in which Clients invest and can result in significant losses.

**Preferred Stock, Convertible Securities, and Equity Options.** Some clients trade preferred stock, convertible securities, or equity options. The value of preferred stocks, convertible securities, and equity options will vary with the movements in the equity market and the performance of the underlying common stock, in particular. Their value is also affected by adverse information concerning the issuer or its industry. Thus, for example, as the value of the underlying common stock of an issuer fluctuates, the value of the preferred stock of such issuer would also be expected to fluctuate. Furthermore, equity options could lose all or the majority of their value as the price of the underlying common equity moves and/or as the option nears expiration. With respect to convertible securities, as with all fixed-income securities, the market value of such securities tends to decline as interest rates increase and, conversely, to increase as interest rates decline. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the convertible security tends to reflect the market price of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis and thus, would not decline in price to the same extent as the underlying common stock. Convertible securities rank senior to common stock in an issuer's capital structure and consequently entail less risk than the issuer's common stock. If a convertible security held by Clients is called for redemption, Clients will be required to permit the issuer to redeem the security or convert it into the underlying common stock. These actions could have an adverse effect on Client's ability to achieve their investment objective.

**Liquid Strategies as a Source of Investor Liquidity.** A number of liquid strategies have incurred material losses in the past, in part during times when private investment funds were forced to raise cash through fund redemptions, to meet margin calls and for other purposes,

and the assets traded by those using such strategies could only become a source of cash for investors. Clients could from time to time incur losses due to similar circumstances.

**Certificates of Deposit.** Certificates of Deposit are time deposits, a financial product commonly sold by banks, thrift institutions and credit unions. They are for a set period of time and a set interest rate. There are penalties to withdraw the funds from the CD before the stated maturity date. They are insured by the FDIC for banks and NCUA for credit unions up to \$250,000 on deposit at the institution. The main risk with CDs (\$250,000 or less) is liquidity risk if you need to withdraw the funds before the maturity date, you will incur a penalty.

**Swap Agreements.** Swap agreements are privately negotiated over-the-counter derivative products in which two parties agree to exchange payment streams that will be calculated in relation to a rate, index, instrument, or certain securities and a particular “notional amount”. Swaps are subject to various types of risks, including market risk, liquidity risk, structuring risk, tax risk, and the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty. Swaps can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swaps will increase or decrease Client’s accounts’ exposure to equity securities, long-term or short-term interest rates, non-U.S. currency values, corporate borrowing rates, or other factors such as security prices, baskets of securities, inflation rates and could increase or decrease the overall volatility of Clients’ portfolios. Swap agreements can take many different forms and are known by a variety of names. Clients are not limited to any particular form of swap agreement if Piton determines that other forms are consistent with the investment objective and policies. The most significant factor in the performance of swaps is the change in specific interest rates, currencies, or other factors that determine the amounts of payments due to and from the respective counterparties. If a swap calls for payments, Clients must have sufficient cash availability to make such payments when due.

Title VII of the Dodd-Frank Act and the rules and regulations adopted and to be adopted by the CFTC introduces a comprehensive regulatory regime for swaps (as defined in the Commodity Exchange Act, as amended). The new laws and regulations subject certain swaps to clearing and exchange trading requirements, and impose margin requirements, reporting, record keeping and business conduct rules. The final rules under Title VII, including those rules that have already been adopted, for both cleared and non-cleared swap transactions could impose increased margin requirements and require additional operational and compliance costs that will likely affect returns.

**Repurchase Agreements.** Piton has the option to enter into repurchase agreements with several financial institutions to help finance assets for Clients. Pursuant to these repurchase agreements, Clients would initially transfer securities (the “collateral”) to a financial institution in exchange for cash, and the Clients counterparty is obligated to exchange such assets back to the Client at the end of the term of the transaction. When collateral is initially exchanged, Clients receive cash in an amount that is less than the value of that collateral (the “haircut”). If a Client’s counterparty defaults on its obligation to exchange collateral the Client would incur a loss on the transaction equal to the amount of the haircut (assuming there was not a change in the value of the securities). Any losses incurred by Clients on repurchase transactions could materially and adversely affect their financial condition and modify future transactions. If a Client defaults on one of their obligations under a repurchase transaction, the counterparty can terminate the transaction and cease entering into any future repurchase transactions with the Client. In that case, the Client would likely need to establish a replacement repurchase agreement with another financial institution in order to continue to leverage its investment portfolio. A Client is sometimes

not be able to secure a suitable replacement repurchase agreement counterparty on acceptable terms or at all.

In addition, pursuant to the terms of borrowings under such repurchase agreements, a decline in the value of the collateral could result in their lenders initiating margin calls, in which case Clients would be required to pledge additional collateral to re-establish the ratio of the value of the collateral to the amount of the borrowing. The specific collateral value to borrowing ratio that would trigger a margin call is generally set in master repurchase agreements but is not determined until Clients engage in a repurchase transaction under these agreements. Clients' fixed-rate collateral generally could be more susceptible to margin calls, as increases in interest rates tend to have a greater effect on the market value of fixed-rate securities. In addition, some collateral could be illiquid which could cause such collateral to be more susceptible to margin calls in a volatile market environment. Moreover, collateral that prepays more quickly increases the frequency and magnitude of potential margin calls as the underlying value is reduced due to return of principal to the bondholder. This return of principal is not accounted for in the determination of the collateral value while it is being used for a repurchase agreement. If Clients are unable to satisfy margin calls, their lenders would likely foreclose on Clients' collateral. The threat of, or occurrence of, a margin call could force Clients to sell, either directly or through a foreclosure, their collateral under adverse market conditions. Because of the leverage Clients expect to have, they could incur substantial losses upon the possibility or occurrence of a margin call.

Furthermore, financial institutions providing the repurchase agreements could require Clients to maintain a certain amount of unencumbered cash or to set aside non-pledged assets sufficient to maintain a specified liquidity position in order to allow Clients to satisfy their collateral obligations. As a result, Clients sometimes are not able to leverage their assets as fully as they would choose, which could reduce their objective returns. If Clients are unable to meet these collateral obligations, their financial condition could deteriorate rapidly. Additionally, Clients' counterparties could unilaterally determine to cease entering into any further repurchase transactions with Clients. Failure to procure adequate repurchase agreement financing or to renew or replace existing repurchase agreement financing as it matures would adversely affect Clients' financial condition and returns.

In the event of the insolvency or bankruptcy of a lender during the term of a repurchase agreement, the lender might be permitted, under applicable insolvency laws, to repudiate the contract, and Clients' claim against the lender for damages could be treated simply as an unsecured creditor. In addition, if the lender is a broker or dealer subject to the Securities Investor Protection Act of 1970, or an insured depository institution subject to the Federal Deposit Insurance Act, Client's ability to exercise its rights to recover its assets under a repurchase agreement or to be compensated for any damages resulting from the lender's insolvency will often be further limited by those statutes. These claims would be subject to significant delay and, if and when received, will often be substantially less than the damages Clients incur.

**Leverage.** Repurchase agreements can be a source of leverage for Client accounts. In addition, Clients could engage in any other type of leverage or borrowing as is determined in Piton's sole discretion. Such borrowing can be made in the course of purchasing securities on margin or otherwise and will increase the volatility of the assets of the Clients. The amount of leverage or borrowings which Clients have outstanding at any time could be large in relation to their capital. Consequently, the level of interest rates generally, and the rates at which Clients can borrow, will affect the operating results of Clients' accounts. In addition, such borrowing could be collateralized by the assets of Clients, and applicable margin regulations could require the liquidation of positions to satisfy margin requirements. Leveraging will exaggerate the effect of the overall value of Clients due to any increase or



decrease in the market value of the Clients' account holdings. Monies borrowed will be subject to interest costs that might not be recovered through appreciation of the securities purchased or the yield from such securities. Clients can invest in a wide range of fixed-income and equity securities, and therefore the amount they are able to borrow on margin often differs materially based on the assets used to collateralize the borrowings. This in turn could limit Client's ability to leverage.

The Clients could enter into different types of financing arrangements that Piton considers appropriate.

**Exchange-Traded Funds ("ETFs").** Some clients invest in ETFs for hedging or speculative purposes. An investment in an ETF that is specific to an industry or sector often will have higher volatility and lower correlation to the performance of broader markets. Authorized participants (who are authorized to create ETFs from their constituent instruments and redeem ETFs into their constituent instruments) manage the supply and demand of ETFs. If an ETF's constituent instruments become difficult to buy or sell or an authorized participant, for another reason, destabilizes the supply and demand balance of an ETF, the liquidity of the ETF could be adversely affected. Under these circumstances, the performance of the ETF could cease to track the prices of its constituent instruments, which could have an adverse effect on Clients if they are trading ETFs.

**Master Limited Partnerships.** Generally, Master Limited Partnerships (MLPs) are exchange-traded investments that are focused on exploration, development, mining, processing, or transportation of minerals or natural resources. MLPs hold cash-generating assets such as oil and gas properties or pipelines. MLPs have certain characteristics that can make them attractive to some investors, including partnership tax consequences, limited liability to investors for the MLP's debts, and anticipated consistent distributions of cash.

However, like all investments, MLPs have risks investors should consider before making an investment decision. Those risks include governance features that can favor management over other investors, potential conflicts of interest, and concentrated exposure to a single industry or commodity. Since most MLPs are clustered in the energy sector, they can therefore be sensitive to shifts in oil and gas prices.

**Private Placements and Alternative Investments.** These include unregistered securities such as private equity, private real estate, private credit, venture capital, hedge funds, interests in limited partnerships and limited liability companies and similar offerings. These offerings are often subject to legal or other restrictions on transfer and redemptions since a liquid market often does not exist for these types of securities. Investors might not be able to redeem when desired and realize previously provided market value or even fair value when sold. Determining the fair market value of private investments can be difficult and the expense of owning private investments and partnerships is generally higher than when compared to public offerings. These investments are subject to a variety of risks as outlined in the offering materials for each particular investment. Their value will generally fluctuate with among other things the financial conditions of the obligors on or issuers of assets, general economic conditions, the condition of certain financial markets, political developments and developments or trends in the particular industries invested in. With respect to synthetic securities, the value is often also impacted by the financial condition of the related synthetic security counterparties and the obligors or issuers of the underlying obligations. Private investments are subject to lower reporting requirements and are less transparent than traditional investments.

**Options.** Some clients desire to trade options from time to time. Options can be used as a hedge against changes in market conditions, or for speculative purposes. Options transactions are often highly leveraged, and gains and losses are therefore magnified. There could be adverse consequences to Clients in options transactions if the intended direction of market movements is inaccurate or does not happen before the option expires. If Clients were to write an uncovered call or puts options, Clients could be subject to the risk of unlimited loss.

**Business Continuity Risk.** We have adopted a business continuity plan (“BCP”) to maintain critical functions in the event of a partial or total outage of our business operations which are designed to limit the impact on Clients. However, our ability to conduct business could be impacted by a disruption in the infrastructure supporting our operations, and the regions in which our offices are located. Additionally, our asset management activities could be adversely impacted if certain service providers fail to make their services available during the outage.

**Cybersecurity Risk.** Piton’s operations rely heavily on technology and as such are susceptible to operational risks, information security risks, and related risks. Cyber-related events can result from deliberate or unintentional acts. Cybersecurity failures or breaches by a third-party service provider also can cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact business, and violations of applicable privacy and other laws.

Add Risks associated with Private Fund Operator (Glide) and Sub Advisor for Private Fund??

#### **Item 9: Disciplinary Information**

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The Firm does not have any legal or disciplinary actions to report.

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

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Some owners of Piton also own equity interests in and receive distributions from U.S. Capital Wealth Advisors, LLC (f/k/a) Legacy One Financial Advisors, LLP (“U.S. Capital Wealth”), an SEC registered investment advisor located in Austin, TX. In addition, the firm’s CCO also acts as a CCO for other unaffiliated SEC registered advisory firms. Conflicts could arise from each of these dual roles because the amount of compensation they receive from each entity is different and the amount of time they spend at each entity is different. The compensation and time spent for each role will change over time. There are Clients of U.S. Capital Wealth that are also Clients of Piton. Due to common control and common ownership between Piton and U.S. Capital Wealth, there are some inherent conflicts of interest for Piton Clients who are also U.S. Capital Wealth Clients. Piton tries to keep these conflicts to a minimum by acting in the best interest of Clients. Clients do not have to use the services of Piton. The Clients that this is applicable to should understand the conflicts and make an informed decision.

Some individuals who own Piton will also indirectly own a minority, non-controlling interest in ClearShares, an investment advisory firm whose core business is providing investment and strategic advice, investment solutions and related advisory services to. Piton and ClearShares have entered into a Sub-Advisory Services Agreement pursuant to which Piton provides certain services to ClearShares Ultra-Short Maturity ETF (NYSE: OPER) and ClearShares Piton Intermediate Fixed Income (NYSE: PIFI), including portfolio management services, and trade processing and execution, in exchange for payment by ClearShares of a



fee based on a fixed amount and percentage of the combined assets under management of both the ETFs.

Piton will recommend that its clients invest in the ClearShares ETFs if doing so is in the best interests of the client. Piton owners and employees benefit financially if clients invest in these ETFs since Piton is paid based on fixed fees and/or a percentage of ClearShares' assets under management. Clients do not have to use the ClearShares OPER and PIFI ETFs. The Clients this is applicable to should understand the conflicts and make an informed decision.

Principals of Piton own an indirect, de minimis equity ownership interest in Halo Investing Inc. ("Halo"). Halo is a Delaware C-Corporation with principal offices in Chicago, IL. Halo is an independent multi-issuer technology platform for structured notes. Piton plans to utilize Halo's technology platform to purchase structured notes for Piton Clients. In the event business conditions permit Halo could pay dividends to Halo shareholders, and therefore Piton principals would receive pro-rata distributions of such dividends. This results in conflicts of interest for Piton Clients if Halo is used for structured notes for the Client's account. Piton tries to keep these conflicts to a minimum, and Clients can request that the services of Halo not be used. The Clients that this is applicable to should understand the conflicts and make an informed decision.

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

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### ***Code of Ethics Pursuant to Rule 204(a)-1 of Advisers Act***

Piton has adopted a Code of Ethics (the "Code") pursuant to Rule 204(a)-1. Rule 204(a)-1 requires the Firm to establish, maintain and enforce a written code of ethics that (i) sets the standard of business conduct that the Firm requires of its employees (ii) requires employees to comply with applicable federal securities laws, and (iii) contains provisions regulating personal securities transactions by employees. Piton will provide a copy of the Code to any Client or prospective Client upon request.

The Code governs personal trading activities by Piton's employees and their immediate family members living in the same household. The Code requires employees to report all personal trades on at least a quarterly basis and provide initial and annual holdings reports to the CCO. Employees are responsible for pre-clearing any and all transactions on Piton's Restricted List and any initial public offering with the CCO. If the CCO requires pre-clearance he/she will provide requests to the CEO.

In addition to restrictions on personal trading, Piton also maintains policies and procedures that address and place limits on the giving and receiving of gifts and entertainment, the making of political contributions, service on outside boards of directors and other outside business activities. Employees are required to certify their compliance with the Code on a periodic basis.

Piton also maintains insider trading policies and procedures that are designed to prevent the misuse of material, non-public information. Employees are required to certify their compliance with Piton's insider trading policies and procedures on a periodic basis.

## **Item 12: Brokerage Practices**

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As the advisor to Clients' assets, Piton is responsible for placing all orders for the purchase and sale of securities on behalf of Clients' accounts, although for consulting services Piton's

role is often more limited. In these situations, the broker/dealer or client is often responsible for placing all orders (although in certain circumstances, Piton will be asked to perform this function as specified in the Services Agreement). Piton uses its best efforts to obtain the best execution on transactions completed on behalf of its Clients. In selecting broker-dealers through whom to effect transactions, the Firm will consider a number of factors, including price, dealer spread or commission, if any, size of the transaction, difficulty of execution and the value and quality of any research, statistical, quotation or valuation services provided by the broker-dealer. Research services provided by broker-dealers includes advice, either directly or through publications or writings, as to the value of securities, the advisability of purchasing or selling securities, the availability of securities or purchasers or sellers of securities, and analyses and reports concerning issuers, industries, securities, economic factors and trends and investment strategy.

Piton selects a broker-dealer that furnishes the Firm directly or through correspondent relationships with research (including third party research) or other services which provide, in Piton's view, appropriate assistance to the Firm in the investment decision-making process. Such research or other services includes research reports on companies, industries and securities; economic and financial data; economic surveys and analyses; recommendations as to specific securities; financial publications; computer data bases; quotation equipment and services; and research-oriented computer software and other services. In some circumstances, the commissions paid on transactions with broker-dealers or merchants providing such services exceeds the amount another broker-dealer would have charged for effecting such transactions. The use of commissions or "soft dollars" to pay for such research or other services, whether provided directly or indirectly, will be utilized, to the extent permissible under applicable law, including, without limitation, Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, for the benefit of Clients' accounts and/or the Piton's other accounts (including accounts that do not pay such commissions or "soft dollars"). The Firm believes that such research or other services will provide Clients and investment accounts with benefits by supplementing the research and services otherwise available to Clients and investment accounts. "Soft dollars" are generated in various trading activities, including, among others, agency transactions, fixed-price offerings and over-the-counter principal transactions. Piton currently does not have any soft dollar arrangements.

Piton often recommends that Clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, to maintain custody of Clients' assets and to effect trades for their accounts. The final decision to custody assets with Schwab is at the discretion of Piton's Clients, including those accounts under ERISA or IRA rules and regulations, in which case the Client is acting as either the plan sponsor or IRA accountholder. Piton is independently owned and operated and not affiliated with Schwab. Schwab provides Piton with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to advisors. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab also makes available to Piton other products and services that benefit Piton but not benefit its Clients' accounts. These benefits include national, regional or Piton-specific educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits include occasional business entertainment of personnel of Piton by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf

tournaments, and other forms of entertainment, some of which accompany educational opportunities. Some of these products and services assist Piton in managing and administering Clients' accounts. These include software and other technology (and related technological training) that provide access to Client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple Client accounts), provide research, pricing information and other market data, facilitate payment of Piton's fees from its Clients' accounts, and assist with back-office training and support functions, recordkeeping and Client reporting. Many of these services generally could be used to service all or some substantial number of Piton accounts, including accounts not maintained at Schwab Advisor Services. Schwab Advisor Services also makes available to Piton other services intended to help Piton manage and further develop its business enterprise. These services include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab will sometimes make available, arrange and/or pay vendors for these types of services rendered to Piton by independent third parties. Schwab Advisor Services often discounts or waives fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Piton. While, as a fiduciary, Piton endeavors to act in its Clients' best interests, Piton's recommendation that Clients maintain their assets in accounts at Schwab is based in part on the benefit to Piton of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which creates a potential conflict of interest.

Piton's Clients utilize qualified custodians other than Schwab for certain accounts and assets, particularly where Clients have a previous relationship with such qualified custodians. These other custodians presently include Fidelity Brokerage Services, LLC and Pershing Advisor Solutions, LLC each of which is a qualified custodian.

The purchases and sales of securities for Client accounts are sometimes aggregated or bunched with orders for other accounts managed under a similar strategy or advised by Piton in order to obtain best execution on behalf of those accounts. Piton, however, is not required to bunch or aggregate orders if portfolio management decisions for different accounts are made separately, or if Piton determines that bunching or aggregating would be inconsistent with its investment management duties or with Client direction.

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**Item 13: Review of Accounts**

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Discretionary Management and Sub-Advised client accounts are reviewed on a regular basis by the senior investment team of Piton to assure conformity with each Clients' investment objectives and guidelines. Piton engages in active management for each of its Clients and accordingly reviews the transactions, positions and cash balances daily.

A qualified custodian sends account statements to Clients at least quarterly, which includes position holdings, transactions made during the period, and the investment performance for the period.

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

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Piton currently does not receive any economic benefit for providing investment advice to any party who is not a Client. Piton currently does not directly or indirectly compensate any

person who is not a supervised person of the Firm for Client referrals. Piton will on occasion enter into written solicitation agreements with individuals, financial intermediaries or others who are affiliated with Piton. All written solicitation agreements will comply with Rule 206(4)-3 under the Advisers Act and any other law as applicable.

Piton receives certain economic benefits from certain broker-dealers through which the Firm executes trades on behalf of Clients, as further discussed in Item 12.

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**Item 15: Custody**

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Piton does not have custody of Client accounts and securities but is often authorized by a Client to the Custodian to directly debit a Client's account for the Firm's management fee and to direct that fee to Piton. In accordance with the Custody Rule, a qualified custodian maintains Clients' assets and has agreed to send statements to Piton's Clients at least quarterly, which includes all amounts disbursed from their account inclusive of the amount paid to Piton. Piton urges Clients to review all distributed statements closely and compare the account statements they receive from the qualified custodian with those they receive from Piton.

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**Item 16: Investment Discretion**

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Piton accepts discretionary authority to manage securities accounts on behalf of Clients subject to the execution of a written investment advisory agreement with the Client for Discretionary Management and Sub-Advised clients. A written investment advisory agreement will explain the nature of Piton's authority to make transactions, including buying or selling securities, as well as any investment limitations, investment objectives, fees and other matters. For consulting services, Piton generally does not have investment discretion, although in certain circumstances Piton is sometimes asked to take investment discretion, as defined in the Services Agreement.

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**Item 17: Voting Client Securities**

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Piton has established proxy and other issuer-related corporate actions (tenders, mergers, exchange offers, etc.) policies and procedures designed to ensure that proxies and other issuer-related corporate actions are voted/processed in the best interest of Clients. This applies only to Clients who grant Piton authority to do this through their custodian. Piton does not do this for accounts in which this authority has not been granted by the Client.

Piton is primarily a fixed-income investment manager; therefore, it is rare that Piton will be requested to vote proxies. Sometimes it will be requested to vote on other issues like tender offers or exchanges. When voting or making an election, Piton must identify and address any material conflicts that arise between the Firm's interests and those of Clients, though these are expected to be rare. Piton will vote proxies or make elections which are in the best interest of the clients. Piton will first make a determination as to whether a material conflict of interest exists and will either resolve the conflict or refer the matter to its Best Execution and Investment Committee for further review if necessary.

For accounts where the Firm does have the authority granted by the client to act, the Firm will always do so in accordance with the best interest of the client. The Firm will apply the following guidelines:

- The Firm will attempt to consider all aspects of the vote that could affect the value of the issuer or the client accounts and undertake a reasonable investigation into matters related to the vote;
- The Firm will vote in a manner that it believes is consistent with the stated objectives of the client;
- The Firm will generally vote in accordance with the recommendations of the issuing company's management on routine and administrative matters, unless the Firm has a reason to vote to the contrary;
- In some cases, the Firm will not vote at all to the extent the outcome of the vote or action does not have a material impact on the issuer or value of its securities;
- The Firm will vote in the best interest of the client and must not place the Firm, or its Employees interests ahead of the interests of the client;
- The Firm should avoid any conflicts of interest resulting from affiliations or other relationships; and
- The Firm should consider whether voting consistently for all the clients is always in each one's best interest. There will sometimes be instances when one or more votes or elections are different from one client to the next based on the individual situation and best interest of each client.

Clients are free to request a copy of Piton's policies, as well as records of past relevant proxy voting and issuer-related communications actions, by contacting the CCO.

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**Item 18: Financial Information**

Piton does not have any financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients and has not been the subject of a bankruptcy proceeding.