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This brochure provides information about the qualification and business practices of Ancora Inverness, LLC. If you have any questions about the contents of this brochure, please contact us at 216-825-4000, or by email at [joe@ancora.net](mailto:joe@ancora.net). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

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

Ancora Inverness, LLC is a registered investment advisor. Registration of an investment advisor does not imply a certain level of skill or training.

**March 29, 2016**

# Material Changes

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## Material Changes Since the Last Update

The Securities and Exchange Commission adopted amendments to Part 2 of Form ADV effective October 2010. The newly revised Part 2 consists of Part 2A (the "Brochure") and Part 2B (the "Brochure Supplement"). Each update of the Brochure must now include a summary of all material changes since the last annual update.

### **Name Change**

February 8, 2016 Inverness Investment Group, LLC has been renamed Ancora Inverness, LLC.

### **Principal Owners**

On December 31, 2015, the shareholders of Inverness Holdings LLC consummated a contribution transaction pursuant to which a newly-formed holding company, Ancora Holdings Inc., will own directly or indirectly all of the equity interests of The Ancora Group Inc., Source Companies LLC and Inverness Holdings LLC. Ancora Inverness, LLC is wholly owned subsidiary of Inverness Holdings LLC, which is now a wholly owned subsidiary of Ancora Holdings Inc. Ancora Holdings Inc. is an employee-owned C-Corp. No employee owns over 25% of Ancora Holdings Inc.

### **Additional Compensation**

Some staff members are registered with America Northcoast Securities, but do not receive commissions on any trades executed with America Northcoast Securities. However, as part of the separation agreement, these registered representatives may continue to earn 12b-1 fees if mutual funds within your account should pay them. This conflict is mitigated because these registered representatives have no input over the specific investments that are purchased and sold for managed accounts. The discretion is that of the portfolio manager and each decision is solely based on relative performance.

Employees of Ancora Inverness that are also Registered Representatives of broker dealers may earn additional compensation for sales of securities and investment products to non-Ancora Inverness managed clients.

Employees of Ancora Inverness that are registered with the Ohio Department of Insurance may earn additional compensation for sales and referrals of insurance products.

Executing brokers and custodians for aggregating business with their firm, may provide benefits including, but not limited to, access to research, technology, consulting services, and invitations to special events including conferences. A conflict could be created by directing business to certain brokers or custodians that provide the most benefits to Ancora Inverness. This conflict is mitigated by presenting each client with the different fee structures and services provided by our broker and custodial partners and letting each client select the firm that best suits their needs.

A portion of Ancora Inverness events may be sponsored by mutual fund companies and custodial partners. These companies may contribute money towards an event in exchange for an opportunity to market their particular services. A conflict may exist because Ancora Inverness may have incentive to

place a client in particular funds or with a particular custodian based on this sponsorship. This conflict is mitigated by our focus on long term performance track record as the fundamental reason for selecting a particular fund and by presenting each client with the different fee structures and services provided by our broker and custodial partners and letting each client select the firm that best suits their needs.

## **Investment Strategies**

### **Managed Allocation**

This strategy is targeted toward helping high net-worth individuals preserve, protect and grow their assets by utilizing traditional assets classes (large cap equities, small cap equities, bonds) while also incorporating additional asset classes such as real assets (commodities, REITs and infrastructure assets such as oil and gas pipeline operators) and alternative investments (lower correlation, non-long only/hedged strategies) into client portfolios when appropriate. The purpose of including these additional asset classes is to generate a potentially more diversified pool of return streams through the use of active (individual stocks and mutual funds) and passive (ETFs) management. The method can be tailored to cater to client's specific risk tolerance and goals. Potential Risks include a portfolio that may not keep pace with rising stock market indexes due to its vast diversification and ETFs may not keep pace with the index they are tracking due to fees within the fund and advisory fees.

### **Broker-dealer or Registered Representative**

Ancora Inverness, LLC is affiliated with Inverness Securities, Inc., a FINRA member broker dealer through common ownership. Some employees of Ancora Inverness may be registered representatives of Inverness Securities, Inc. and may earn fees as described in the "Additional Compensation" section of this Brochure. No non-directed orders are placed through Inverness Securities, Inc.

Ancora Inverness, LLC is affiliated with Safeguard Securities, Inc., a dual registrant FINRA member broker dealer and SEC Registered Investment Adviser through common ownership. Ancora Inverness does not direct any trades for managed accounts to Safeguard Securities. Ancora Inverness does manage some portfolios for clients that are referred to the company by Safeguard Securities, Inc.

Richard Barone is a principal owner of America Northcoast Securities, Arch Eagle Group, and Arch Eagle Insurance. He, along with others, purchased these entities from The Ancora Group on December 31, 2012. Some employees of Ancora Inverness may be registered representatives of America Northcoast Securities, Inc. and may earn fees as described in the "Additional Compensation" section of this Brochure.

### **Material Relationships or Arrangements within Financial Industry**

Ancora Inverness, LLC is affiliated with Ancora Advisors LLC, a SEC Registered Investment Adviser through common ownership.

Ancora Advisors LLC serves as investment manager for the Ancora Trust (also known as the Ancora Family of Mutual Funds). Ancora Advisors' investment managers serve as portfolio managers for the Ancora Income Fund, Ancora Equity Fund, Ancora/Thelen Small-Mid Cap Fund (as of 1/1/13), Ancora MicroCap Fund and the Ancora Special Opportunities Fund. In addition, some of Ancora Advisors' staff members serve as officers and/or provide services to the Ancora Trust.

Ancora Advisors LLC acts as a sub-adviser for the Russell U.S. Small Cap Equity Fund.

Ancora Advisors LLC serves as the General Partner and investment manager to Merlin Partners LP, Ancora Greater China Fund LP, AAMAF LP, Ancora Catalyst Fund LP, Pondfield Opportunity Fund LP and Birchwald Partners LP. These entities are private investment partnerships.

Ancora Advisors LLC is the majority owner of Safeguard Securities a dual registrant broker dealer and investment advisor.

Ancora Advisors LLC is the majority owner of Source Insurance.

Frederick DiSanto is a minority owner in Fairway Sport Management, LLC (FSM) an SEC Registered Investment Advisor. FSM does retain Ancora Inverness to sub-advise on a portion of their assets.

James Chadwick is a director on the board of Riverview Bancorp Inc. (symbol: RVSB). Please see the "Recommend Securities with Material Financial Interest" section of this document for more detail.

Brian Hopkins is a director on the board of First Menasha Bancshares, Inc. (symbol: FMBJ). Please see the "Recommend Securities with Material Financial Interest" section of this document for more detail.

### **Code of Ethics**

Ancora Inverness, LLC has adopted a formal Code of Ethics. This Code of Ethics includes requirements to make sure that we meet our fiduciary responsibilities which include the following subjects:

- The adviser's fiduciary duty to its clients;
- Compliance with all applicable Federal Securities Laws;
- Reporting and review of personal securities transactions and holdings;
- Reporting of violations of the code; and
- The provision of the code to all supervised persons.

Ancora Inverness will provide a copy of our Code of Ethics to clients and prospective clients upon request. To obtain a copy contact Joseph Spidalieri at (216) 825-4000 or by e-mail at [joe@ancora.net](mailto:joe@ancora.net). All Ancora Inverness' employees are required to affirm our Code of Ethics at least annually.

### **Recommend Securities with Material Financial Interest**

Denis Amato was elected to the Board of Directors of Mace Security International, Inc. a public company that trades under trading symbol "MACE". At the time of Mr. Amato's election to this Board of Director positions, accounts managed by Ancora Inverness LLC owned shares of Mace Security International, Inc. A conflict of interest may exist because; 1) Mr. Amato in his capacity as a Portfolio Manager for Ancora Inverness LLC has a fiduciary obligation to advisory clients and 2) as a Director for this company, Mr. Amato has an obligation to take action in the best interest of the company and their shareholders. In addition, there may be instances where Mr. Amato in his position as a Director could become knowledgeable of material non-public information. If this situation occurs, Mr. Amato as a Portfolio Manager of Ancora Inverness would be unable to purchase or sell securities related to MACE until that information would become public information (information that is available to the general public). These black-out periods could cause Ancora Inverness to miss market opportunities in MACE perceived to be available to investors of the general public.

Richard Barone was elected to the Board of Directors of The Stephan Company, a public company that trades under trading symbol "SPCO" and Mace Security International, Inc. a public company that trades

under trading symbol "MACE". At the time of Mr. Barone's election to these Board of Director positions, accounts managed by Ancora Inverness LLC owned shares of The Stephan Company and Mace Security International, Inc. A conflict of interest may exist because; 1) Mr. Barone in his capacity as a Portfolio Manager for Ancora Inverness LLC has a fiduciary obligation to advisory clients and 2) as a Director for these companies, Mr. Barone has an obligation to take action in the best interest of the companies and their shareholders. In addition, there may be instances where Mr. Barone in his position as a Director could become knowledgeable of material non-public information. If this situation occurs, Mr. Barone as a Portfolio Manager of Ancora Inverness would be unable to purchase or sell securities related to MACE and/or SPCO until that information would become public information (information that is available to the general public). These black-out periods could cause Ancora Inverness to miss market opportunities in MACE and SPCO perceived to be available to investors of the general public.

Frederick DiSanto was elected to the Board of Directors of Axia NetMedia Corporation, a public company that trades on the Toronto Stock Exchange under trading symbol "AXX". At the time of Mr. DiSanto's election to the Board of Directors, accounts managed by Ancora Inverness, LLC owned shares of Axia NetMedia Corporation. A conflict of interest may exist because; 1) Mr. DiSanto in his capacity as a Chairman of Ancora Holdings Inc. has a fiduciary obligation to advisory clients and 2) as a Director for this company, Mr. DiSanto has an obligation to take action in the best interest of the company and their shareholders. In addition, there may be instances where Mr. DiSanto in his position as a Director could become knowledgeable of material non-public information. If this situation occurs, Ancora Inverness would be unable to purchase or sell securities related to Axia NetMedia Corporation until that information would become public information (information that is available to the general public). These black-out periods could cause Ancora Inverness to miss market opportunities in Axia NetMedia Corporation perceived to be available to investors of the general public.

Brian Hopkins was elected to the Board of Directors of First Menasha Bancshares, Inc. a public company that trades on the OTC market under trading symbol "FMBJ". At the time of Mr. Hopkins' election to the Board of Directors, accounts managed by Ancora Inverness LLC owned shares of First Menasha Bancshares. A conflict of interest may exist because; 1) Mr. Hopkins in his capacity as a Portfolio Manager for Ancora Inverness LLC has a fiduciary obligation to advisory clients and 2) as a Director for this company, Mr. Hopkins has an obligation to take action in the best interest of the company and their shareholders. In addition, there may be instances where Mr. Hopkins in his position as a Director could become knowledgeable of material non-public information. If this situation occurs, Ancora Inverness would be unable to purchase or sell securities related to First Menasha Bancshares until that information would become public information (information that is available to the general public). These black-out periods could cause Ancora Inverness to miss market opportunities in First Menasha Bancshares perceived to be available to investors of the general public.

James Chadwick was elected to the Board of Directors of Emergent Capital Inc., Riverview Bancorp Inc., and Stewart Information Services Corporation public companies that trades on the New York Stock Exchange under trading symbols "EMG", "RVSB" and "STC" respectively. At the time of Mr. Chadwick's election to the Board of Directors, accounts managed by Ancora Inverness LLC owned shares of Emergent Capital Inc., Riverview Bancorp Inc., and Stewart Information Services Corporation. A conflict of interest may exist because; 1) Mr. Chadwick in his capacity as a Portfolio Manager for Ancora Inverness LLC has a fiduciary obligation to advisory clients and 2) as a Director for these companies, Mr. Chadwick has an obligation to take action in the best interest of the company and their shareholders. In addition, there may be instances where Mr. Chadwick in his position as a Director could become knowledgeable of material non-public information. If this situation occurs, Ancora Inverness would be unable to purchase or sell securities related to Emergent Capital Inc., Riverview Bancorp Inc., and Stewart Information Services Corporation until that information would become public information

(information that is available to the general public). These black-out periods could cause Ancora Inverness to miss market opportunities in Emergent Capital Inc., Riverview Bancorp Inc., and Stewart Information Services Corporation perceived to be available to investors of the general public.

### **Personal Trading Policies**

Ancora Inverness has a formal Personal Securities Trading Policy. As part of this policy Ancora Inverness requires that our employees and affiliated persons submit all personal trading requests through our compliance software for approval prior to placing their personal transactions. Further, employees must also submit a Personal Securities Transaction Report quarterly and an Annual Holdings Report to the compliance department to affirm that no trades were done outside of the firm's supervision.

### **Cross Trading Policies**

A cross trade is a pre-arranged transaction between two or more accounts, each of which managed by the same adviser. In some situations, the adviser may need to buy and sell the same security at substantially similar times and the adviser may determine that crossing the transaction is beneficial to both clients as opposed to exposing each individual trade to the current market. Ancora Inverness must always act in the best interests of both the buyer and seller in any such transaction.

Ancora Inverness may use an unaffiliated broker-dealer or custodian to cross investments and/or cash between Client accounts when such a transaction is advantageous for each participant. However, no accounts subject to ERISA may participate in such transactions.

Ancora Inverness may also use an affiliated broker-dealer to cross investments and/or cash between Client accounts when such a transaction is advantageous for each participant. No accounts subject to ERISA may be included in any cross trade.

- In addition to the procedures presented above, Ancora Inverness will follow additional procedures required by Rule 206(3)-2 under the Advisers Act when using an affiliated broker-dealer to cross assets and/or cash between Client Accounts. The additional procedures include:
- Ancora Inverness will provide any Client that may participate in agency cross trades with full written disclosure that Ancora Inverness or an affiliate will act as broker for, receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to such transactions;
- Any Clients that may participate in agency cross trades, after receiving full written disclosure, with execute written consent prospectively authorizing such transactions;
- Ancora Inverness or its affiliate will send a written confirmation to any Client participating in an agency cross transaction that includes:
  - I. A statement of the nature of the transaction;
  - II. The date the transaction took place;
  - III. An offer to furnish, upon request, the time when the transaction took place, and;
  - IV. An offer to furnish, upon request, the source and amount of any other remuneration received or to be received by Ancora Inverness and its affiliates in connection with the transaction

Ancora Inverness or its affiliate(s) send to each Client, at least annually and as part of any written account statement or summary, a written disclosure statement identifying the total number of agency cross transactions since the date of the last such statement, as well as the total amount of all commissions or

other remuneration received or to be received by Ancora Inverness and its affiliates in connection with such transactions. Each written disclosure statement and confirmation sent in connection with agency cross trades must include a conspicuous statement that the Client's consent to such transactions may be revoked at any time by written notice to Ancora Inverness or its affiliates.

### **Proxy Voting**

Many clients will enter into an agreement with or take actions to direct proxies to Ancora Inverness to be voted. We have adopted a proxy voting policy which is reasonably designed to ensure that proxies are voted in the best interests of our clients, consistent with stated investment objectives, in accordance with our fiduciary duties and in accordance with SEC Rule 206(4)-6 of the Investment Advisers Act of 1940. Clients are also free to vote their own proxies as they see fit.

Proxies are an asset of our client's accounts and Ancora takes voting very seriously. As such, Ancora Inverness has retained ISS proxy voting service. ISS thoroughly researches each topic on a proxy and recommends voting proxies in a manner they feel is in the best interest of clients. They also recommend voting in the best interest of specialty accounts such as Taft-Hartley Plans. Typically, Ancora Inverness will vote its proxies with ISS's recommendation. There may be certain times where Ancora Inverness feels it would be in the best interest of our clients to vote against ISS's recommendation.

The proxy voting policy is premised on the following principles:

- maximization of each investment's return is the primary component of the client's best interests;
- good corporate governance will help maximize investment returns;
- increasing shareholder involvement in corporate governance will help maximize investment returns;
- antitakeover defenses inhibit maximization of investment returns; and
- self-dealing by or conflicts of interest of company insiders are not in the client's best interests.

Unless the client provides specific written instructions to Ancora Inverness, the advisor will vote proxies according to its policy under the authority granted by the client.

A copy of the firm's proxy voting procedures is available upon request. Clients may obtain information on how their proxies were voted and/or proxy voting procedures by writing the firm or contacting Joseph Spidalieri at (216) 825-4000 or by e-mail at [joe@ancora.net](mailto:joe@ancora.net) to request this information.

**This Brochure, dated March 29, 2016 replaces our Form ADV Part 2A dated February 8, 2016.**

### **Full Brochure Availability**

The Firm Brochure for Ancora Inverness, LLC is available by contacting Joseph Spidalieri at (216) 825-4000 or by e-mail at [joe@ancora.net](mailto:joe@ancora.net) or by visiting our web site at [www.ancora.net/adv](http://www.ancora.net/adv)



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# Advisory Business

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## Firm Description

Ancora Inverness, LLC is an investment advisor registered with the SEC. We specialize in customized portfolio management for individual investors, high net worth individuals and families, and pension, profit sharing and 401(k) plans.

## Principal Owners

On December 31, 2015, the shareholders of Inverness Holdings LLC consummated a contribution transaction pursuant to which a newly-formed holding company, Ancora Holdings Inc., will own directly or indirectly all of the equity interests of The Ancora Group Inc., Source Companies, LLC and Inverness Holdings LLC. Ancora Inverness, LLC is wholly owned subsidiary of Inverness Holdings LLC, which is now a wholly owned subsidiary of Ancora Holdings Inc. Ancora Holdings Inc. is an employee-owned Ohio Corporation. No employee owns over 25% of Ancora Holdings Inc.

## Types of Advisory Services

We specialize in customized portfolio management for individual investors, high net worth individuals, and pension, profit sharing and 401(k) plans. As part of this service, we generally create an investment portfolio to meet the client's particular investment goals. Portfolios may consist of a combination of individual stocks, individual bonds, Mutual Funds, ETFS, and other fixed income securities. Our firm may also perform the role of an asset allocator or consultant for the trustees of qualified plans, foundations or endowments, and affluent families.

Our firm also provides lifetime planning and wealth advisory services, where we work closely with clients and their industry professionals to help you define and set future needs and goals. Our review will include client assets, liabilities, current and future cash flow and income needs, insurance needs, estate planning and related legal documents, and projected Social Security and other pension benefits.

If one or more of your accounts is a plan subject to ERISA we ask that you appoint Ancora Inverness, LLC as investment advisor for the purpose of ERISA. We will need to have copies of the trust agreement and any amendments governing the operation and administration of plan assets. We do not provide advice for assets outside the plan and will not vote proxies for securities held outside Ancora's portion of the plan. We ask that you take steps to name Ancora Inverness, LLC as a fiduciary in the plan's ERISA fidelity bond covering the account. Ancora Inverness may also participate in class action suits on our client's behalf.

## Tailored Relationships

Ancora Inverness, LLC will work with clients to make customized portfolios and provide advice for special situations and needs.

## Regulatory Assets Under Management

We manage your accounts on a discretionary basis or a non-discretionary basis depending on your preference. As of December, 31, 2015, we managed \$414,691,627 in client assets on a discretionary basis and \$22,903,745 on a non-discretionary basis.

## Fees and Compensation

Management fees are based on the value of assets managed and fees are calculated as a percentage of assets under management. Ancora Inverness reserves the right to waive or discount fees and minimums in certain instances.

## Portfolio Management

Fees are based upon the client's total relationship with our firm. Your billing schedule will be included as part of your management agreement with us. Our firm has a minimum annual fee of \$6,000.00 per relationship. This minimum may be waived or reduced at the Firm's discretion.

This current fee schedule set forth below is strictly for asset management purposes. These fees do not include Wealth Planning or Consulting Services.

<b>Assets Under Management</b>	<b>Annual Fee</b>
Up to \$2,000,000	1.25%
\$2 million to \$5 million	0.75%
\$5 million to \$10 million	0.50%
\$10 million to \$25 million	0.35%
\$25 million to \$50 million	0.25%
Over \$50 million	Negotiated

The above fees are progressive and are for the management of a client's portfolio. For example, if your account is \$3 million in value, the quarterly fee is calculated by multiplying \$2 million by .0125 plus multiplying \$1 million by .0075 then take the total sum and divide by 4 to arrive at the total due. All of your accounts are grouped and added together when determining fee.

## Life Planning & Wealth Advisory Services

Ancora Inverness may charge a flat fee or a percentage of assets for Lifetime and Wealth Advisory Services based on the scope of the engagement, the depth of issues covered, time involved in preparation of the plan document(s) and the term of the engagement (i.e. one time plan versus continually evolving plan). The fees will be transparent, outlined and agreed to prior to commencement of the engagement. All fees are billed quarterly in advance.

## Corporate Retirement Planning

<b>Assets Under Management</b>	<b>Annual Fee</b>
Up to \$500,000	1.00% of Plan Assets
\$500,000 to \$999,999	0.75% of Plan Assets
\$1,000,000 to \$3,000,000	0.50% of Plan Assets
\$3,000,000 to \$7,000,000	0.25% of Plan Assets
Over \$7,000,000	Negotiable

The fee-paying arrangements for pension consulting service will be determined on a case-by-case basis and will be detailed in the signed agreement. Client(s) will be invoiced directly for the above fees.

### Fee Billing and Fees Paid in Advance

Fees are charged quarterly (1/4 of annual fee) in advance based upon the value of assets managed based valuations done by the client's custodian or other pricing services at the end of each calendar quarter.

When you sign your management agreement you may authorize Ancora Inverness to invoice your custodian or broker dealer to deduct your management fees. By signing this "Letter of Authorization" or similar document, you authorize your custodian to automatically deduct the management fees from your account and send them to Ancora Inverness. If your account does not have sufficient cash to or money market funds balance to cover the fees, you may deposit additional funds (subject to certain restrictions for IRA account and qualified retirement plan accounts) or make payment in an alternative method acceptable to Ancora Inverness. If you do not deposit additional funds into your account or make the payment in another manner, securities in your account will be sold in an amount sufficient to cover the fees due. Your account custodian or broker dealer statement will reflect the date and the amount deducted from your account.

If you elect to pay Ancora Inverness from an account outside of our management services, you will receive a quarterly invoice with instructions on how and where to remit your payment.

Clients that open accounts after the beginning of a quarter will be charged in arrears at the end of the quarter. This means you will receive two bills at the next quarter end. One bill for the portion of the quarter your money has been invested and a second bill for the quarter for their quarterly management fee consistent with all other customers.

Ancora Inverness does not typically charge prorated fees for funds that are deposited to an existing account during the quarter. Ancora Inverness, however, does reserve the right to charge prorated fees for funds deposited during the quarter.

### Other Fees and Charges

Our management fees are separate from charges assessed by third parties such as broker dealers, custodians and mutual fund companies. Brokerage and other transaction costs charged by broker dealers executing transactions and custodians maintaining your assets are in addition to the management fees and are not negotiable. Mutual funds, variable annuities and or other platforms may assess other fees and expenses such as 12b-1 fees or commissions in connection with the placement of your funds.

Our fees may also be discounted for portfolios that hold a high percentage allocated to mutual funds. For managed portfolios we may sometimes purchase open end or closed end mutual funds. The mutual funds selected by our firm are purchased at net asset value ("NAV"). Our firm does pay attention to the internal fees of mutual funds, but is seeking strong investment choices. In accounts where Inverness Securities LLC, an affiliated broker dealer, member FINRA/SIPC is the broker dealer of record, the mutual funds chosen will typically pay out a 12b-1 fee and/or a Finder's Fee of 1% at the time of purchase to Inverness Securities LLC as disclosed herein and in the fund prospectus.

## Terminating Advisory Services

Clients may terminate their advisory contract with Ancora Inverness in writing at any time. We recommend you use a mail service where a signed receipt is required. Fees will be refunded from the date written notice has been received through the end of the calendar quarter. Ancora Inverness may terminate relationships with clients, in writing, upon 30 days' notice and will refund fees through the end of the calendar quarter. Your death will not terminate the Investment Management Agreement or authority granted to Ancora Inverness until we have received actual written notification of your death nor will a transfer in ownership in Ancora Inverness (e.g. Ancora Inverness is sold).

## Additional Compensation

Ancora Inverness does not receive any additional direct compensation from managed account clients other than detailed above. The firm may, however, receive indirect compensation or benefits from other sources.

Some employees of Ancora Inverness are registered representatives of Inverness Securities LLC and First Allied Securities Inc., members FINRA/SIPC. Inverness Securities LLC is an affiliate of our firm. Our supervised persons may accept compensation for the sale of securities or other investment products, including distribution or 12b-1 fees from the sale of mutual funds.

Our firm's affiliation with Inverness Securities LLC presents a conflict of interest and may give our firm and/or our supervised persons an incentive to recommend investment products based on the compensation received. If your broker dealer is Inverness Securities LLC, you will be charged commissions on your trades at a level intended to cover charges that are charged to Inverness Securities LLC by Pershing LLC and America Northcoast Securities, Inc. for custodial and clearing services. We mitigate this conflict by not paying your investment advisor representative commissions on investment advisory transactions.

Some staff members are registered with America Northcoast Securities, but do not receive commissions on any trades executed with America Northcoast Securities. However, as part of the separation agreement, these registered representatives may continue to earn 12b-1 fees if mutual funds within your account should pay them. This conflict is mitigated because these registered representatives have no input over the specific investments that are purchased and sold for managed accounts. The discretion is that of the portfolio manager and each decision is solely based on relative performance.

Employees of Ancora Inverness that are also Registered Representatives of broker dealers may earn additional compensation for sales of securities and investment products to non-Ancora Inverness managed clients.

Employees of Ancora Inverness that are registered with the Ohio Department of Insurance may earn additional compensation for sales and referrals of insurance products.

Executing brokers and custodians for aggregating business with their firm, may provide benefits including, but not limited to, access to research, technology, consulting services, and invitations to special events including conferences. A conflict could be created by directing business to certain brokers or custodians that provide the most benefits to Ancora Inverness. This conflict is mitigated by presenting each client with the different fee structures and services provided by our broker and custodial partners and letting each client select the firm that best suits their needs.

A portion of Ancora Inverness events may be sponsored by mutual fund companies and custodial partners. These companies may contribute money towards an event in exchange for an opportunity to market their particular services. A conflict may exist because Ancora Inverness may have incentive to place a client in particular funds or with a particular custodian based on this sponsorship. This conflict is mitigated by our focus on long term performance track record as the fundamental reason for selecting a particular fund and by presenting each client with the different fee structures and services provided by our broker and custodial partners and letting each client select the firm that best suits their needs.

## Performance-Based Fees & Side-by-Side Management

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### Sharing of Capital Gains or Capital Appreciation

As a general rule Ancora Inverness does not charge performance based fees – that is fees based on a share of the capital gains or appreciation of the assets of the client. Ancora Inverness may, however, receive part of the performance based fees charged by other advisors as part of a solicitation agreement.

## Types of Clients

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### Description

Ancora Inverness, LLC specializes in customized portfolio management for individual investors, high net worth individuals and families, and pension, profit sharing and 401(k) plans.

### Account Minimums

Each client account must be a minimum of \$750,000 million unless related to other accounts which together total \$750,000. Ancora Inverness reserves the right to waive this minimum at its discretion.

Our firm has a minimum annual fee of \$6,000.00 per relationship. This minimum may be waived under special circumstances. Ancora Inverness reserves the right to waive this minimum at its discretion.

# Methods of Analysis, Investment Strategies and Risk of Loss

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## Methods of Analysis

### **Equity Securities**

Our equity investment methodology uses a combination of fundamental research and technical security analysis to identify individual securities that are likely to generate superior returns over time while minimizing risk of loss. We start with top down analysis to judge risk versus return by looking at where we are in the current economic cycle, by comparing market valuations relative to history, deciding which sectors will be positively affected by current market conditions, identifying themes that will drive markets over the next market cycle, by examining the current political and regulatory environment, examining current Federal Reserve Bank policy, and finally by looking at current market technical conditions. We emphasize downside protection in our security selection. We favor high-quality companies that possess sustainable competitive advantages, shareholder friendly management teams, strong financials and predictable earnings, cash flow and dividends, global footprints, and a consistent record of rewarding shareholders over the long-term. We look for securities fitting this general profile that are priced at or below their five-year average multiples of earnings or cash flow. Our portfolios typically exhibit a contrarian bent with a valuation discount and yield advantage to broad market averages such as the Standard and Poor's 500 Index. We believe risk management is of primary importance.

Portfolios are structured based on our outlook for the market and our opinion on various market sectors. Portfolio are designed and managed individually through human direction rather than a quantitative model. When managing portfolios we may use a combination of individual securities, mutual funds, and exchange traded funds to achieve appropriate diversification and to achieve targeted exposure to attractive segments of the markets. We may also employ alternative investments such as private equity, energy, and real estate investments to add diversification or to hedge portfolios to stock market and interest rate risk.

### **Fixed Income Securities**

We analyze and invest in fixed income securities based on the current interest rate, economic, and inflationary environment of the markets. We will structure fixed income portfolios using instruments issued by the United States Government or agencies of the United States Government, states and municipalities, Investment grade and non-investment grade U.S. and foreign corporations, foreign governments, and convertible bonds or preferred stocks of high quality U.S. and foreign corporations. Fixed Income mutual funds or exchange traded funds may also be utilized. As to maturity and quality, the U.S. Treasury yield curve and interest rate spreads (differential between treasuries and other types of securities) dictate how bond portfolios are structured. Portfolio holdings are also structured to meet the income needs and risk tolerance of the individual investor's needs and our own interest rate and spread forecasts when considered in relation to the individual investor's specific circumstances.

### **Mutual Funds**

For our managed portfolios we will sometimes purchase open end or closed end mutual funds. Inverness uses mutual funds to diversify across asset classes or gain quick exposure to a certain industry. The mutual funds selected by Inverness are purchased at NAV. Inverness does pay attention to the internal fees of mutual funds, but is seeking strong investment choices. The mutual funds chosen may pay out a 12b-1 fee or a Finder's Fee of 1% at the time of purchase to Inverness Securities LLC as disclosed herein



and by prospectus. Inverness fees may also be discounted for portfolios that hold high expense mutual funds. Mutual funds may be sold to purchase another if Inverness believes that an asset allocation change is warranted.

## Investment Strategies

### **Custom Portfolios**

We manage portfolios by first determining your risk profile and goals. Based on this an asset allocation strategy is determined. The portfolio can consist of a diverse mix of core equities, mutual funds, fixed income investments, and special situations. The core equities consist of well-known companies in their industries and are chosen because we believe they offer superior long term total return. They are bought at reasonable historic valuations. We use equity mutual funds or ETFs to diversify quickly across all areas of the stock market. Special situations consist of companies which may be smaller that are undergoing restructuring in their markets. These securities tend to be more risky but offer greater upside potential. Income investments are typically bought to preserve capital. They are generally government, corporate or municipal bonds. Income investments could also be in more "aggressive income" securities such as high yield mutual funds, REITS or preferred stocks. Cash or money markets may be held in your account depending on the availability of attractive investment opportunities. Potential Risks include a portfolio that may not keep pace with rising stock market indexes due to its vast diversification and ETFs may not keep pace with the index they are tracking due to fees within the fund and advisory fees.

### **Model Portfolios – ETFs/Mutual Funds**

The process begins with a detailed client discussion of risk tolerance and goals. We have created four asset allocation ranges and match the client's risk and goals to an asset allocation range. Within each range we will utilize either mutual funds or ETFs to create a comprehensive diversified model. The model will be diversified across multiple asset classes and be managed on a tactical basis. The goal is to maximize returns while minimizing risk for each stated risk level. Mutual funds and ETFs are screened using proprietary metrics with a focus on low cost, performance and yield. The best opportunities are placed into the portfolios and allocated across all accounts invested in the model. Potential Risks include a portfolio that may not keep pace with rising stock market indexes due to its vast diversification and ETFs may not keep pace with the index they are tracking due to fees within the fund and advisory fees.

### **Managed Allocation**

This strategy is targeted toward helping high net-worth individuals preserve, protect and grow their assets by utilizing traditional assets classes (large cap equities, small cap equities, bonds) while also incorporating additional asset classes such as real assets (commodities, REITs and infrastructure assets such as oil and gas pipeline operators) and alternative investments (lower correlation, non-long only/hedged strategies) into client portfolios when appropriate. The purpose of including these additional asset classes is to generate a potentially more diversified pool of return streams through the use of active (individual stocks and mutual funds) and passive (ETFs) management. The method can be tailored to cater to client's specific risk tolerance and goals. Potential Risks include a portfolio that may not keep pace with rising stock market indexes due to its vast diversification and ETFs may not keep pace with the index they are tracking due to fees within the fund and advisory fees.

Depending upon market conditions and the availability of attractive investment opportunities, Ancora may hold cash or money market funds in lieu of, or as part of each portfolio.

## Risk of Loss

Investing in securities involves risk of loss that you should be prepared to bear. Investment values will fluctuate both up and down, are subject to market volatility, and may be worth more or less than the original cost. All securities risk the loss of principal. In addition, while we believe our methodology and strategies will be profitable, there is no assurance this will always be the case.

While your brokerage account may allow margin transactions, we generally do not recommend the use of margin. We want you to understand the risks of margin transactions and recommend that you read your broker dealer's written disclosure document describing margin trading and its related risks. Some of our strategies may include option transactions. Here again, Ancora wants you to understand the risks involved when trading options and recommend that you read "Characteristics and Risks of Standardized Options" published by the Options Clearing Corporation. Ancora would be happy to answer any questions you may have related to your account, margin or options.

## Disciplinary Information

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### Legal and Disciplinary

SEC Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Ancora Inverness, LLC and the integrity of our management of your assets.

Ancora Inverness has no such information to report.

## Other Financial Industry Activities and Affiliations

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### Broker-dealer or Registered Representative

Ancora Inverness, LLC is affiliated with Inverness Securities Inc., a FINRA member broker dealer through common ownership. Some employees of Ancora Inverness may be registered representatives of Inverness Securities, Inc. and may earn fees as described in the "Additional Compensation" section of this Brochure. No non-directed orders are placed through Inverness Securities, Inc.

Ancora Inverness, LLC is affiliated with Safeguard Securities Inc., a dual registrant FINRA member broker dealer and SEC Registered Investment Adviser through common ownership. Some employees of Ancora Inverness may be registered representatives of Safeguard Securities, Inc, but are not compensated for transactions. Ancora Inverness does not direct any trades for managed accounts to Safeguard Securities. Ancora Inverness does manage some portfolios for clients that are referred to the company by Safeguard Securities, Inc.

Some employees may also be registered representatives of First Allied Securities Inc., a FINRA member broker dealer and may earn fees as described “Additional Compensation” section of this Brochure. No non-directed orders are placed through First Allied Securities, Inc.

Richard Barone is a principal owner of America Northcoast Securities, Arch Eagle Group, and Arch Eagle Insurance. He, along with others, purchased these entities from The Ancora Group on December 31, 2012. Some employees of Ancora Inverness may be registered representatives of America Northcoast Securities, Inc. and may earn fees as described in the “Additional Compensation” section of this Brochure.

## Material Relationships or Arrangements within Financial Industry

Ancora Inverness, LLC is affiliated with Ancora Advisors LLC, an SEC Registered Investment Adviser through common ownership.

Ancora Advisors LLC serves as investment manager for the Ancora Trust (also known as the Ancora Family of Mutual Funds). Ancora Advisors’ investment managers serve as portfolio managers for the Ancora Income Fund, Ancora Equity Fund, Ancora/Thelen Small-Mid Cap Fund (as of 1/1/13), Ancora MicroCap Fund and the Ancora Special Opportunities Fund. In addition, some of Ancora Advisors’ staff members serve as officers and/or provide services to the Ancora Trust.

Ancora Advisors LLC acts as a sub-adviser for the Russell U.S. Small Cap Equity Fund.

Ancora Advisors LLC serves as the General Partner and investment manager to Merlin Partners LP, Ancora Greater China Fund LP, AAMAF LP, Ancora Catalyst Fund LP, Pondfield Opportunity Fund LP and Birchwald Partners LP. These entities are private investment partnerships.

Ancora Advisors LLC is the majority owner of Safeguard Securities a dual registrant broker dealer and investment advisor.

Ancora Advisors LLC is the majority owner of Source Insurance.

Ancora Inverness, LLC is affiliated with Inverness Life Services LLC, an insurance agency through common ownership.

Frederick DiSanto is a minority owner in Fairway Sport Management LLC (FSM), a SEC Registered Investment Advisor. FSM does retain Ancora Inverness to sub-advise on a portion of their assets.

James Chadwick is a director on the board of Riverview Bancorp Inc. (symbol: RVSB). Please see the “Recommend Securities with Material Financial Interest” section of this document for more detail.

Brian Hopkins is a director on the board of First Menasha Bancshares Inc. (symbol: FMBJ). Please see the “Recommend Securities with Material Financial Interest” section of this document for more detail.

## Recommend or Select Other Investment Advisers

Ancora Inverness may also perform the role of the asset allocator or consultant for the trustees of qualified plans, foundations or endowments, and sometimes affluent families. The services we provide are as follows:

- (a) Develop a formal written Investment Strategy Statement;
- (b) Conduct all necessary 3rd party manager searches and conduct due diligence.

- (c) Perform on-going asset allocation studies; and recommend investment managers or securities based on client needs.
- (d) Provide research assistance regarding stock, bonds and mutual funds held in client portfolios.
- (e) Review all portfolios to make sure they are consistent with the investment strategy.
- (f) Meet with the client or committee and provide asset allocation and performance reports periodically (to be determined on strategy statement).
- (g) Make sure all managers are complying with the Investment Strategy Statement;
- (h) Help the client negotiate and reduce costs with 3rd party investment managers.
- (i) Complete any specific projects the client may wish to review.

## Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

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### Code of Ethics

Ancora Inverness, LLC has adopted a formal Code of Ethics. This Code of Ethics includes requirements to make sure that we meet our fiduciary responsibilities which include the following subjects:

- The adviser's fiduciary duty to its clients;
- Compliance with all applicable Federal Securities Laws;
- Reporting and review of personal securities transactions and holdings;
- Reporting of violations of the code; and
- The provision of the code to all supervised persons.

Ancora Inverness will provide a copy of our Code of Ethics to clients and prospective clients upon request. To obtain a copy contact Joseph Spidalieri at (216) 825-4000 or by e-mail at [joe@ancora.net](mailto:joe@ancora.net). All Ancora Inverness' employees are required to affirm our Code of Ethics at least annually.

### Recommend Securities with Material Financial Interest

Denis Amato was elected to the Board of Directors of Mace Security International, Inc. a public company that trades under trading symbol "MACE". At the time of Mr. Amato's election to this Board of Director positions, accounts managed by Ancora Inverness LLC owned shares of Mace Security International, Inc. A conflict of interest may exist because; 1) Mr. Amato in his capacity as a Portfolio Manager for Ancora Inverness LLC has a fiduciary obligation to advisory clients and 2) as a Director for this company, Mr.

Amato has an obligation to take action in the best interest of the company and their shareholders. In addition, there may be instances where Mr. Amato in his position as a Director could become knowledgeable of material non-public information. If this situation occurs, Mr. Amato as a Portfolio Manager of Ancora Inverness would be unable to purchase or sell securities related to MACE until that information would become public information (information that is available to the general public). These black-out periods could cause Ancora Inverness to miss market opportunities in MACE perceived to be available to investors of the general public.

Richard Barone was elected to the Board of Directors of The Stephan Company, a public company that trades under trading symbol "SPCO" and Mace Security International, Inc. a public company that trades under trading symbol "MACE". At the time of Mr. Barone's election to these Board of Director positions, accounts managed by Ancora Inverness LLC owned shares of The Stephan Company and Mace Security International, Inc. A conflict of interest may exist because; 1) Mr. Barone in his capacity as a Portfolio Manager for Ancora Inverness LLC has a fiduciary obligation to advisory clients and 2) as a Director for these companies, Mr. Barone has an obligation to take action in the best interest of the companies and their shareholders. In addition, there may be instances where Mr. Barone in his position as a Director could become knowledgeable of material non-public information. If this situation occurs, Mr. Barone as a Portfolio Manager of Ancora Inverness would be unable to purchase or sell securities related to MACE and/or SPCO until that information would become public information (information that is available to the general public). These black-out periods could cause Ancora Inverness to miss market opportunities in MACE and SPCO perceived to be available to investors of the general public.

Frederick DiSanto was elected to the Board of Directors of Axia NetMedia Corporation, a public company that trades on the Toronto Stock Exchange under trading symbol "AXX". At the time of Mr. DiSanto's election to the Board of Directors, accounts managed by Ancora Inverness, LLC owned shares of Axia NetMedia Corporation. A conflict of interest may exist because; 1) Mr. DiSanto in his capacity as a Chairman of Ancora Holdings Inc. has a fiduciary obligation to advisory clients and 2) as a Director for this company, Mr. DiSanto has an obligation to take action in the best interest of the company and their shareholders. In addition, there may be instances where Mr. DiSanto in his position as a Director could become knowledgeable of material non-public information. If this situation occurs, Ancora Inverness would be unable to purchase or sell securities related to Axia NetMedia Corporation until that information would become public information (information that is available to the general public). These black-out periods could cause Ancora Inverness to miss market opportunities in Axia NetMedia Corporation perceived to be available to investors of the general public.

Brian Hopkins was elected to the Board of Directors of First Menasha Bancshares, Inc. a public company that trades on the OTC market under trading symbol "FMBJ". At the time of Mr. Hopkins' election to the Board of Directors, accounts managed by Ancora Inverness LLC owned shares of First Menasha Bancshares. A conflict of interest may exist because; 1) Mr. Hopkins in his capacity as a Portfolio Manager for Ancora Inverness LLC has a fiduciary obligation to advisory clients and 2) as a Director for this company, Mr. Hopkins has an obligation to take action in the best interest of the company and their shareholders. In addition, there may be instances where Mr. Hopkins in his position as a Director could become knowledgeable of material non-public information. If this situation occurs, Ancora Inverness would be unable to purchase or sell securities related to First Menasha Bancshares until that information would become public information (information that is available to the general public). These black-out periods could cause Ancora Inverness to miss market opportunities in First Menasha Bancshares perceived to be available to investors of the general public.

James Chadwick was elected to the Board of Directors of Emergent Capital Inc., Riverview Bancorp Inc., and Stewart Information Services Corporation public companies that trades on the New York Stock

Exchange under trading symbols “EMG”, “RVSB” and “STC” respectively. At the time of Mr. Chadwick’s election to the Board of Directors, accounts managed by Ancora Inverness LLC owned shares of Emergent Capital Inc., Riverview Bancorp Inc., and Stewart Information Services Corporation. A conflict of interest may exist because; 1) Mr. Chadwick in his capacity as a Portfolio Manager for Ancora Inverness LLC has a fiduciary obligation to advisory clients and 2) as a Director for these companies, Mr. Chadwick has an obligation to take action in the best interest of the company and their shareholders. In addition, there may be instances where Mr. Chadwick in his position as a Director could become knowledgeable of material non-public information. If this situation occurs, Ancora Inverness would be unable to purchase or sell securities related to Emergent Capital Inc., Riverview Bancorp Inc., and Stewart Information Services Corporation until that information would become public information (information that is available to the general public). These black-out periods could cause Ancora Inverness to miss market opportunities in Emergent Capital Inc., Riverview Bancorp Inc., and Stewart Information Services Corporation perceived to be available to investors of the general public.

## Invest in Same Securities Recommended to Clients

On occasion, Ancora Advisor employees may decide to transact in securities that are also transacted in client accounts or may transacted in securities in which a related person may have some financial interest. This practice could create a conflict of interest if the transactions are structured to impact the market after the employee has transacted in the security. Our Code of Ethics and Personal Securities Trading Policy stipulates that our employees, with limited exceptions, may not transact in securities three days prior to or three days subsequent to the firm transacting in such securities for its clients. Additionally, personal securities transactions for common stocks, ETFs, preferred stocks, ADRs, closed-end funds, options, IPOs, private placements and mutual funds for which an affiliate serves as the investment adviser or sub-adviser must be preapproved. Employee transactions are reviewed daily for compliance with firm policy.

## Personal Trading Policies

Ancora Inverness has a formal Personal Securities Trading Policy. As part of this policy Ancora Inverness requires that our employees and affiliated persons submit all personal trading requests through our compliance software for approval prior to placing their personal transactions. Further, employees must also submit a Personal Securities Transaction Report quarterly and an Annual Holdings Report to the compliance department to affirm that no trades were done outside of the firm’s supervision.

## Cross Trading Policies

A cross trade is a pre-arranged transaction between two or more accounts, each of which managed by the same adviser. In some situations, the adviser may need to buy and sell the same security at substantially similar times and the adviser may determine that crossing the transaction is beneficial to both clients as opposed to exposing each individual trade to the current market. Ancora Inverness must always act in the best interests of both the buyer and seller in any such transaction.

Ancora Inverness may use an unaffiliated broker-dealer or custodian to cross investments and/or cash between Client accounts when such a transaction is advantageous for each participant. However, no accounts subject to ERISA may participate in such transactions.

Ancora Inverness may also use an affiliated broker-dealer to cross investments and/or cash between Client accounts when such a transaction is advantageous for each participant. No accounts subject to ERISA may be included in any cross trade.

- In addition to the procedures presented above, Ancora Inverness will follow additional procedures required by Rule 206(3)-2 under the Advisers Act when using an affiliated broker-dealer to cross assets and/or cash between Client Accounts. The additional procedures include:
- Ancora Inverness will provide any Client that may participate in agency cross trades with full written disclosure that Ancora Inverness or an affiliate will act as broker for, receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to such transactions;
- Any Clients that may participate in agency cross trades, after receiving full written disclosure, with execute written consent prospectively authorizing such transactions;
- Ancora Inverness or its affiliate will send a written confirmation to any Client participating in an agency cross transaction that includes:
  - V. A statement of the nature of the transaction;
  - VI. The date the transaction took place;
  - VII. An offer to furnish, upon request, the time when the transaction took place, and;
  - VIII. An offer to furnish, upon request, the source and amount of any other remuneration received or to be received by Ancora Inverness and its affiliates in connection with the transaction

Ancora Inverness or its affiliate(s) send to each Client, at least annually and as part of any written account statement or summary, a written disclosure statement identifying the total number of agency cross transactions since the date of the last such statement, as well as the total amount of all commissions or other remuneration received or to be received by Ancora Inverness and its affiliates in connection with such transactions. Each written disclosure statement and confirmation sent in connection with agency cross trades must include a conspicuous statement that the Client's consent to such transactions may be revoked at any time by written notice to Ancora Inverness or its affiliates.

## Brokerage Practices

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### Selecting Brokerage Firms

You are free to select any broker dealer for your brokerage account.

When we recommend a custodian/broker, we will recommend who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:



- Responsiveness and timely support for our client needs
- Client choice and preference
- Historical client relationship with a custodian/broker
- Ease of use
- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation
- Quality of services

With this in consideration, Ancora Inverness has established relationships with Pershing (through Inverness Securities Inc.), Charles Schwab, Fidelity and TD Ameritrade. Should you choose to place your assets at one of these brokerage firms, we will continue to be your primary source of contact for all account related needs.

If you choose a brokerage firm that we do not have a relationship with, Ancora Inverness will have limited capacity to service the account. Many services will have to be performed at the custodian directly.

Please refer back to the “Additional Compensation” section of this document for any potential conflicts when selecting your brokerage firm.

## Research and Other Services

Ancora Inverness may direct brokerage for research in a “soft dollar” manner for any account in which brokerage was not directed by the client. However, most research is done internally and most non-directed trades are placed on the basis of execution quality and liquidity.

Ancora Inverness does not currently receive any other material benefits for directing brokerage.

## Brokerage for Client Referrals

Ancora Inverness does not engage in the practice of directing brokerage trades for client referrals.

## Directed Brokerage

Generally, Ancora Inverness may trade based on the client’s direction. Typically, our trades are placed directly with the client’s custodian. In some cases, the client may direct us to trade the security with a certain brokerage firm and settle it with the client’s custodian as part of a COD transaction.

It is important to note that if you do not give Ancora Inverness discretion to direct trades, you may limit our ability to negotiate favorable commissions and seek best execution for trades in your account. You may also be excluded from block trades and average price transactions.

## Order Aggregation

As part of Ancora's fiduciary duty to its clients, Ancora has an obligation to seek best price and execution for all trades, to trade assets in a manner that is fair to all clients, and to exercise diligence and care throughout the trading process.

Ancora Inverness will aggregate trades whenever it has the ability to do so. Ancora aims to place all non-directed trades for the same side in the same security with the same broker to aggregate orders and give all clients their pro-rata allocation of the trade at the same price. Ancora aims for a similar process for directed brokerage. All orders for the same side in the same security with the same directed broker will be aggregated and allocated pro-rata at the same price whenever possible. Typically, directed brokerage and non-directed brokerage orders cannot be combined.

# Review of Accounts

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## Periodic Reviews

Portfolio Managers formally review each portfolio at least semi-annually. The frequency and level of review is determined by the complexity of your portfolio, changes in economic or market conditions, tax law and your individual situation. Portfolios are reviewed informally more frequently.

It is recommended that Investment Advisers meet with clients at least twice a year to review and go over their account(s) with them in person. If it is discovered that a change in the client's situation has materially affected the way we are currently managing their portfolio(s), we will immediately update our records and management process to correspond to the changes.

We will base our management process on your most recent investment policy statement unless we are notified in writing of changes.

## Review Triggers

Portfolio managers informally review portfolios at least bi-monthly. When any security held by clients should be sold, accounts are reviewed immediately; either just prior to or after the security is sold. When any security is bought for clients, accounts are reviewed immediately; either prior to or just after the security is purchased.

## Regular Reports

The broker dealer handling your account or custodian typically sends you monthly, but at least quarterly account statements. These Account statements show money balances, securities held in the account, investment values and transactions made. Ancora Inverness also sends out reports that include the same information noted above and other information such as performance of your investments. We encourage you to review and compare the brokerage account statements with your Ancora Inverness reports. If you see a discrepancy, please contact your investment representative and bring it to their attention.

# Client Referrals and Other Compensation

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## Economic Benefits

Ancora Inverness does not receive any direct or indirect economic benefits or compensation for referring business other than described in the “Additional Compensation” section of this document.

## Third Party Solicitors

We may pay individuals or other organizations (solicitors) for client referrals and to introduce potential clients to Ancora Inverness, LLC if the individual or organizations meet qualifications and have entered into a solicitation agreement with Ancora Inverness. Solicitors, typically, will only be used for obtaining clients for our investment limited partnership. Solicitors for investment limited partnerships must be properly registered with broker dealers. Solicitors may solicit clients for any other products or services of Ancora Inverness, LLC. Compensation to the solicitor is a percentage of our management fees. The individual solicitor is required to provide a written statement describing the compensation paid to him/her or the organization they represent. A solicitor is not permitted to offer investment advice on behalf of Ancora Inverness. Clients obtained through this referral process do not pay higher fees than clients not obtained through referrals. This means that no additional fees or charges will be charged to the client because of the solicitor relationship.

# Custody

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## Asset Custody

Under SEC Rule 206(4)-2, Ancora Inverness may be viewed for regulatory purposes as having custody of certain client assets due to Ancora Inverness’ ability to deduct fees directly from certain client accounts.

## Account Statements

The broker dealer handling your account or custodian typically sends you monthly, but at least quarterly account statements. These account statements show money balances, securities held in the account, investment values and transactions made. Ancora Inverness also sends out quarterly reports that include the same information noted above and other information such as performance of your investments. We encourage you to review and compare the brokerage account statements with your Ancora Inverness quarterly reports. If you see a discrepancy, please contact your investment representative and bring it to their attention.

# Investment Discretion

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## Discretionary Authority for Trading

Most clients give Ancora Inverness, LLC discretion over the selection, amount and timing of securities to be bought and sold. This means that the portfolio manager or advisor representative may purchase or sell securities consistent with your investment objectives without contacting you prior to entering the transaction.

In a limited capacity, we may also manage assets on a non-discretionary basis and may perform Life Planning and Wealth Advisory Services for accounts outside of assets management.

## Limited Power of Attorney

Investment authority may be subject to specific investment objectives and guidelines and/or conditions imposed by you. For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of your portfolio or you may have restriction or prohibitions of transactions in the securities of a specific company industry such as no tobacco stocks. Please detail any such specifications or exception in writing prior to engaging our services.

# Voting Client Securities

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## Proxy Voting

Many clients will enter into an agreement with or take actions to direct proxies to Ancora Inverness to be voted. We have adopted a proxy voting policy which is reasonably designed to ensure that proxies are voted in the best interests of our clients, consistent with stated investment objectives, in accordance with our fiduciary duties and in accordance with SEC Rule 206(4)-6 of the Investment Advisers Act of 1940. Clients are also free to vote their own proxies as they see fit.

Proxies are an asset of our client's accounts and Ancora takes voting very seriously. As such, Ancora Inverness has retained ISS proxy voting service. ISS thoroughly researches each topic on a proxy and recommends voting proxies in a manner they feel is in the best interest of clients. They also recommend voting in the best interest of specialty accounts such as Taft-Hartley Plans. Typically, Ancora Inverness will vote its proxies with ISS's recommendation. There may be certain times where Ancora Inverness feels it would be in the best interest of our clients to vote against ISS's recommendation.

The proxy voting policy is premised on the following principles:

- maximization of each investment's return is the primary component of the client's best interests;
- good corporate governance will help maximize investment returns;
- increasing shareholder involvement in corporate governance will help maximize investment returns;
- antitakeover defenses inhibit maximization of investment returns; and
- self-dealing by or conflicts of interest of company insiders are not in the client's best interests.

Unless the client provides specific written instructions to Ancora Inverness, the advisor will vote proxies according to its policy under the authority granted by the client.

A copy of the firm's proxy voting procedures is available upon request. Clients may obtain information on how their proxies were voted and/or proxy voting procedures by writing the firm or contacting Joseph Spidalieri at (216) 825-4000 or by e-mail at [joe@ancora.net](mailto:joe@ancora.net) to request this information.

## Financial Information

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### Prepayment of Fees

Fees for your investment advisor services are generally charged quarterly in advance based upon the value of assets managed, with valuations done by the client's custodian or other pricing services at the end of each calendar quarter. We do not require more than one quarter of pre-paid fees.

### Financial Condition

Ancora Inverness, LLC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.

### Bankruptcy

Ancora Inverness, LLC has not been subject to a bankruptcy proceeding.

# Requirements for State-Registered Advisers

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This item does not apply to Ancora Inverness, LLC.