

## Item 1: Cover Page

### **Part 2A of Form ADV Firm Brochure**

August 26, 2014

#### **Recon Capital Advisors, LLC**

SEC File No. 801-78693

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This brochure provides information about the qualifications and business practices of Recon Capital Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at [kkelly@reconcapitalpartners.com](mailto:kkelly@reconcapitalpartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

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

## Item 2: Material Changes

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

As of August 26, 2014, the firm moved its offices from 66 Palmer Ave., Suite 49B, Bronxville, NY 10708 to 145 Mason St., 2<sup>nd</sup> Floor, Greenwich, CT 06830. The firm's phone number was changed from 914-346-8550 to 203-900-1400.

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## Item 4: Advisory Business

### A. Recon Capital Advisors, LLC

Recon Capital Advisors, LLC ("RCA" and/or the "firm"), is a Delaware limited liability company. Recon Capital Partners is the 100 percent owner of RCA. Kevin Kelly and Garrett Paoella are the firm's Managing Members. RCA has been offering investment advisory services since October 2013.

### B. Advisory Services Offered

RCA is an independent asset management firm offering asset management services to investment companies.

#### B.1. Discretionary Asset Management Services

RCA provides discretionary portfolio management services to clients using one or more securities and strategies identified in Item 8 of this Brochure.

RCA serves as the investment manager to the Recon Capital Nasdaq 100 Covered Call ETF (the "ETF Fund"), and continuously manages the fund assets based on the investment goals and objectives as outlined in the ETF Fund's Prospectus and Statement of Additional Information ("SAI").

#### B.2. Braddock-Recon Private Fund Advisory Services

The Braddock-Recon Capital REIT Partners LP (the "Braddock-Recon Fund") is a private investment company that has authority to invest in a variety of investments. Recon Capital Partners, LLC ("Adviser") and its affiliates sponsor, manage, and control the operations of the Braddock-Recon Fund, and the Adviser receives fees from the Braddock-Recon Fund for providing it with investment advisory services. These advisory fees include an allocation to the Adviser of a percentage of the Braddock-Recon Fund's net profits, which may create an incentive for the investment adviser to cause the Braddock-Recon Fund to make investments that are riskier or more speculative than would be in the best interest of the Braddock-Recon Fund.

### C. RCA's Investment Philosophy

RCA manages the fund assets based on the investment goals and objectives as outlined in the ETF Fund's Prospectus and Statement of Additional Information ("SAI").

### D. Wrap Fee Programs

RCA does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.)

### **E. Client Assets Under Management**

As of December 31, 2013, RCA has \$2,500,000 of discretionary assets under management.

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

### **A. ETF Fund Portfolio Management Fees**

The Fund pays RCA a fee ("Management Fee") in return for providing investment management, investment advisory and supervisory services under an all-in fee structure. The Fund will paid a monthly Management Fee to RCA at an annual rate (stated as a percentage of the average daily net assets of the Fund) of 0.60%.

Pursuant to the Advisory Agreement, the Fund pays RCA, out of its Management Fee, an annual advisory fee of 0.45% based on the average daily net assets of the Fund. Pursuant to the Advisory Agreement, the Fund has agreed to indemnify RCA for certain liabilities, including certain liabilities arising under the federal securities laws, unless such loss or liability results from willful misfeasance, bad faith or gross negligence in the performance of its duties or the reckless disregard of its obligations and duties.

The Advisory Agreement is subject to annual approval by (i) the Board or (ii) a vote of a majority of the outstanding voting securities (as defined in the 1940 Act) of the Fund, provided that in either event such continuance also is approved by a majority of the Board who are not interested persons (as defined in the 1940 Act) of the Trust by a vote cast in person at a meeting called for the purpose of voting on such approval. The Advisory Agreement is terminable without penalty, on 60 days' notice, by the Board or by a vote of the holders of a majority (as defined in the 1940 Act) of the Fund's outstanding voting securities. The Advisory Agreement is also terminable upon 60 days' notice by RCA and will terminate automatically in the event of its assignment (as defined in the 1940 Act).

### **B. Payment of Fees**

Fees are computed on the average daily net balance and distributed by the fund administrator.

### **C. Other Fees**

The Fund bears other expenses that are not covered under the management fee, which may vary and affect the total level of expenses paid by the Fund, such as taxes and governmental fees, brokerage fees, commissions and other transaction expenses, costs of borrowing money, including interest expenses, and extraordinary expenses (such as litigation and indemnification expenses). "Other Expenses" are based on estimated amounts for the current fiscal year.

### **D. Prepayment of Fees**

RCA does not bill in advance.

### **E. External Compensation for the Sale of Securities**

RCA's members are compensated solely through advisory fees. RCA is not paid any sales, service, or administrative fees for the sale of mutual funds or any other investment products.

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

RCA does not charge performance based fees.



## Item 7: Types of Clients

RCA provides services exclusively to registered investment companies.

## Item 8: Investment Strategies and Restrictions

### A. Investment Strategies

#### A.1. Principal Investment Strategies

RCA anticipates that, generally, the Fund will hold all of the securities that comprise the Index in proportion to their weightings in the Index. However, where there are practical difficulties or substantial costs involved or under other circumstances, it may not be possible or practicable to purchase all of those securities in those weightings. In those circumstances, the Fund may purchase a sample of securities in the Index. There also may be instances in which RCA may choose to underweight or overweight a security in the Index, purchase securities not in the Index that RCA believes are appropriate to substitute for certain securities in the Index, or utilize various combinations of other available investment techniques in seeking to provide investment results that closely correspond, before fees and expenses, to the price and yield performance of the Index. The Fund may sell securities that are represented in the Index in anticipation of their removal from the Index or purchase securities not represented in the Index in anticipation of their addition to the Index. The Fund may also, in order to comply with the tax diversification requirements of the Internal Revenue Code of 1986, as amended ("Code"), temporarily invest in securities not included in the Index that are expected to be highly correlated with the securities included in the Index.

#### A.2. Additional Investment Strategies

The Fund may invest up to 20% of its total assets in securities not included in the Index (other than those described above), money market instruments, including repurchase agreements or money market funds, convertible securities, structured notes (notes on which the amount of principal repayment and interest payments are based on the movement of one or more specified factors, such as the movement of a particular stock or stock index), and certain derivatives. Although the Fund does not currently intend to invest in depositary receipts, depositary receipts may be used by the Fund in seeking performance that corresponds to the Index and in managing cash flows, and may count towards compliance with the Fund's 80% Policy. The Fund will not use any temporary defensive strategies, such as making investments in money market instruments not included in the Index, for temporary defensive purposes. Although the Fund does not currently intend to invest in other affiliated and unaffiliated funds, such as open-end or closed-end management investment companies, including other exchange-traded funds, the Fund may invest in such funds to the extent permitted by the 1940 Act.

The Fund may borrow money from a bank up to a limit of one-third of the market value of its assets. To the extent that the Fund borrows money, it will be leveraged; at such times, the Fund will appreciate or depreciate in value more rapidly than the Index.

The Fund may lend its portfolio securities to brokers, dealers, and other financial institutions desiring to borrow securities to complete transactions and for other purposes. In connection with such loans, the Fund receives liquid collateral equal to at least 102% of the value of the

portfolio securities being loaned. This collateral is marked-to-market on a daily basis. Although the Fund will receive collateral in connection with all loans of its securities holdings, the Fund would be exposed to a risk of loss should a borrower fail to return the borrowed securities (e.g., the Fund would have to buy replacement securities and the loaned securities may have appreciated beyond the value of the collateral held by the Fund) or become insolvent. The Fund may pay fees to the party arranging the loan of securities. In addition, the Fund will bear the risk of loss of any cash collateral that it invests.

A discussion of the risks associated with an investment in the Fund is contained in the Prospectus under the headings "Summary Information—Principal Investment Strategies of the Fund," "Summary Information—Principal Risks of Investing in the Fund," and "Additional Information About the Fund's Investment Strategies and Risks." The discussion below supplements, and should be read in conjunction with, such sections of the Prospectus.

### **A.3. General**

An investment in the Fund should be made with an understanding that the value of the Fund's portfolio securities may fluctuate in accordance with changes in the financial condition of the issuers of the portfolio securities, the value of securities generally, and other factors.

An investment in the Fund should also be made with an understanding of the risks inherent in an investment in equity securities, including the risk that the financial condition of issuers may become impaired or that the general condition of the securities market may deteriorate (either of which may cause a decrease in the value of the portfolio securities and thus in the value of Shares). Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. These investor perceptions are based on various and unpredictable factors, including expectations regarding government, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic and banking crises.

Holders of common stocks incur more risk than holders of preferred stocks and debt obligations because common stockholders, as owners of the issuer, have generally inferior rights to receive payments from the issuer in comparison with the rights of creditors of, or holders of debt obligations or preferred stocks issued by, the issuer. Further, unlike debt securities which typically have a stated principal amount payable at maturity (whose value, however, will be subject to market fluctuations prior thereto), or preferred stocks which typically have a liquidation preference and which may have stated optional or mandatory redemption provisions, common stocks have neither a fixed principal amount nor a maturity. Common stock values are subject to market fluctuations as long as the common stock remains outstanding.

In the event that the securities in the Index are not listed on a national securities exchange, the principal trading market for some may be in the over-the-counter market. The existence of a liquid trading market for certain securities may depend on whether dealers will make a market in such securities. There can be no assurance that a market will be made or maintained or that any such market will be or remain liquid. The price at which securities may be sold and the value of

the Fund's Shares will be adversely affected if trading markets for the Fund's portfolio securities are limited or absent or if bid/ask spreads are wide.

The Fund is not actively managed, and therefore the adverse financial condition of any one issuer will not result in the elimination of its securities from the securities the Fund holds unless the securities of such issuer are removed from the Index. The Fund may underperform mutual funds that actively shift their portfolio assets to take advantage of market opportunities or to move to defensive positions to less the impact of a market decline or a decline in the value of one or more issuers.

An investment in the Fund should also be made with an understanding that the Fund will not be able to replicate exactly the performance of the Index because the total return generated by the Fund will be reduced by transaction costs and other Fund expenses, whereas such transaction costs and expenses are not included in the calculation of the Index. In addition, it is possible that, for periods of time, the Fund may not fully replicate the performance of the Index due to the temporary unavailability of certain Index securities in the secondary market or other extraordinary circumstances. Such events are unlikely to continue for an extended period of time because the Index Provider or RCA may correct such imbalances by means of adjusting the composition of the securities in the Index (pursuant to the Index methodology) or in the Fund's portfolio, respectively. In addition, it is possible that the composition of the Fund may not exactly replicate the composition of the Index if the Fund has to adjust its portfolio holdings in order to continue to qualify as a "regulated investment company" under the U.S. Internal Revenue Code of 1986, as amended ("Code"). Because the Fund reserves the right to issue and redeem Creation Units principally for cash, the Fund may incur higher costs in buying and selling securities than if the Fund issued and redeemed Creation Units principally in-kind.

Shares are subject to the risks of an investment in a portfolio of equity securities in an industry or group of industries in which the Index is highly concentrated. In addition, because it is the policy of the Fund to generally invest in the securities that comprise the Index, the securities held by the Fund may be concentrated in that industry or group of industries.

#### **A.4. Convertible Securities**

A convertible security is a bond, debenture, note, preferred stock, right, warrant, or other security that may be converted into or exchanged for a prescribed amount of common stock or other security of the same or a different issuer or into cash within a particular period of time at a specified price or formula. A convertible security generally entitles the holder to receive interest paid or accrued on debt securities or the dividend paid on preferred stock until the convertible security matures or is redeemed, converted, or exchanged. Before conversion, convertible securities generally have characteristics similar to both debt and equity securities. The value of convertible securities tends to decline as interest rates rise and, because of the conversion feature, tends to vary with fluctuations in the market value of the securities into which they may be converted. Convertible securities ordinarily provide a stream of income with generally higher yields than those of common stock of the same or similar issuers. Convertible securities generally rank senior to common stock in a corporation's capital structure but are usually subordinated to comparable nonconvertible securities. Convertible securities generally do not

participate directly in any dividend increases or decreases of the underlying securities although the market prices of convertible securities may be affected by any dividend changes or other changes in the underlying securities.

#### **A.5. Currency Forwards**

A currency forward transaction is a contract to buy or sell a specified quantity of currency at a specified date in the future at a specified price which may be any fixed number of days from the date of the contract agreed upon by the parties, at a price set at the time of the contract. Currency forward contracts may be used to increase or reduce exposure to currency price movements.

The use of currency forward transactions involves certain risks. For example, if the counterparty under the contract defaults on its obligation to make payments due from it as a result of its bankruptcy or otherwise, the Fund may lose such payments altogether or collect only a portion thereof, which collection could involve costs or delays.

#### **A.6. Future Developments**

The Fund may take advantage of opportunities in the area of options, futures contracts, options on futures contracts, warrants, swaps and any other investments which are not presently contemplated for use or which are not currently available, but which may be developed, to the extent such investments are considered suitable for the Fund by RCA.

#### **A.7. Futures Contracts and Options**

The Fund may enter into futures contracts, options and options on futures contracts investment in the Fund's benchmark index, CBOE NASDAQ-100<sup>®</sup> BuyWrite Index ("Index"), to facilitate trading or to reduce transaction costs. As discussed in the Fund's Prospectus, the Index measures the total return of a portfolio consisting of common stocks of the 100 companies included in the NASDAQ-100<sup>®</sup> Index and call options systematically written on those securities through a "buy-write" or covered call strategy.

Futures contracts generally provide for the future sale by one party and purchase by another party of a specified instrument, index, or commodity at a specified future time and at a specified price. Stock index futures contracts are settled daily with a payment by one party to the other of a cash amount based on the difference between the level of the stock index specified in the contract from one day to the next. Futures contracts are standardized as to maturity date and underlying instrument and are traded on futures exchanges. The Fund may use futures contracts and options on futures contracts based on other indexes or combinations of indexes that RCA believes to be representative of the Index. The Fund will not use futures or options for speculative purposes.

An option is a contract that provides the holder the right to buy or sell shares at a fixed price, within a specified period of time. A call option gives the option holder the right to purchase the underlying security from the option writer at the option exercise price at any time prior to the expiration date of the option. A put option gives the option holder the right to sell the

underlying security to the option writer at the option exercise price at any time prior to the expiration of the option.

Although futures contracts (other than cash settled futures contracts including most stock index futures contracts) by their terms call for actual delivery or acceptance of the underlying instrument or commodity, in most cases the futures contracts are closed out before the maturity date without the making or taking of delivery. Closing out an open futures position is done by taking an opposite position ("buying" a contract which has previously been "sold" or "selling" a contract previously "purchased") in an identical contract to terminate the position. Brokerage commissions are incurred when a futures contract position is opened or closed.

Futures traders are required to make a good faith margin deposit in cash or government securities with a broker or custodian to initiate and maintain open positions in futures contracts. A margin deposit is intended to assure completion of the contract (delivery or acceptance of the underlying instrument or commodity or payment of the cash settlement amount) if it is not terminated prior to the specified delivery date. Brokers may establish deposit requirements which are higher than the exchange minimums. Futures contracts are customarily purchased and sold on margin deposits which may range upward from less than 5% of the value of the contract being traded.

After a futures contract position is opened, the value of the contract is marked-to-market daily. If the futures contract price changes to the extent that the margin on deposit does not satisfy margin requirements, payment of additional "variation" margin will be required.

Conversely, a change in the contract value may reduce the required margin, resulting in a repayment of excess margin to the contract holder. Variation margin payments are made to and from the futures broker for as long as the contract remains open. The Fund expects to earn interest income on its margin deposits.

The Fund may use futures contracts and options thereon, together with positions in cash and money market instruments, to simulate full investment in the Index. Under such circumstances, RCA may seek to utilize other instruments that it believes to be correlated to the Index components or a subset of the components. Liquid futures contracts may not be currently available for the Index.

Positions in futures contracts and exchange traded options may be closed out only on an exchange that provides a secondary market for such instruments. In addition, some options contracts can be entered into "over-the-counter" (not on an exchange or contract market). There can be no assurance that, at a particular time, a liquid secondary market will exist for any particular futures contract or option or that the counterparty to an over-the-counter option will be willing to perform its obligations with respect to such transaction. Consequently, it may not be possible to close a particular futures or options position. Because futures contracts project price levels in the future and not current levels of valuation, market circumstances may result in a discrepancy between the price of the future and the movement in the Index. In the event of adverse price movements, the Fund would continue to be required to make daily cash payments to maintain its required margin. In such situations, if the Fund has insufficient cash, it may have to sell portfolio securities to meet daily margin requirements at a time when it may be

disadvantageous to do so. In addition, the Fund may be required to make delivery of the instruments underlying futures contracts it has sold.

The Fund will seek to minimize the risk that it will be unable to close out a futures contract or an option by only entering into futures contracts and options for which there appears to be a liquid secondary market.

The risk of loss in trading futures contracts or uncovered call options in some strategies (e.g., selling uncovered stock index futures contracts) is potentially unlimited. The Fund does not plan to use futures and options contracts in this way. The risk of a futures position may still be large as traditionally measured due to the low margin deposits required. In many cases, a relatively small price movement in a futures contract may result in immediate and substantial loss or gain to the investor relative to the size of a required margin deposit.

Utilization of futures transactions by the Fund involves the risk of imperfect or even negative correlation to the Index if the index underlying the futures contracts differs from the Index. There is also the risk of loss by the Fund of margin deposits in the event of bankruptcy of a broker with whom the Fund has an open position in the futures contract or option. The purchase of put or call options could be based upon predictions as to anticipated trends, which could prove to be incorrect and a part or all of the premium paid therefore could be lost.

Certain financial futures exchanges limit the amount of fluctuation permitted in futures contract prices during a single trading day. The daily limit establishes the maximum amount that the price of a futures contract may vary either up or down from the previous day's settlement price at the end of a trading session. Once the daily limit has been reached in a particular type of contract, no trades may be made on that day at a price beyond that limit. The daily limit governs only price movement during a particular trading day and therefore does not limit potential losses, because the limit may prevent the liquidation of unfavorable positions. It is possible that futures contract prices could move to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of future positions and subjecting the Fund to substantial losses. In the event of adverse price movements, the Fund may be required to make additional margin payments.

When the Fund has a long futures position, it will maintain with its custodian bank, cash, or liquid securities having a value equal to the notional value of the contract (less any margin deposited in connection with the position). When the Fund has a short futures position, as part of a complex stock replication strategy, the Fund will maintain with its custodian bank assets substantially identical to those underlying the contract in the case of non-cash settled futures contracts or cash and liquid securities (or a combination of the foregoing) having a value equal to the net obligation of the Fund under the contract (less the value of any margin deposits in connection with the position) in the case of cash settled futures contracts.

There are several risks associated with transactions in options on securities and on indices. For example, there are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to



some degree because of market behavior or unexpected events. Where a put or call option on a particular security or index is purchased to hedge against price movements in a related security or index, the price of the put or call option may move more or less than the price of the related security or index.

As noted above, there can be no assurance that a liquid market will exist when a Fund seeks to close out an option position. The Fund intends to use only exchange-listed options. However, if trading were suspended in an option held by the Fund, the Fund would not be able to close out the option. If restrictions on exercise were imposed, the Fund might be unable to exercise an option it has purchased. Except to the extent that a call option on an index written by the Fund is covered by an option on the same index purchased by the Fund, movements in the index may result in a loss to the Fund. However, such losses may be mitigated by changes in the value of the Fund's securities during the period the covered call option was outstanding.

To the extent that the Fund writes a call option on a security it holds in its portfolio and intends to use such security as the sole means of "covering" its obligation under the call option, the Fund has, in return for the premium on the option, given up the opportunity to profit from a price increase in the underlying security above the exercise price during the option period. In addition, as long as the Fund's obligation under such a covered call option continues, the Fund retains the risk of loss should the price of the underlying security decline. If the Fund were unable to close out such a call option, the Fund would not be able to sell the underlying security unless the option expires without exercise. So, in writing a covered call option, the expiration period for the option is an important factor in assessing the level of risk associated with entering into such a transaction.

All options written by the Fund on indices or securities must be covered. The SEC staff has indicated that a written call option on a security may be covered if a fund: (1) owns the security underlying the call until the option is exercised or expires; (2) holds an American-style call on the same security as the call written with an exercise price (a) no greater than the exercise price of the call written or (b) greater than the exercise price of the call written if the difference is maintained by the Fund in cash or other liquid assets designated on the Fund's records or placed in a segregated account with the Fund's custodian; (3) has an absolute and immediate right to acquire the security without additional cost (or if additional consideration is required, cash or other liquid assets in such amount have been segregated); or (4) segregates cash or other liquid assets on the Fund's records or with the custodian in an amount equal to (when added to any margin on deposit) the current market value of the call option, but not less than the exercise price, marked to market daily. If the call option is exercised by the purchaser during the option period, the seller is required to deliver the underlying security against payment of the exercise price or pay the difference. The seller's obligation terminates upon expiration of the option period or when the seller executes a closing purchase transaction with respect to such option.

The initial purchase (sale) of an option contract is an "opening transaction." In order to close out an option position, the Fund may enter into a "closing transaction," which is simply the purchase of an option contract on the same security with the same exercise price and expiration date as the option contract originally opened. If the Fund is unable to effect a closing purchase



transaction with respect to an option it has written, it will not be able to sell the underlying security until the option expires or the Fund delivers the security upon exercise.

### **A.8. Swaps**

Swap agreements are contracts between parties in which one party agrees to make payments to the other party based on the change in market value or level of a specified rate, index, or asset. In return, the other party agrees to make payments to the first party based on the return of a different specified rate, index, or asset. Swap agreements usually are on a net basis, with the Fund receiving or paying only the net amount of the two payments. The net amount of the excess, if any, of the Fund's obligations over its entitlements with respect to each swap is accrued on a daily basis and an amount of cash or highly liquid securities having an aggregate value at least equal to the accrued excess is maintained in an account at the Trust's custodian bank. Swap agreements entail the risk that a party will default on its payment obligations thereunder.

The use of swap agreements involves certain risks. The risk of loss with respect to swaps generally is limited to the net amount of payments that a Fund is contractually obligated to make. Swap agreements are subject to the risk that the swap counterparty will default on its obligations. If such default were to occur, the Fund will have contractual remedies pursuant to the agreements related to the transaction; however, such remedies may be subject to bankruptcy insolvency laws. The Fund may lose such payments altogether or collect only a portion thereof, which collection could involve costs or delays.

In the event the Fund uses swap agreements, the Fund will earmark or segregate assets in the form of cash and cash equivalents in an amount equal to the aggregate market value of the swaps of which it is the seller, marked-to-market on a daily basis.

The use of interest rate and index swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. These transactions generally do not involve the delivery of securities or other underlying assets or principal.

### **A.9. Lending Portfolio Securities**

The Fund may lend portfolio securities to certain creditworthy borrowers. The borrowers provide appropriate and liquid collateral that is maintained in an amount equal to at least 102% of the then current market value of the portfolio securities being loaned. The following conditions must be met whenever the Fund's portfolio securities are loaned: (i) the Fund must require the borrower to increase the collateral so that it remains equal to at least 102% of the then current market value of the portfolio securities loaned whenever the market value of the securities loaned rises above the current level of such collateral; (ii) the Fund must be able to terminate the loan at any time; (iii) the Fund must receive reasonable interest on the loan, as well as any dividends, interest or other distributions payable on the loaned securities, and any increase in market value; (iv) the Fund may pay only reasonable custodian fees in connection with the loan; and (v) the Fund's Board of Trustees must be able to recall a loan to vote the securities if such vote involves a material event that may adversely affect the investment. The Fund receives the

value of any interest or cash or non-cash distributions paid on the loaned securities. The Fund may lend its portfolio securities in an amount up to 33 1/3% of its assets.

With respect to loans that are collateralized by cash, the borrower will be entitled to receive a fee based on the amount of cash collateral. The Fund is compensated by the difference between the amount earned on the reinvestment of cash collateral and the fee paid to the borrower. In the case of collateral other than cash, the Fund is compensated by a fee paid by the borrower equal to a percentage of the market value of the loaned securities. Any cash collateral may be reinvested in certain short-term instruments either directly on behalf of the Fund or through one or more joint accounts or money market funds; such reinvestments are subject to investment risk. The Fund may pay a part of the interest earned from the investment of collateral, or other fee, to an unaffiliated third party for acting as the Fund's securities lending agent.

Securities lending involves exposure to certain risks, including operational risk (i.e., the risk of losses resulting from problems in the settlement and accounting process); "gap" risk (i.e., the risk of a mismatch between the return on cash collateral reinvestments and the fees the Fund has agreed to pay a borrower); and credit, legal, counterparty, and market risk. If a securities lending counterparty were to default, the Fund would be subject to the risk of a possible delay in receiving collateral or in recovering the loaned securities, or to a possible loss of rights in the collateral. In the event a borrower does not return the Fund's securities as agreed, the Fund may experience losses if the proceeds received from liquidating the collateral do not at least equal the value of the loaned security at the time the collateral is liquidated plus the transaction costs incurred in purchasing replacement securities. This event could trigger adverse tax consequences for the Fund. Substitute payments for dividends received by the Fund for securities lent out by the Fund will not be qualified dividend income. The Fund takes the tax effects of this difference into account in its securities lending program.

The Fund pays a portion of the interest or fees earned from securities lending to a borrower as described above and to a securities lending agent who administers the lending program in accordance with guidelines approved by the Board of Trustees of the Trust.

#### **A.10. Participation Notes**

Participation notes ("P-Notes") are issued by banks or broker-dealers and are designed to offer a return linked to the performance of a particular underlying equity security or market. P-Notes can have the characteristics or take the form of various instruments, including, but not limited to, certificates or warrants. The holder of a P-Note that is linked to a particular underlying security is entitled to receive any dividends paid in connection with the underlying security. However, the holder of a P-Note generally does not receive voting rights as it would if it directly owned the underlying security. P-Notes constitute direct, general, and unsecured contractual obligations of the banks or broker-dealers that issue them, which subjects the Fund to counterparty risk, as discussed below. Investments in P-Notes involve certain risks in addition to those associated with a direct investment in the underlying securities or securities markets whose return they seek to replicate. For instance, there can be no assurance that the trading price of a P-Note will equal the value of the underlying security or foreign market that it seeks to replicate. As the purchaser of a P-Note, the Fund is relying on the creditworthiness of the

counterparty issuing the P-Note and has no rights under a P-Note against the issuer of the underlying security. Therefore, if such counterparty were to become insolvent, the Fund would lose its investment. The risk that the Fund may lose its investments due to the insolvency of a single counterparty may be amplified to the extent the Fund purchases P-Notes issued by one issuer or a small number of issuers. P-Notes also include transaction costs in addition to those applicable to a direct investment in securities. In addition, the Fund's use of P-Notes may cause the Fund's performance to deviate from the performance of the portion of the Index to which the Fund is gaining exposure through the use of P-Notes.

Due to liquidity and transfer restrictions, the secondary markets on which P-Notes are traded may be less liquid than the markets for other securities, which may (i) lead to the absence of readily available market quotations for such securities and (ii) cause the value of the P-Notes to decline. The ability of the Fund to value any P-Notes invested in by the Fund may become difficult, and RCA's judgment in the application of fair value procedures may play a greater role in the valuation of such securities due to reduced availability of reliable objective pricing data. Consequently, while such determinations will be made in good faith, it may nevertheless be more difficult for the Fund to accurately assign a daily value to such securities.

#### **A.11. Repurchase Agreements**

The Fund may invest in repurchase agreements with commercial banks, brokers, or dealers and to invest cash collateral received from securities lending. A repurchase agreement is an agreement under which the Fund acquires a money market instrument (generally a security issued by the U.S. Government or an agency thereof, a banker's acceptance or a certificate of deposit) from a seller, subject to resale to the seller at an agreed upon price and date (normally, the next business day). A repurchase agreement may be considered a loan collateralized by securities. The resale price reflects an agreed upon interest rate effective for the period the instrument is held by the Fund and is unrelated to the interest rate on the underlying instrument.

In these repurchase agreement transactions, the securities acquired by the Fund (including accrued interest earned thereon) must have a total value at least equal to the value of the repurchase agreement and are held by the Trust's custodian bank until repurchased. In addition, the Trust's Board of Trustees ("Board" or "Trustees") has established guidelines and standards for review of the creditworthiness of any bank, broker, or dealer counterparty to a repurchase agreement with the Fund. No more than an aggregate of 15% of the Fund's net assets will be invested in repurchase agreements having maturities longer than seven (7) days.

The use of repurchase agreements involves certain risks. For example, if the other party to the agreement defaults on its obligation to repurchase the underlying security, as a result of bankruptcy or otherwise, the Fund will seek to dispose of such security, which could involve costs, delays, or loss upon disposition. If the other party to the agreement becomes insolvent and subject to liquidation or reorganization under the Bankruptcy Code or other laws, a court may determine that the underlying security is collateral not within the control of the Fund and, therefore, the Fund may incur delays in disposing of the security and/or may not be able to

substantiate its interest in the underlying security and may be deemed an unsecured creditor of the other party to the agreement.

The resale price reflects the purchase price plus an agreed upon market rate of interest. The collateral is marked-to-market daily.

#### **A.12. Securities of Other Investment Companies**

The Fund may invest in the securities of other investment companies (including money market funds) to the extent allowed by law. Pursuant to the 1940 Act, the Fund's investment in investment companies is limited to, subject to certain exceptions: (i) 3% of the total outstanding voting stock of any one investment company; (ii) 5% of the Fund's total assets with respect to any one investment company; and (iii) 10% of the Fund's total assets with respect to investment companies in the aggregate. To the extent allowed by law or regulation, the Fund may invest its assets in the securities of investment companies that are money market funds, in excess of the limits discussed above. Other investment companies in which the Fund may invest can be expected to incur fees and expenses for operations, such as investment advisory and administration fees, which would be in addition to those incurred by the Fund.

#### **A.13. Structured Notes**

A structured note is a derivative security for which the amount of principal repayment and/or interest payments is based on the movement of one or more "factors." These factors include, but are not limited to, currency exchange rates, interest rates (such as the prime lending rate or LIBOR), referenced bonds, and stock indices. Some of these factors may or may not correlate to the total rate of return on one or more underlying instruments referenced in such notes. Investments in structured notes involve risks including interest rate risk, credit risk, and market risk. Depending on the factor(s) used and the use of multipliers or deflators, changes in interest rates and movement of such factor(s) may cause significant price fluctuations. Structured notes may be less liquid than other types of securities and more volatile than the reference factor underlying the note.

#### **A.14. Warrants and Subscription Rights**

Warrants are equity securities in the form of options issued by a corporation which give the holder the right to purchase stock, usually at a price that is higher than the market price at the time the warrant is issued. A purchaser takes the risk that the warrant may expire worthless because the market price of the common stock fails to rise above the price set by the warrant.

#### **A.15. Borrowing**

The Fund may borrow money to the extent permitted under the 1940 Act, as interpreted or modified by regulation from time to time. This means that, in general, the Fund may borrow money from banks for any purpose in an amount up to 1/3 of the Fund's total assets. The Fund also may borrow money for temporary administrative purposes in an amount not to exceed 5% of the Fund's total assets.

Specifically, provisions of the 1940 Act require the Fund to maintain continuous asset coverage (that is, total assets including borrowings, less liabilities exclusive of borrowings) of 300% of the amount borrowed, with an exception for borrowings not in excess of 5% of the Fund's total assets made for temporary purposes. Any borrowings for temporary purposes in excess of 5% of the Fund's total assets must maintain continuous asset coverage. If the 300% asset coverage should decline as a result of market fluctuations or other reasons, the Fund may be required to sell some of its portfolio holdings within three (3) days to reduce the debt and restore the 300% asset coverage, even though it may be disadvantageous from an investment standpoint to sell securities at that time.

The Fund also may enter into certain transactions that can be viewed as constituting a form of borrowing or financing transaction by the Fund. To the extent the Fund "covers" its obligations or liabilities by the segregation or "earmarking" of assets, in accordance with procedures adopted by Board reasonably designed to be consistent with the regulations, rules, and SEC staff interpretations under the 1940 Act, such borrowing will not be (i) considered a "senior security" by the Fund or (ii) subject to the 300% asset coverage requirement otherwise applicable to borrowings by the Fund. Borrowing will tend to exaggerate the effect on the Fund's NAV of any increase or decrease in the market value of the Fund's portfolio. Money borrowed will be subject to interest costs which may or may not be recovered by appreciation of the securities purchased. In addition, the Fund may be required to maintain minimum average balances in connection with such borrowing or to pay a commitment or other fee to maintain a line of credit; either of these requirements would increase the cost of borrowing over the stated interest rate.

#### **A.16. U.S. Federal Tax Treatment of Futures Contracts**

The Fund may be required for federal income tax purposes to mark-to-market and recognize as income for each taxable year their net unrealized gains and losses on certain futures contracts or options contracts as of the end of the year as well as those actually realized during the year. Gain or loss from futures contracts or options contracts on broad-based indexes required to be marked-to-market will be 60% long-term and 40% short-term capital gain or loss. Application of this rule may alter the timing and character of distributions to shareholders. The Fund may be required to defer the recognition of losses on futures contracts or options contracts to the extent of any unrecognized gains on related positions held by the Fund.

In order for the Fund to continue to qualify for U.S. federal income tax treatment as a "regulated investment company" under Section 851 of the Code, at least 90% of the Fund's gross income for a taxable year must be derived from qualifying income, i.e., dividends, interest, income derived from loans of securities, gains from the sale of securities or of foreign currencies, or other income derived with respect to the Fund's business of investing in securities. It is anticipated that any net gain realized from the closing out of futures contracts or options contracts will be considered gain from the sale of securities and, therefore, will be qualifying income for purposes of the 90% requirement.

The Fund distributes to shareholders annually any net capital gains that have been recognized for U.S. federal income tax purposes (including unrealized gains at the end of the Fund's fiscal

year) on futures transactions and certain options contracts. Such distributions are combined with distributions of capital gains realized on the Fund's other investments and shareholders are advised on the nature of the distributions.

## **B. Investment Restrictions**

The Trust has adopted the following investment restrictions as fundamental policies with respect to the Fund. These restrictions cannot be changed without the approval of the holders of a majority of the Fund's outstanding voting securities. For purposes of the 1940 Act, a majority of the outstanding voting securities of the Fund means the vote, at an annual or a special meeting of the security holders of the Trust, of the lesser of (1) 67% or more of the voting securities of the Fund present at such meeting, if the holders of more than 50% of the outstanding voting securities of the Fund are present or represented by proxy, or (2) more than 50% of the outstanding voting securities of the Fund. Under these restrictions:

- The Fund may not make loans, except that the Fund may: (i) lend portfolio securities; (ii) enter into repurchase agreements; (iii) purchase all or a portion of an issue of debt securities, bank loan or participation interests, bank certificates of deposit, bankers' acceptances, debentures or other securities, whether or not the purchase is made upon the original issuance of the securities; and (iv) participate in an interfund lending program with other registered investment companies;
- The Fund may not borrow money, except as permitted under the 1940 Act, and as interpreted or modified by regulation from time to time;
- The Fund may not issue senior securities, except as permitted under the 1940 Act, and as interpreted or modified by regulation from time to time;
- The Fund may not purchase or sell real estate, except that the Fund may: (i) invest in securities of issuers that invest in real estate or interests therein; (ii) invest in mortgage-related securities and other securities that are secured by real estate or interests therein; and (iii) hold and sell real estate acquired by the Fund as a result of the ownership of securities.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

### **A. Broker-Dealer or Representative Registration**

RCA is not registered as a broker-dealer and does not have an application pending.

Garrett Paoella is registered as a representative of ETF Distributors, LLC, a FINRA-registered broker-dealer and member of SIPC. ETF Distributors, LLC, is a financial services company engaged in the sale of investment products. As a result of Mr. Paoella's affiliation with ETF Distributors, LLC, he is subject to the general oversight of ETF Distributors, LLC and the Financial Industry Regulatory Authority Inc. ("FINRA"). As such, clients of RCP should understand that their personal and account information is available to FINRA and ETF Distributors, LLC, for the fulfillment of their regulatory oversight obligations and duties.

### **B. Futures or Commodity Registration**

Neither RCA nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading adviser and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **C.1. Recon Capital Partners, LLC**

Recon Capital Partners, LLC ("RCP") is an affiliate of RCA and a registered investment adviser. RCP is a private fund adviser and manages individual separate accounts for its advisory clients. Prospective clients are advised that RCA has an economic interest in recommending its affiliate, RCP, for separate account management. Conversely, RCP has an economic interest in recommending an investment in the Recon Capital Nasdaq 100 Covered Call ETF.

#### **C.2. Recon Capital Management, LLC**

Recon Capital Management, LLC, is the "General Partner" of the Braddock-Recon Fund and is an affiliate of the Adviser. The General Partner has the power to take actions that could directly or indirectly provide advantages to the General Partner, potentially to the disadvantage of investors in the Braddock-Recon Fund. This includes certain authority of the General Partner to modify, interpret, or limit the terms of the documents that define the rights and obligations of investors, the General Partner, and the Adviser in connection with the Braddock-Recon Fund. The General Partner addresses such potential conflicts of interest primarily by disclosing them to investors, as well as seeking to avoid exercising such authority in a way that would unfairly disadvantage any investors.



### **C.3 ETF Series Trust - Recon Capital Nasdaq 100 Covered Call ETF (the "ETF Fund")**

RCA provides discretionary portfolio management services to its client using one or more securities and strategies identified in Item 8 of this Brochure. RCA serves as the investment manager to the Recon Capital Nasdaq 100 Covered Call ETF (the "ETF Fund"), and continuously manages the fund assets based on the investment goals and objectives as outlined in the ETF Fund's Prospectus and Statement of Additional Information ("SAI"). RCA and or its affiliates has an economic incentive to recommend an investment in the ETF Fund. Please be advised that RCA and its affiliates strive to put its client interests first and foremost.

### **C.4. ETF Distributors, LLC**

Garrett Paolella is registered as a representative of ETF Distributors, LLC, a FINRA-registered broker-dealer and member of SIPC. RCP professionals who effect transactions for advisory clients may receive transaction or commission compensation from ETF Distributors, LLC. The recommendation of securities transactions for commission creates a conflict of interest in that RCP is economically incented to effect securities transactions for clients. Although RCP strives to put its clients' interests first, such recommendations may be viewed as being in the best interests of RCP rather than in the client's best interest. RCP advisory clients are not compelled to effect securities transactions through ETF Distributors, LLC.

## **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

RCA does not recommend investment products in which it receives any form of compensation from the separate account manager or investment product sponsor.

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

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

The Fund, the Distributor, and RCA have each adopted a Code of Ethics pursuant to Rule 17j-1 under the 1940 Act, designed to monitor personal securities transactions by their personnel ("Personnel"). The Code of Ethics requires that all trading in securities that are being purchased or sold, or are being considered for purchase or sale, by the Fund must be approved in advance by the CCO. Approval will be granted if the security has not been purchased or sold or recommended for purchase or sale for the Fund on the day that the Personnel of RCA requests pre-clearance, or otherwise if it is determined that the personal trading activity will not have a negative or appreciable impact on the price or market of the security, or is of such a nature that it does not present the dangers or potential for abuses that are likely to result in harm or detriment to the Fund. At the end of each calendar quarter, all Personnel must file a report of all transactions entered into during the quarter. These reports are reviewed by a senior officer of RCA or the Distributor, as applicable.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

RCA does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory).

### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

RCA, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which RCA specifically prohibits. RCA has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest,
- prohibit front-running, and
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow RCA's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

RCA, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other RCA -advised Funds or clients. RCA will make a reasonable attempt to trade securities in client accounts prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. It is the policy of RCA to place the Funds' and clients' interests above those of RCA and its employees.

## Item 12: Brokerage Practices

When selecting brokers and dealers to handle the purchase and sale of portfolio securities, RCA looks for prompt execution of the order at a favorable price. Generally, RCA works with recognized dealers in these securities, except when a better price and execution of the order can be obtained elsewhere. The Fund will not deal with affiliates in principal transactions unless permitted by exemptive order or applicable rule or regulation. RCA owes a duty to its clients to seek best execution on trades effected. Since the investment objective of the Fund is investment performance that corresponds to that of the Index, RCA does not intend to select brokers and dealers for the purpose of receiving research services in addition to a favorable price and prompt execution either from that broker or an unaffiliated third party.

RCA assumes general supervision over placing orders on behalf of the Trust for the purchase or sale of portfolio securities. If purchases or sales of portfolio securities of the Trust and one or more other investment companies or clients supervised by RCA are considered at or about the same time, transactions in such securities are allocated among the several investment companies and clients in a manner deemed equitable to all by RCA. In some cases, this procedure could have a detrimental effect on the price or volume of the security so far as the Trust is concerned. However, in other cases, it is possible that the ability to participate in volume transactions and to negotiate lower brokerage commissions will be beneficial to the Trust. The primary consideration is best execution.

Portfolio turnover may vary from year to year, as well as within a year. High turnover rates are likely to result in comparatively greater brokerage expenses and taxable distributions. The overall reasonableness of brokerage commissions is evaluated by RCA based upon its knowledge of available information as to the general level of commissions paid by other institutional investors for comparable services.

## **Item 13: Review of Accounts**

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

For ETF Fund clients, RCA continually reviews and monitors the fund's holdings in accordance with the investment objectives as detailed in the fund prospectus and SAI. RCA's portfolio manager reviews securities activity for the Fund daily to ensure that investments are made in conformity with the Fund's investment objectives and investment strategies, and that all activity is in compliance with the Fund's prospectuses and requirements promulgated under the Investment Company Act of 1940 as well as the Investment Advisers Act of 1940.

### **B. Review of Client Accounts on Non-Periodic Basis**

For ETF Fund clients, RCA's portfolio manager and/or CCO may perform ad hoc reviews on an as-needed basis if there have been material changes in the Fund's investment objectives or investment strategies or in the event of unstable markets.

### **C. Content of Client-Provided Reports and Frequency**

For ETF Fund clients, RCA provides reports to the Trust and Directors of the Fund on a quarterly basis. Such reports include investment performance of each Fund, and information on operational and compliance related matters.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

RCA does not receive economic benefits for referring clients to third-party service providers.

### **B. Advisory Firm Payments for Client Referrals**

RCA does not make payment for client referrals.

## Item 15: Custody

Fund clients will receive at least quarterly account statements directly from their qualified custodian containing a description of all activity, cash balances, and portfolio holdings in the client's account. The custodian's statement is the official record of the account.

## **Item 16: Investment Discretion**

For ETF Fund clients, the Fund grants a limited power of attorney to RCA with respect to trading activity in Fund accounts pursuant to an investment advisory agreement between RCA and the Trust. RCA will exercise full discretion as to the nature and type of securities to be purchased and sold, the amount of securities for such transactions, the amount of commissions to be paid, and the executing broker to be used. Investment limitations may be designated by the Trust.



## Item 17: Voting Client Securities

RCA manages the affairs of the Fund. As part of its fiduciary obligations to the shareholders of the Fund, the firm exercises its voting rights in the companies in which it invests.

The overriding objective of the firm's proxy voting activities is to enhance shareholder value on a long-term basis. As a result, our proxy voting guidelines have been developed in a manner which the firm believes is consistent with this goal. However, it is important to note that this document contains guidelines only, and not rigid, inflexible, voting directives. We will evaluate each voting matter on a case-by-case basis and may vote in a manner contrary to the guidelines if we feel that this would ultimately enhance long-term shareholder value.

**Guidelines Pertaining to Routine Matters:** RCA will generally cause the Fund to vote in favor of management proposals on routine matters such as the election of directors, appointment of auditors, indemnification of directors, and receipt and approval of financial statements, provided it is in line with the other guidelines set forth in the Proxy Voting Guidelines.

**Guidelines Pertaining to Non-Routine Matters:** With respect to non-routine matters, such as take-over defense measures and changes in capital structure, RCA will examine proxies and recommendations for special proposals to assess the impact on the value of the securities, generally voting in favor of proposals that would enhance the investment value of the relevant security in the long term and against proposals that increase the risk level and reduce the investment value of the relevant security in the long term. Other issues, including those business issues specific to the issuer or those raised by shareholders of the issuer, are addressed on a case-by-case basis with a focus on the potential impact of the vote on shareholder value.

**Guidelines Pertaining to the Board of Directors:** Ideally, the Board of Directors will comprise a majority of unrelated experienced directors, where an unrelated director is independent of management and is free from any relationship or interest that conflicts with the director's ability to act in the best interests of shareholders. A Board of Directors should be large enough to allow for sufficient coverage of responsibilities, but should not be so large that meetings and discussions become cumbersome. All boards shall have an audit committee headed and staffed by outside directors. We are generally opposed to cumulative voting proposals, but acknowledge that it may be a useful tool if a board is unresponsive to shareholders. A staggered board is one in which some directors are elected to terms greater than one year. Our preference is for all directors to stand for election on an annual basis. While attendance is only one factor in evaluating a director's effectiveness, we view absences without extenuating circumstances negatively. We believe that directors should be provided insurance against liability claims, so long as their actions were taken honestly and in good faith with a view to the best interests of the company. We will generally support the auditor recommended by the audit committee, but will review proposed changes in auditors on a case-by-case basis.

## **Item 18: Financial Information**

### **A. Balance Sheet**

RCA does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

RCA does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.