



**ITEM 1: COVER PAGE**

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

**Ascendant Advisors, LLC**

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This Brochure (“Brochure”) provides information about the qualifications and business practices of Ascendant Advisors, LLC (“Ascendant”, “firm”, “us”, “we” or “our”). When we use the words “you”, “your” and “client” we are referring to you as our client or our prospective client. We use the term “Personnel” and or “IAR” (Investment Advisor Representative) when referring to our officers, employees, and all individuals affiliated with Ascendant. If you have any questions about the contents of this brochure, contact us at (713) 552-1880, (800) 552-6010 and/or or by email at [info@ascendantadvisors.com](mailto:info@ascendantadvisors.com). The information in this brochure has not been approved or verified by the U.S. Securities & Exchange Commission (“SEC”) or by any state securities authority.

Ascendant is a registered investment adviser with the SEC. The registration of an investment adviser does not imply any level of skill or training. The oral and written communications made to you by Ascendant, including the information contained in this Brochure, should provide you with information to determine whether to hire or retain Ascendant as your adviser.

Additional information about Ascendant is available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any persons affiliated or registered with, and or required to be registered as investment adviser representative of Ascendant.



## ITEM 2 – MATERIAL CHANGES

Material changes to this Brochure since the last Brochure dated January 30, 2018 include the following:

- *Item 4: Advisory Business – Fund Manager. Updated to reflect three (3) affiliated mutual funds and removed Patriot Balanced Fund.*
- *Item 4: Advisory Business – Assets under Management. The assets under management were updated to reflect December 31, 2019 totals.*

### Full Brochure Available

We will ensure that you receive a summary of any materials changes to this and subsequent Brochures within one hundred and twenty (120) days of the close of our business' fiscal year. We may further provide you with a new Brochure as necessary based upon changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting us at (713) 552-1880, (800) 552-6010 or by email at [info@ascendantadvisors.com](mailto:info@ascendantadvisors.com).



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## **ITEM 4 - ADVISORY BUSINESS**

### **Advisory Firm**

#### ***Structure***

Ascendant was originally organized as a subchapter S-Corp in 1970 and named “Texas Investment Management Company”. The firm was later renamed “John H Lee & Company” and in 1983, the firm was renamed Pension Management Company (“PMC”). In 2009, PMC was acquired by management and a strategic group of investors known as “Ascendant Advisors Group, LLC”, converted to a limited liability company and was renamed “Ascendant Advisors, LLC”. The Company has been in continuous operations since 1970.

#### ***Ownership***

Ascendant Advisors Group, LLC owns 100% of Ascendant Advisors, LLC.

### **Services**

#### ***General***

The firm offers investment management services on a discretionary basis but will accept non-discretionary accounts as an accommodation to clients who have special requirements. Ascendant offers clients a suite of managed account products using both equity and fixed income securities. Equity securities include exchange-listed and over-the-counter traded securities and may include foreign issues in the form of American Depositary Receipts. Fixed income securities include United States government securities and corporate debt securities. The firm is not a “manager of managers” and, as such, does not recommend other advisors. Additionally, we do not offer financial planning, insurance products or tax advice.

#### ***Fund Manager***

The firm provides investment management services to three affiliated mutual funds; the Ascendant Tactical Yield Fund, the Ascendant Deep Value Bond Fund, and the Patriot Fund (collectively, the “Ascendant Funds”).

*Ascendant Tactical Yield Fund.* Ascendant Tactical Yield Fund is an investment company registered under the Investment Company Act. The Fund seeks capital preservation with a secondary objective of total return. A complete description of the fund, its strategy, objectives, and costs is set forth in the fund prospectus, a copy of which is provided to all clients that engage the firm’s services through the fund.

*Ascendant Deep Value Bond Fund.* Ascendant Deep Value Bond Fund is an investment company registered under the Investment Company Act. The Fund seeks to maximize returns by



identifying and investing in value opportunities in all sectors of the fixed income market. A complete description of the fund, its strategy, objectives, and costs is set forth in the fund prospectus, a copy of which is provided to all clients that engage the firm's services through the fund.

*Patriot Fund.* Patriot Fund is an investment company registered under the Investment Company Act. The fund's objective is growth of capital. A complete description of the fund, its strategy, objectives, and costs is set forth in the fund prospectus, a copy of which is provided to all clients that engage the firm's services through the fund.

### ***Separately Managed Accounts***

The firm exercises discretion to set asset allocation levels in client accounts in accordance with general policy ranges. Annually we request updated financial and personal information from the clients to better service their accounts. It is the client's responsibility to notify the firm at any time that there are material changes in their financial or personal information which could affect the investment strategy of their account. Clients are encouraged to call at any time to discuss their account or any other concerns that they may have.

### ***Wrap Fee Accounts***

We provide discretionary investment advisory services to you through the Ascendant Managed Account Program (as defined below) that utilizes a comprehensive single fee (i.e., all-inclusive fee covers costs of commissions, research, etc.). Further information about the programs is included in our Form ADV Part 2 Appendix 1 Wrap Fee Program Brochure ("Wrap Fee Brochure"), which is available upon request and will be provided before an account is established.

### ***Consulting Services***

We may provide consulting services for advisory clients as requested. Such services include providing generalized advice on investments and or model portfolio transactions.

### **Assets under Management**

As of December 31, 2019 we managed \$123,970,000 in discretionary assets and \$1,250,000 in non-discretionary assets.

## **ITEM 5 - FEES AND COMPENSATION**

### **Compensation**

Ascendant is generally compensated based upon a percentage of the market value of client's assets under management at the end of the accounting periods, generally quarterly (January, April, July and October).



## Fee Schedule

### ***Separately Managed Accounts (each determined at market value)***

Less than \$2,000,000	1.25% per year
\$2,000,000 to less than \$10,000,000	1.00% per year
\$10,000,000 and greater	Negotiable

Although Ascendant has established this fee schedule, we retain the discretion to negotiate alternative fees on a client-by-client basis. In determining an alternative fee schedule, we will take into account client facts, circumstances and needs. These factors include, but are not limited to: the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, client service and reporting, among other factors. The specific annual fee schedule will be identified in the contract between the adviser and the client.

Ascendant personnel generally pay reduced fees for the management of their accounts.

### ***Consulting***

Fees charged by Ascendant for consulting services are negotiated based on the services provided, and can either be a fixed fee or a fee based on the portfolio value of the consulting client portfolio assets.

### ***Billing***

Clients are generally billed one quarter in advance. A client may terminate the contract with Ascendant at any time. If they terminate after one full quarter, a pro-rata refund of any prepaid fee will be made upon written request by the client.

### ***Calculation and Deduction of Advisory Fees***

Fees for accounts (“Advisory Accounts”) with which we have investment advisory agreements in place to provide advisory services, including, but not limited to: (i) the Investment Advisory Client Performance Agreement entered into between Ascendant and each client party thereto (“Performance Agreement”); the (ii) the Investment Advisory Agreement entered into between Ascendant and each client party thereto (“Investment Advisory Agreement”) and (iii) the Investment Advisory Wrap Program Agreement entered into between Ascendant and each client party thereto, each of the foregoing as may be amended or modified (collectively, the “Ascendant Advisory Agreements”), generally are calculated and billed quarterly in advance and payable within thirty (30) days after the beginning of each quarter. Subject to negotiation, fees will be prorated through the date of liquidation or termination. Generally, fees and other expenses will be automatically deducted from the client’s Advisory Account, unless other arrangements have been made. Where the custodian is a third party, clients generally will arrange to have such fees debited directly from the client’s account for credit to Ascendant, subject to applicable law.





### ***Separately Managed Accounts***

Clients generally pay advisory fees for separate account management based on a percentage of assets in their Advisory Account(s). Ascendant's actual fees, minimum fees and minimum account sizes may be negotiated, and a client may pay more or less than the fees set forth herein or than similar clients depending on the particular circumstances of the client, the size and scope of the overall client relationship, additional or differing levels of servicing or as otherwise agreed with specific clients. Servicing arrangements such as reporting may also vary among clients. Clients with multiple Advisory Accounts may be able to aggregate accounts managed by Ascendant within each asset class or across Advisory Accounts for purposes of applying for breakpoints or reduced fee schedules. Ascendant may, in its discretion, offer certain clients lower fees, waive minimums on fees or provide lowest available fee arrangements. Clients that negotiate fees with differing breakpoints, including flat fees and performance-based fees, may end up paying a higher fee than as set forth in the standard fee schedule set forth in this Item 5 above (*see Item 5 – "Fees and Compensation – Fee Schedule"*) as a result of fluctuations in the amount of the client's assets under management and account performance.

### **Fund Fees**

#### ***Mutual Fund Fees***

Ascendant acts as investment adviser/investment manager to a series of mutual funds. Ascendant's fees for such services are based on each investment vehicle's particular circumstances. The firm generally receives a management fee for management of these mutual funds. The amount of the management fee varies from fund to fund and is set forth in the prospectus for each fund. Except to the extent required by applicable law, Ascendant is not required to offset any compensation against fees and expenses the client may otherwise owe Ascendant and its affiliates.

#### ***Underlying Fund Fees***

Where Ascendant has recommended or invested client assets in mutual funds, clients, other than those that are subject to ERISA, generally will pay all fees and expenses applicable to an investment in the funds including, asset-based, performance-based, carried interest, incentive allocation and/or other compensation payable to the managers in consideration of the managers' services to the fund. Clients will also pay for advisory, administration, distribution, shareholder servicing, sub-accounting, sub-transfer agency and other related services, or "12b-1" fees, which may be paid to Ascendant or its affiliates as described in Item 10 – "Other Financial Industry Activities and Affiliations" below. An investor in a fund-of-funds vehicle will also bear a proportionate share of the fees and expenses of each underlying investment fund. All fees and expenses are generally in addition to the advisory fees each Advisory Account pays to Ascendant. In addition, a manager of a fund may receive deal fees, sponsor fees, monitoring fees or other similar fees for services provided to portfolio companies, some of which may be offset against certain fees that the funds or separate accounts would otherwise be required to remit. The fees and



expenses imposed by a fund may offset trading profits, thus reducing returns. Compensation received by Ascendant and its affiliates related to various services to these funds will generally be retained by Ascendant and its affiliates. Except to the extent required by applicable law, including ERISA to the extent applicable, Ascendant is not required to offset such compensation against fees and expenses the client may otherwise owe Ascendant and its affiliates.

### **Other Fees and Expenses**

In addition to the advisory fees described above, clients will be subject to other fees and expenses in connection with Ascendant's advisory services.

### **Execution and Settlement Charges**

To the extent clients elect to custody their assets at Hilltop Securities Inc., Inc. ("Hilltop") through AWM Services, LLC ("AWM"), an affiliate broker dealer under common ownership, you will typically pay brokerage commissions, mark-ups, markdowns, other commission equivalents and/or transaction costs related to transactions effected for our Advisory Accounts to executing broker-dealers, including AWM. As described in Item 12 – "Brokerage Practices", Ascendant will effect these transactions subject to its obligation to seek best execution. The different types of execution charges include:

- **Commissions:** the amount charged by a broker for purchasing or selling securities, real estate or other investments as an agent for the client, and is disclosed on the client's trade confirmations or otherwise.
- **Commission equivalents:** an amount charged by a dealer for purchasing or selling securities or other investments in certain riskless principal transactions. Riskless principal transactions refer to transactions in which a dealer, after having received an order to buy from a client, purchases the security from another person to offset a contemporaneous sale to the client or, after having received an order to sell from a client, sells the security to another person to offset a contemporaneous purchase from the client. We will not engage in riskless principal transactions with clients that are subject to ERISA.
- **Mark-ups:** the price charged to a client, less the prevailing market price, and is included in the price of the security.
- **Mark-downs:** the prevailing market price, less the amount a dealer pays to purchase the security from the client, and is included in the price of the security.
- **Spreads:** the difference between the current purchase or bid price (that is, the price at which someone is willing to pay for or buy the security) and the current ask or offer price (that is, the price at which someone is willing to sell the security), and is included in the price of the security. The difference or spread narrows or widens in response to the supply and demand levels of the security.



To the extent that transactions are effected through AWM, like any other broker-dealer executing a transaction, we may have commercial interests in transactions that are adverse to Advisory Accounts, such as obtaining favorable commission rates, mark-ups and mark-downs, other commission equivalents and lending rates and arrangements. As described in the firm's code of ethics ("Code of Ethics"), Personnel of Ascendant may receive referral or brokerage compensation in connection with transactions effected for Advisory Accounts, and Ascendant and Personnel may have a financial interest in instructing clients to direct all transactions to AWM. *See Item 11 – "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading"*. In such circumstances, except as required by applicable law, no accounting to Advisory Accounts will be required, AWM will be entitled to retain all such fees and other amounts and no fees or other compensation will be reduced thereby.

### **Custody and Other Fees**

Custody fees and all other fees charged by service providers engaged by clients to provide services relating to Advisory Accounts are charged by the custodian or other service provider for the Advisory Account, and are not included in the advisory fees payable to Ascendant. In addition, to the extent Ascendant provides other secondary services to Advisory Accounts not included in the advisory fee, Ascendant will be entitled to retain all such fees and other amounts and no fees or other compensation will be reduced thereby.

### **Use of Unaffiliated Brokers**

Where Ascendant has discretionary authority over a client's Advisory Account, it will choose the brokers through which to execute transactions in accordance with its duty to seek best execution. In some cases, Ascendant may determine that best execution may be sought through an Ascendant affiliate.

Clients may purchase certain of the investment products recommended by Ascendant directly or through broker-dealers that are not affiliated with Ascendant. Doing so may result in fee and execution charges that are lower (or higher) than those charged by Ascendant.

Clients should recognize that investment fees are only one of several charges involved in separately managed accounts. These fees are for investment management services only, and do not include transaction fees or commissions which are charged by third-party broker-dealers. Additional fees and charges may be incurred by unaffiliated third parties for activities such as bank custodian charges, trustee and/or actuary fees, among others charges. Custodians provide periodic account statements to clients and these statements will reflect all fee withdrawals by Ascendant. The firm will, from time to time, in the normal course of its management duties, invest a portion of client assets in mutual funds or exchange-traded funds ("ETFs"). In situations where the mutual funds or ETFs are unaffiliated with the firm, the client will incur both the firm's assets under management fee, as well as the expense ratio of the fund. In situations where the mutual funds or ETFs are affiliated with the firm, please see Item 10 – "Other Financial Industry Activities and Affiliates" for a description of the fees a client will incur.



## **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

### **Performance Based Fees**

#### ***Overview***

In some cases, Ascendant may enter into performance fee arrangements with qualified clients based upon individualized negotiation with each such client. We will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940 (“Advisers Act”), and in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3 of the Advisers Act. In measuring clients’ assets for the calculation of Performance Fees (as defined below), we include realized and unrealized capital gains and losses.

#### ***Performance Fees***

Performance Fees (as defined below) are individually negotiated and generally based upon our performance relative to assets under management. The client generally pays a performance fee equal to twenty percent (20%) of the Net Excess Appreciation (as defined below) for securities in the Account, on an annual basis (“Performance Fee”). “Net Excess Appreciation” is defined as the increase in fair market value of the portfolio under management (before accrual or deduction of the Performance Fee, but after payment and accrual of all trading costs, fees, commissions and the Advisory Fee (as defined below)) in excess of the “High Water Mark”, which is defined as: (a) the original asset value of securities in the client’s account on the effective date of the Performance Agreement; or (b) otherwise, as of the commencement of any year, the highest sum achieved during the prior year.

Performance Fees are payable quarterly in arrears, and evaluated on an annual basis. In the event that there is any loss carried forward from a previous quarter, such loss will be carried forward and added to the High Water Mark for future periods(s). In computing the Performance Fee, the Net Excess Appreciation will be based on the fair market values reflected on the client’s statements from the bank or brokerage firms that custody the client’s account. At such time as the client terminates the Performance Agreement, the Performance Fee payable for the final period shall be adjusted to reflect an adjustment for any losses carried forward from previous billing periods. However, Ascendant shall not be required to refund any Performance Fees upon termination of the Performance Agreement.

#### ***Advisory Fee***

Ascendant generally receives an advisory fee (“Advisory Fee”) equal to two percent (2.0%) per annum of the “Net Asset Value” on all Performance Fee accounts. The advisory fee is exclusive of transaction costs and other direct out-of-pocket costs incurred by the Ascendant as a result of providing investment services to a client under the Ascendant Advisory Agreements. “Net



Asset Value” of the client’s account shall mean the current market value of the securities in such account at the beginning of the respective quarterly period.

### ***Conflicts of Interests***

The performance fee arrangement will be arranged subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions, including the exemption set forth in Rule 205-3, and is intended to qualify under Rule 205-3 of the Advisers Act. Accordingly, you should be aware that: (a) the Performance Fee may create an incentive for us to make investments that may be riskier or more speculative than would be the case in the absence of a performance-based fee; and (b) we may receive increased compensation as a result of unrealized appreciation in the client’s account. We have implemented procedures designed to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients. *See Item 5 – “Fees and Compensation”.*

### **Side-By-Side Management**

#### ***General***

Ascendant or its affiliates may manage multiple accounts, including SMAs and Registered Funds, according to the same or similar investment strategies and may seek to make or sell investments in the same securities, instruments, sectors or strategies. This side-by-side management of multiple accounts may create potential conflicts, particularly in circumstances where the availability or liquidity of investment opportunities is limited. Certain investments may be offered to some but not all clients when appropriately within client investment guidelines.

Additionally, Ascendant may face a potential conflict of interest because Ascendant may have an incentive to favor certain accounts over others that may be less lucrative when the actions taken on behalf of one account may impact other similar or different accounts (e.g., because such accounts have the same or similar investment strategies or otherwise compete for investment opportunities, or have potentially conflicting investment strategies or investments. These potential conflicts may arise when, for example, Ascendant allocates investment opportunities that Ascendant believes could more likely result in favorable performance, engages in cross trades or executes potentially conflicting or competing investments. In addition, Ascendant’s actions for one client account may affect other client accounts.

To address these potential conflicts, Ascendant’s Code of Ethics and policies and procedures require that investment decisions are to be made without consideration of the pecuniary or investment interests of Ascendant, its employees’ or affiliates’. Under Ascendant’s policies and procedures investment opportunities will be allocated in a manner that we believe is consistent with its obligations as an investment adviser. Our policies and procedures relating to allocation of investment opportunities are described further in the “Allocation” section below.

In general, investment decisions for client accounts advised by Ascendant will be made independently from those of other client accounts and are made with specific reference to the



individual needs and objectives of each client account. Accordingly, account investments and performance resulting from such decisions may differ from client to client.

### ***Allocation***

In making investment decisions for the client accounts, securities considered for investment by one account may also be appropriate for another account managed by Ascendant. On occasions when the purchase or sale of a security is deemed to be in the best interest of more than one account, we may aggregate or “batch” orders for the purchase or sale of securities for all such accounts. Such batched orders shall be consistent with best execution and the terms of the relevant investment advisory agreements. Such combined trades may be used to facilitate best execution, including negotiating more favorable prices, obtaining more timely or equitable execution or reducing overall commission charges.

Generally, aggregated transactions will be averaged as to price and transaction costs and will be allocated among participating accounts in proportion to the purchase and sale orders placed for each account on any given day (i.e., pro rata). While Ascendant will always try to allocate pro rata in the first instance, the Company may use other methods of allocation – provided that such methods are fair and equitable. For example, we may use a random allocation method for certain limited availability or thinly traded securities.

Ultimately, the Company will ensure that aggregated securities transactions in participating Client Accounts are allocated in a fair and equitable manner, and are consistent with the Company’s duty to seek best execution.

## **ITEM 7 - TYPES OF CLIENTS**

### **Client Profiles**

We offer portfolio management investment advice to the following types of clients:

- Individuals;
- High net worth individuals and families;
- Pension and profit sharing plans (other than participants);
- Charitable organizations;
- Trusts;
- Estates;
- Private foundations;
- Retirement plans; and
- Mutual funds.

### **Account Requirements**

By limiting its client base to those with certain account sizes, Ascendant is able to focus on a select few relationships. Ascendant offers its client two (2) wrap programs (“Ascendant



Managed Account Programs”), with minimum account requirements as follows: (i) in the Ascendant Separately Managed Account Wrap Program (“SMA”), Ascendant generally requires that new accounts have minimum assets under management of \$500,000 in equity assets or \$2,000,000 in fixed income assets and (ii) and the Ascendant Global Allocation Program (“GAP”), Ascendant generally requires that new accounts have a minimum of \$100,000 in assets under management. Additionally, accounts where performance fees are charged generally require a minimum of \$2,000,000 to be under management by Ascendant. However, subject to applicable law, the required minimum dollar value of assets may be negotiated. Fees may also vary due to the particular circumstances of the client, additional or differing levels of servicing, or as otherwise agreed upon with specific clients. *See also Item 5 – “Fees & Compensation” and Item 6 – “Performance-Based Fees and Side-By-Side Management”.*

## **ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

### **Analysis Methods**

Ascendant utilizes research developed over decades. Some resources include data purchased from third parties, review of financial periodicals, research materials prepared by others and corporate rating services.

### **Investment Strategies**

Investment strategies for Ascendant accounts may include long term purchases (securities held for at least one (1) year), short term purchases (securities held less than one (1) year), trading (securities sold within thirty (30) days), and margin transactions (transactions allowing the borrowing of securities from the broker-dealer). There is no guarantee that the analysis methods or investment strategies utilized in a client’s portfolio will result in the client’s goals being met, nor is there any guarantee of profit or protection from loss since any transaction in the stock market carries risk. Clients should recognize that any investment in the stock market carries risks, and we do not guarantee profits or that past performance is an indication of future performance.

### **Investment Strategy Risks**

Investing in securities involves risk of loss that clients should be prepared to bear. All investment programs have certain risks that are borne by the investor. There is no guaranteed predictor of the stock market in general, nor to individual securities included in our strategies. We believe the methods that we use are valuable tools to guide our research for qualified securities candidates for our clients even though it is not absolute. Most of our selections are made for long term; however, we do reserve the right to adjust portfolios as the situation warrants. We are sensitive to tax consequences and the firm’s portfolio manager considers them when trading, as appropriate. However, investors also face the following investment risks:





### ***General Risks***

***Lack of Diversification:*** Portfolio investments may be concentrated and diversification may be limited. There are no limits with respect to position sizes. Any assets or combination of assets that can be held in a securities account can be purchased or sold.

***Cash and Cash Equivalents:*** Advisory Accounts may maintain significant cash positions from time to time, and the client will pay investment management fees based on the net asset value of each respective Account, including cash and cash equivalents. Furthermore, the Advisory Accounts may forego investment opportunities to hold cash positions if we consider it in the best interests of such Advisory Account.

***Interest Rate Fluctuation:*** The prices of securities in which we may invest are sensitive to interest rate fluctuations, and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases will generally increase the interest carrying costs of borrowed securities and leveraged investments.

### ***Long Term Purchases (Securities Held For At Least One Year)***

***Liquidity:*** The portfolio will be invested in liquid securities, and private investments are not permitted. It is possible that securities may become less liquid during the holding period.

### ***Short Term Purchases (Securities Sold Within One Year)***

***Market Risks:*** The success of a significant portion of the program will depend, to a great extent, upon correctly assessing the future course of the price movements of the securities traded. There can be no assurances that the trading program will be able to accurately predict these price movements. Additionally, over time, the effectiveness of the trading program may decline for various reasons, including other market participants developing similar programs or techniques.

### ***Trading (Securities Sold Within Thirty Days)***

***Market Risks:*** The success of a significant portion of a trading program will depend, to a great extent, upon correctly assessing the future course of the price movements of the securities traded. There can be no assurances that the trading program will be able to accurately predict these price movements. Additionally, over time, the effectiveness of the trading program may decline for various reasons, including other market participants developing similar programs or techniques.

***Trading is Speculative:*** There are risks involved in trading securities. Market movements are difficult to predict and are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates and the inherent volatility of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices





directly. The effects of government intervention may be particularly significant at certain times in the financial instrument markets, and such intervention (as well as other factors) may cause these markets to move rapidly.

*Turnover:* Our trading activities may be made on the basis of short-term market considerations. The portfolio turnover rate could be significant, potentially involving substantial brokerage commissions and related transactional fees and expenses.

### ***Margin Risk***

*Leverage:* We may use leverage in investing. Such leverage may be obtained through various means. The use of short-term margin borrowings may result in certain additional risks to Advisory Accounts. For example, should the securities pledged to a broker to secure a margin account decline in value, a “margin call” may be issued pursuant to which additional accounts would be required to be deposited with the broker, or the broker would effect a mandatory liquidation of the pledged securities to compensate for the decline in value. We might not be able to liquidate assets quickly enough to pay off the margin debt, and the Advisory Accounts may therefore also suffer additional, significant losses as a result of such default. Although borrowing money increases returns, if returns on the incremental investments purchased with the borrowed accounts exceed the borrowing costs for such accounts, the use of leverage decreases such returns if such returns earned on such incremental investments are less than the costs of such borrowings.

### ***Utilization of Alternative Investments***

Alternative investment products, including hedge funds, commodity hedged accounts and managed futures involve a high degree of risk, often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees which may offset any trading profits and, in many cases, the underlying investments are not transparent and are known only to the investment manager.

## **Principal Investment Risks Related to the Ascendant Funds**

See the respective prospectus for the Ascendant Funds for a full description of the investment risks. But in brief summary, as with all mutual funds, there is the risk that you could lose money through your investment in the Ascendant Funds. Many factors affect Ascendant Funds net asset value and performance, including:

### ***Equity Market Risk***

Equity markets can be volatile. In other words, the prices of common stocks can fall rapidly in response to developments affecting a specific company or industry, or to changing economic, political or market conditions.



### ***Foreign Risk***

Changes in foreign economies and political climates are more likely to affect the Fund than a mutual fund that invests exclusively in U.S. companies. The values of foreign issuer common stocks and ADRs may be affected by changes in exchange control regulations, application of foreign tax laws, changes in governmental administration or economic or monetary policy.

### ***Issuer-Specific Risk***

The value of a specific common stock can be more volatile than the market as a whole and can perform differently from the market as a whole.

### ***Management Risk***

The adviser's judgments about the attractiveness and potential appreciation of a common stock may prove to be inaccurate and may not produce the desired results.

### ***Small and Medium Capitalization Company Risk***

The value of small or medium capitalization company common stocks may be subject to more abrupt or erratic market movements than those of larger, more established companies or the market averages in general.

## **ITEM 9 - DISCIPLINARY INFORMATION**

An investment adviser must disclose material facts about any legal or disciplinary event that is material to a client's evaluation of the advisory business, or of the integrity of its management personnel. Ascendant does not have any such disclosure items.

## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Affiliated Broker-Dealer**

AWM is registered as a broker-dealer with the SEC and various state jurisdictions, and a member firm of the Financial Industry Regulatory Authority ("FINRA"). AWM is affiliated with Ascendant through common management and control.

Clients have the option to designate the broker-dealer utilized, including the utilization of the brokerage services of AWM, to execute portfolio transactions on their behalf. These transactions will be conducted subject to proper and customary disclosure including, but not limited to, compensation received by AWM. Compensation may be received by AWM as a broker-dealer when portfolio transactions are effected on behalf of investment advisory clients. *See Item 14 – "Client Referrals and Other Compensation".*



## **Management**

### ***Lee***

James H. Lee (“Lee”) is a registered representative of AWM. While Ascendant does not receive compensation from AWM directly, affiliates of Ascendant, including Mr. Lee, may benefit from fees paid to AWM and Hilltop, as custodian for Ascendant’s clients and for client transactions.

### ***Walker***

James Walker is a registered representative is a registered representative of AWM. While Ascendant does not receive compensation from AWM directly, affiliates of Ascendant, including Mr. Walker, may benefit from fees paid to AWM and Hilltop, as custodian for Ascendant’s clients and for client transactions.

### ***Wigdor***

Paul Wigdor is a registered representative of AWM. While Ascendant does not receive compensation from AWM directly, affiliates of Ascendant, including Mr. Wigdor, may benefit from fees paid to AWM and Hilltop, as custodian for Ascendant’s clients and for client transactions.

## **Affiliated Mutual Funds**

The firm provides investment management services through the three (3) Ascendant Funds, each an investment company registered under the Investment Company Act. A complete description of each fund, its strategy, objectives, and costs is set forth in the fund prospectus, a copy of which is provided to all clients who invest in such funds. *See also Item 4 – “Advisory Fees – Services: Fund Manager”.*

Although all mutual funds charge fees (i.e. administrative and investment management fees), because of the Ascendant Funds’ special relationship to us, a potential conflict of interest is presented because: (i) a portion of the fees will be payable to the firm for its investment management services; and (ii) the investment management fee and other expenses to be received by Ascendant and/or our affiliates from the Ascendant Funds directly or indirectly, may be higher than what our clients are currently charged under its standard “assets under management” fee schedule referenced in Item 5 – “Fees and Compensation” above, or at an individual client’s particular negotiated rate. With respect to our advised clients that are subject to ERISA and participate in our wrap program, please see our Wrap Fee Brochure.

Furthermore, depending upon the brokerage firm or custodian a client chooses, shares of the funds may or may not be transferable to another custodian in the event a client transfers its account subsequent to purchasing the fund. In such a circumstance, a client may potentially be required to liquidate its investment in the fund in order to complete an account transfer.



Pursuant to the terms of the Ascendant Advisory Agreements, we shall have discretion to place client assets in the funds, although you may direct us, in writing, not to utilize any of the affiliated funds for your portfolio.

## **ITEM 11- CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

### **General**

Ascendant has adopted the Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to, among other things, confidentiality of client information, a prohibition on insider trading, a prohibition on “rumor-mongering”, restrictions on the acceptance of significant gifts and reporting requirements upon receipt of certain gifts and business entertainment items, and personal securities trading procedures. All supervised persons at Ascendant and other persons associated with us must annually, or as amended, acknowledge the terms of, and are required to abide by the Code of Ethics.

Ascendant anticipates that, in appropriate circumstances and consistent with a client’s investment objectives, it will recommend the purchase or sale of securities in which Ascendant, its affiliates and/or clients, directly or indirectly, have a position of interest. Subject to satisfying this policy and applicable laws, officers, directors and employees of Ascendant and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for our clients. The Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of the employees of Ascendant will not interfere with: (i) making decisions in the best interest of our clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, transactions involving certain classes of securities have been designated as exempt transactions based upon a determination that such transactions would not materially interfere with the best interest of our clients. In addition, the Code of Ethics requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as the clients, there is a possibility that employees might benefit from market activity by a client in a security held by such employees. Pursuant to the Code of Ethics, employees trading is continually monitored to reasonably prevent conflicts of interest between Ascendant and its clients. *See Item 10 – “Other Financial Industry Activities and Affiliations”.*

### **Personal Trading**

Ascendant and our Personnel may purchase and sell securities for their own account. To prevent conflicts of interest, all employees of Ascendant must comply with our Code of Ethics, which imposes restrictions on the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons.



Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with our obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally, and receive securities at a total average price. We will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially-filled orders will be allocated on a pro rata basis. Any exceptions will be explained on such trading order.

Any client or prospective client may request a copy of our Code of Ethics by contacting us at the information provided in Item 1 – “Cover Page” of this Brochure.

### **Cross Trades**

It is our general policy that we will not affect any principal or agency cross-securities transactions for client accounts. “Principal transactions” are generally defined as transactions in which an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may involve a transaction in which a security is crossed between an affiliated hedge fund and another client account.

An “agency cross transaction” is defined as a transaction in which a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as a broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. It is our general policy that any such transactions involving an advisory client that is subject to ERISA be conducted in compliance with PTE 86-128.

### **Insider Information**

Our Code of Ethics and the supervisory procedures of the IAR of Ascendant impose certain policies and procedures concerning the misuse of material, non-public information that are designed to prevent insider trading by any officer, partner, or associated person of Ascendant.

## **ITEM 12 - BROKERAGE PRACTICES**

### **General**

We recommend, but do not require, that our clients utilize the brokerage services of AWM to our clients.



## **Best Execution**

Transaction rates for trades executed through AWM may not always be as favorable as those that could be obtained if transactions were executed through another broker-dealer. The fact that Ascendants' clients are likely to use AWM to execute transactions presents a potential conflict of interest in that Ascendant and its personnel may indirectly receive additional compensation as a result of AWM acting in such capacity. Such transactions may create a conflict of interest because Ascendant has a duty to obtain the most favorable price for advisory clients while the registered representatives of the affiliated broker-dealer have a duty to obtain the most favorable price for their brokerage customers. Accordingly, in engaging in cross transactions, Ascendant will follow the procedures set forth herein, which are designed to ensure that all parties to the transaction receive at least as favorable a price as they would receive if the transaction were executed on the open market.

## **Research and Other Soft Dollar Benefits**

Ascendant does not direct brokerage commissions to broker-dealers in return for various research services, but has done so in the past and continues to use those funds that are on deposit for the benefit of all clients.

## **Brokerage for Client Referrals**

Ascendant has no incentive to select or recommend a particular broker-dealer based upon client referrals from that broker-dealer or any other third party.

## **Directed Brokerage**

Ascendant may place all or a portion of the transactions with a broker with whom the client has a special advisory or consulting relationship. Such transactions are placed with a broker who may have provided manager selection services, performance measurement services, asset allocation services, or a variety of other consulting or monitoring assistance, all with the specific knowledge and full approval of the client.

We do not maintain agreements with referring brokers regarding our internal allocation of brokerage transactions. However, all or a sizable portion of a particular clients' brokerage transaction business may be directed to a particular broker if the client has directed, agreed or stipulated that we do so. Commissions are not intended to compensate brokers for client referrals.

With regard to client directed brokerage, we are required to disclose that they may be unable to negotiate commissions, block or batch client orders or otherwise achieve the benefits described above, including best execution, if you limit our brokerage discretion. Directed brokerage commission rates may be higher than the rates Ascendant might pay for transactions in non-directed accounts.



Also, clients that restrict our brokerage discretion may be disadvantaged in obtaining allocations of new issues of securities that we purchase or recommend for purchase in other clients' accounts. It is the firm's policy that such accounts not participate in allocations of new issues of securities obtained through brokers-dealers other than those designated by the client. As a general rule, we encourage each client to compare the possible costs or disadvantages of directed brokerage against the value of the custodial or other services provided by the broker to the client in exchange for the directed broker designation.

### **Trade Aggregation**

We routinely aggregate orders to obtain a more favorable market price for participating accounts resulting in clients receiving the average price of the entire block.

Ascendant blocks trades for execution when possible. We maintain records of the broker-dealer designated by each client, and place orders in sequence to the broker-dealer whose customers in the aggregate represent the largest amount of assets to be traded, second largest and so forth. If an order cannot be fully executed, there is no priority for allocation to clients relating to size, fees received or any other act of favoritism. They are randomly issued to the clients.

When an order is given to a broker-dealer for transactions to be effected for multiple clients, unless otherwise specified, they are to confirm all transactions at an average price, regardless of the number of executions or the prices at which such executions are effected, or the time that it takes for execution of the entire order. Accordingly, all clients who are customers of the same broker-dealer will receive the same execution price at the same time. However, clients who are customers of different broker-dealers may receive different execution prices depending on the sequence of orders given as described above. Individual orders are entered electronically by the trader.

### **Wrap Fee Accounts**

No commission is added to transactions in the case where the client has established a "fee in lieu of commission" account. We may identify instances for which we are unable to achieve best execution of securities trades in "fee in lieu of commission" or "wrap" accounts that we manage. In those circumstances, we may execute a trade as a "step-out" transaction with another broker that has agreed to execute the transaction without charging a commission. We will, however, trade with such brokers at their prevailing commission rates for our non-wrap clients for whom we have brokerage discretion, either as part of the same "block transaction" or for different transactions. *See Item 13 – "Review of Accounts – Wrap Fee Accounts".*





## **ITEM 13 - REVIEW OF ACCOUNTS**

### **Account Review**

#### ***General***

Accounts are generally reviewed on a security-by-security basis, and are cross-referenced to the client's portfolio on an on-going basis by the Personnel assigned to the clients account. These reviews are generally conducted monthly. They are also reviewed upon equity and bond trades to ensure that they still conform to the pre-determined asset allocations. Additionally, general financial news or corporate news/action may trigger an additional review of accounts. We maintain discretion to alter positions in the strategies as market conditions warrant.

#### ***Wrap Fee Accounts***

Further information about reviews and reports with respect to Wrap Fee Accounts (as defined in the Wrap Fee Brochure) is included in the related Wrap Fee Brochure, which is available upon request.

### **Reports**

The custodian provides written monthly custody statements for any month during which a transaction was executed. In addition, clients receive confirmations from the custodian electronically whenever transactions are executed, as well as written quarterly and annual statements reflecting all transactions (unless specifically advised by the client in writing that delivery shall be by mail in accordance with the respective Ascendant Advisory Agreement), and realized and unrealized gains and losses in their accounts from the custodian.

Ascendant provides clients with written quarterly performance evaluation reports upon written request. Depending on the specific request of a client, these reports typically include position reports and performance history, and may also include assets at the end of a quarter.

### **Trade Errors**

In the event of a trade error in your account, our policy is to attempt to correct trading errors as soon as they are discovered. However, we may not be responsible for poor executions or trading errors committed by the brokers that are utilized, unless such errors resulted from our negligence, fraud or willful misconduct. Notwithstanding the above, based on the circumstances, corrective actions may include:

- canceling the trade;
- adjusting an allocation; and/or
- reimbursement to the account.





## **ITEM 14 - CLIENT REFERRALS & OTHER COMPENSATION**

### **Non-Client Compensation**

Ascendant does not receive any economic benefit (e.g., sales awards or prizes) from non-clients for providing investment advice or other advisory services.

### **Client Referrals**

#### ***Solicitors***

We contract with individuals or firms (non-supervised) for referral of new business. The solicitors are paid a portion of the management fee paid to Ascendant. Solicitor agreements are in compliance with the Advisers Act and include all applicable federal and state laws. Clients of solicitors are given disclosure describing the terms of his/her association with the firm at the time of solicitation.

#### ***Financial Intermediaries***

Ascendant, on behalf of the Ascendant Funds' may, at its own expense and out of its own assets including profits from Ascendant Fund - related activities, provide additional cash payments to financial intermediaries who sell shares of a Fund. These payments may be in addition to the Rule 12b-1 fees and any sales charges that are disclosed elsewhere in the respective Prospectus each Ascendant Fund. These payments are generally made to financial intermediaries that provide shareholder or administrative services, or marketing support. These payments also may be made as an expense reimbursement in cases where the financial intermediary provides shareholder services to Fund shareholders. See the Prospectus for the respective Ascendant Fund for additional information.

### **Compensation for the Sale of Securities**

AWM may be used to custody through Hilltop and execute portfolio transactions for investment advisory clients at the discretion of Ascendant. These transactions will be conducted subject to proper and customary disclosure including, but not limited to, compensation received by AWM. Compensation may be received by AWM as a broker-dealer when portfolio transactions are effected on behalf of investment advisory clients by Ascendant. Notwithstanding the above, any compensation received is limited as set forth herein due to the "all inclusive" nature of the wrap program. *See Item 5 – "Fees and Compensation" and Item 11 – "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading".*



## **Other Fees**

To the extent Ascendant provides other services to Advisory Accounts not included in the advisory fee, Ascendant will be entitled to retain all such fees and other amounts and no fees or other compensation will be reduced thereby.

## **Other Indirect Compensation**

### ***Mutual Funds Fees***

To the extent mutual funds are utilized for portfolio investments and such mutual funds are purchased through AWM, AWM may receive finder's fees and "12b-1" fees from the issuers of such mutual funds, in addition to the consulting fee paid as provided herein. Also, you are advised that, in addition to the annual advisory fee set forth above, some mutual funds in which assets are invested will incur other separate related expenses.

### ***Underlying Fund Fees***

Where Ascendant has recommended or invested client assets in mutual funds, clients generally will pay all fees and expenses applicable to an investment in the funds, including asset-based, performance-based, carried interest, incentive allocation and/or other compensation payable to the managers in consideration of the managers' services to the fund as well as any fees paid for advisory, administration, distribution, shareholder servicing, sub-accounting, sub-transfer agency and other related services, or "12b-1" fees, which may be paid to Ascendant or its affiliates as described in Item 10 – "Other Financial Industry Activities and Affiliations". An investor in a fund-of-funds vehicle will also bear a proportionate share of the fees and expenses of each underlying investment fund. All fees and expenses are generally in addition to the advisory fees each Advisory Account pays to Ascendant. In addition, a manager of a fund may receive deal fees, sponsor fees, monitoring fees or other similar fees for services provided to portfolio companies, some of which may be offset against certain fees that the Funds or separate accounts would otherwise be required to remit. The fees and expenses imposed by a fund may offset trading profits, thereby reducing returns. Compensation received by Ascendant and its affiliates related to various services to these funds generally will be retained by Ascendant and its affiliates. Except to the extent required by applicable law, Ascendant is not required to offset such compensation against fees and expenses the client may otherwise owe Ascendant and its affiliates.

To the extent that transactions are effected through AWM, like any other broker-dealer executing a transaction, AWM may have commercial interests in transactions that are adverse to Advisory Accounts, such as obtaining favorable commission rates, mark-ups and mark-downs, other commission equivalents and lending rates and arrangements. As described in the firm's Code of Ethics, Personnel may receive referral or brokerage compensation in connection with transactions effected for Advisory Accounts, and Ascendant and Personnel have financial interests in clients instructing Ascendant to direct all transactions to Ascendant. In such circumstances, no



accounting to Advisory Accounts will be required, Ascendant will be entitled to retain all such fees and other amounts, and no fees or other compensation will be reduced thereby.

### ***Cash and Money Market Funds***

If an investment advisory client utilizes AWM as its broker-dealer, AWM's selection of money market mutual funds or comparable investments in which to hold cash reserves in the client's account is limited to certain investments. The selection includes money-market, municipal money-market and government money-market funds, and the issuers of funds pay AWM a distribution fee in its capacity as a broker-dealer. This compensation is in addition to other fees, etc. received from client accounts. Additionally, cash balances arising from the sales of securities, redemption of debt securities, dividend and interest payments and funds received from clients are invested automatically on a daily basis. When securities are sold, funds are deposited on the first business day after the settlement date. Funds placed in a client's account by personal check usually will not be invested until the second business day following the day that the deposit is credited to the client's account. Due to the foregoing practices, AWM may obtain federal funds prior to the date that deposits are credited to client accounts and thus may realize some economic benefit because of the delay in investing these funds. Where an unaffiliated broker-dealer or other entity acts as custodian of the client's account assets, AWM has no control over the manner in which the cash reserves will be handled, and the client and/or such custodian will make that determination. This compensation is historically minimal in relation to all other compensation earned by Ascendant and its affiliates.

## **ITEM 15 – CUSTODY**

### **Selection of Custodian**

AWM clears its securities transactions on a fully-disclosed basis through Hilltop. As such, Hilltop is the custodian for our clients electing to utilize our trade execution platform. Hilltop was selected as the executing and clearing broker based upon, among other things, its financial solvency and credibility, its level of customer service, its trade execution capability, its managed account trading desk and its reputation. Regardless of our recommendation regarding the custodian, clients may direct us to utilize other custodians. *See Item 12 – “Brokerage Practices”, Item 10 – “Other Financial Industry Activities and Affiliations”, and Item 14 – “Client Referrals and Other Compensation”.*

### **Statements**

You should receive a statement at least quarterly from the broker-dealer, bank or other qualified custodian that holds and maintains your investment assets. We urge you to carefully review such statements and compare such official custodial records to the reports we may provide to you. Our reports may vary from custodial statements based on accounting procedures and reporting formats.



## **ITEM 16 - INVESTMENT DISCRETION**

### **Discretionary Authority**

Ascendant assumes discretionary authority for the clients' accounts as disclosed in the Investment Advisory Agreement. This document and the related limited trading authorization are executed at the inception of the relationship. Ascendant exercises discretion to set asset allocation levels in accordance with ranges which are reviewed and set by the standing investment committee that presides over the asset allocation policies for the firm and the investment policy of each underlying investment product of the firm (which, for the avoidance of doubt, does not act as portfolio manager for each product) ("Investment Committee"). Ascendant does not have authority to withdraw funds other than under the terms of the fee payment authorization clause in the Investment Advisory Agreement, which is signed by the client.

### **Documentation of Discretion**

Ascendant usually receives written discretionary authority from the client to select the identity and amount of securities to be bought or sold at the outset of an advisory relationship. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts, Ascendant observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Ascendant's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once they are made. Certain Wrap Fee Accounts (as defined in the Wrap Fee Brochure) may hold securities or other investments over which the client has withheld discretionary authority for a variety of reasons. Investment guidelines and restrictions must be provided to Ascendant in writing.

## **ITEM 17 - VOTING CLIENT SECURITIES**

Ascendant does not generally vote proxies on behalf of advisory clients; provided however, it does vote proxies on behalf of the Ascendant Funds. All other advisory clients of Ascendant retain the responsibility for receiving and voting proxies for any and all securities maintained in their respective client portfolio.

With respect to the proxy voting on behalf of the Ascendant Funds, we maintain written policies and procedures as to the handling, research, voting and reporting of proxy voting and make appropriate disclosures about our firm's proxy policies and practices therein. Our policies and practices include our responsibility to monitor corporate actions, receive and vote proxies on behalf of the Ascendant Funds and disclose any potential conflicts of interest, make information about the voting of proxies for their portfolio securities available to the Ascendant Funds, and maintain relevant and required records. To this end Ascendant has retained a third-party research provider, Glass Lewis & Co. ("Glass Lewis"), to provide recommendations



regarding proxy voting. Ascendant has also retained a third-party proxy administration service, ProxyEdge, to collect the Glass Lewis research findings and to then vote all proxies held by in accordance with Glass Lewis' recommendations based on such findings.

## **Item 18 - Financial Information**

We are required to provide you with certain financial information and/or disclosures about our financial condition which would impede our ability to provide the advisory services described herein. We have no financial commitment that impairs our ability to meet our contractual or fiduciary commitments to clients, and we have not been subject to a bankruptcy proceeding.

## **ITEM 19 - OTHER INFORMATION**

### **Privacy Notice to Customers**

We do not disclose non-public personal information about our current or former individual clients, except as permitted by law. We restrict access to non-public personal information about you (that we may obtain from your account and your transactions) to those employees who need to know that information in order to provide you with products or services or otherwise alert you to new, enhanced or improved products or services we provide. We maintain physical, electronic and procedural safeguards that comply with federal standards to safeguard your non-public personal information.

### **Business Continuity Plan**

We have developed a plan to address how we will respond to events that may disrupt our business ("Business Continuity Plan"). Since timing and impact of disasters is unpredictable, we will have to be flexible in responding to the events as they occur. In the event of such disaster, this plan is designed to allow us to resume operations as quickly as possible in light of the scope and severity of the disruption. The Business Continuity Plan covers data backup and recovery, mission critical systems, financial and operational assessments, alternative communications, alternate business locations, bank and counter-party impact, regulatory reporting and prompt access to funds and securities for our customers.

Significant business disruptions can vary in their scope, such as emergencies affecting a single building housing us, the business district, city, or region in which we are located. The severity of such disruption may also vary from minimal to severe. Under the Business Continuity Plan, in the event of a disruption to us directly, or a building housing us, we will transfer our operations and a select group of trained employees to an emergency-ready local site and expect to recover and resume business within approximately four hours. In the event of a disruption affecting our business district, city, or region, appropriate staff shall be moved to a site outside of the affected area in order to be able to communicate with Hilltop or such other relevant party on behalf of our clients. In either case, we plan to continue our business operations, and will transfer our operations to our clearing firm to the extent necessary. If you have questions about our



Business Continuity Plan, please feel free to contact us at the information provided in Item 1 – “Cover Page”.