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

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

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

**January 1, 2021**

# Material Changes

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## Material Changes Since the Last Update

None

**This Brochure, dated January 1, 2021 is the first brochure from the advisor.**

## Full Brochure Availability

The Firm Brochure for Ancora Alternatives LLC is available by contacting Jason Geers at (216) 825-4000 or by e-mail at [JGeers@ancora.net](mailto:JGeers@ancora.net) or by visiting our web site at [www.ancora.net](http://www.ancora.net)

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# Advisory Business

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## Firm Description

Ancora Alternatives LLC, (dba Ancora), is an investment advisor registered with the SEC. We specialize in Private Funds and their related investment vehicle offerings for high net worth investors, family offices, institutions and other investment advisers.

## Principal Owners

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

## Types of Advisory Services

At Ancora Alternatives LLC, our objective is to develop Private Funds and related investment vehicles that can deliver superior risk-adjusted returns. Our services may include both separately managed accounts (SMA) and allocations to our privately managed funds for qualified investors.

If one or more of your accounts is a plan subject to ERISA we ask that you appoint Ancora Alternatives LLC as investment advisor for the purpose of ERISA. We will need to have copies of the trust agreement and any amendments governing the operation and administration of plan assets. We do not provide advice for assets outside the plan and will not vote proxies for securities held outside Ancora's portion of the plan. We ask that you take steps to name Ancora Alternatives LLC as a fiduciary in the plan's ERISA fidelity bond covering the account. Ancora may offer 3c7 and 3c1 investment structures to provide additional investment benefits. Ancora may also participate in class action suits on our client's behalf.

## Client Assets

Ancora manages accounts primarily on a discretionary basis, but will advise on accounts on a non-discretionary basis under certain arrangements. As of January, 1, 2021, we managed approximately \$669,911,390 in client assets on a discretionary basis.

# Fees and Compensation

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

Ancora may receive performance based fees for its investment partnerships and certain specialized accounts. Please see the “Sharing of Capital Gains or Capital Appreciation” section of this document for more details.

## Description

Fees are based upon the client's total relationship with Ancora. Holdings of mutual funds and investment partnerships where Ancora acts as the investment manager, to the fund itself, are excluded from client's separately managed account's quarterly billing values. Advisory fees are negotiable in certain instances. Fees can take form of a management fee, incentive fee or both. Specific client conditions need to be met before Ancora can accept a relationship into one of our Private Funds. Those conditions include but are not limited to; meeting qualifies or accredited investor standards or corresponding eligibility rules; acceptance of Fund terms and conditions which include but are not limited to; withdrawal, notice period, lockup, early redemption fee, high watermark, non-disclosure and other conditions outlined in Ancora's and the Fund's documents. Ancora may also offer 3c7 and 3c1 Fund structures which could have different fees. Please review all offering documents and disclosures before investing with Ancora.

Fees are based upon the client's total relationship with Ancora Alternatives LLC. Some client's may pay higher or lower fees than others. Ancora may reduce or waive its fees for organizations qualifying under 501C(3) of the IRS Code.

Total Client Management Fee may be subject to a minimum annual fee.

## Fee Billing and Fees Paid in Advance

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

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

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

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

fee consistent with all other customers.

Ancora does not typically charge prorated fees for funds that are deposited to an existing account during the quarter. Ancora does not typically charge on investments that the client holds in their account and in which Ancora does not provide advice. These assets are unsupervised and under the sole discretion of the client. Ancora, however, does reserve the right to charge prorated fees for funds deposited during the quarter. Ancora will return excess fees upon closure of a client account. Additional terms and conditions regarding withdrawals, fees and other charges should be reviewed in conjunction with all relevant Private Fund documents.

## Other Fees and Charges

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

## Terminating Advisory Services

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

## Additional Compensation

Ancora does not receive any additional direct compensation from managed account clients other than the management fee. The firm may, however, receive indirect compensation or benefits from parties such as executing brokers and custodians for aggregating business with their firm. These benefits may include, but are not limited to, access to research, technology, and invitations to special events including conferences.

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

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

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

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

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## Sharing of Capital Gains or Capital Appreciation

Ancora may receive performance based fees – that is fees based on a share of the capital gains or appreciation of the assets of the client.

Ancora may potentially receive performance based fees for the performance of Ancora's Private Fund investments. These are investment partnerships (investment partnership investments) that are purchased on a subscription basis and are only offered to prequalified investors. Typically, there are no side by side conflicts of interest because Ancora does not manage these strategies in any other investment vehicle. Performance based fees may give investment managers incentive to make more speculative or riskier investments than accounts without performance based fees. The performance based fees for these investments are disclosed in the Confidential Private Offering Memorandum that each investor receives and should read carefully prior to investing.

Ancora may earn fees based on a share of the capital gains or appreciation of the assets of the client. These are often as part of a specifically designated account holding or concentrated security positions. These products are typically only available to high net worth or institutional investors and, other Registered Investment Advisers or family offices. Clients often may elect to choose between performance and management fees variations in some of our investment vehicles, depending on their chosen risk / reward tolerance.

## Types of Clients

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### Description

Ancora Alternatives LLC provides investment advisor services for high net worth or institutional investors and, other Registered Investment Advisers or family offices.

### Account Minimums

Generally, a client account must be a minimum of \$1 million, unless Fund documents state otherwise or unless related to other accounts which together total \$1 million. Ancora reserves the right to waive this minimum at its discretion.

## Methods of Analysis, Investment



# Strategies and Risk of Loss

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## Methods of Analysis

### Equity Methods of Analysis

Ancora's valuation screening focuses on two situations:

First, companies trading at a significant discount to their liquidation or going-concern value. Certain issues may trade below tangible book value. This can occur in times of broad market pessimism or Wall Street concentration with a company's near-term outlook. Other companies have hidden assets that are not reflected in the company's financial statements, such as investments in private companies or understated real estate values, which, if properly valued on the balance sheet, would result in the company trading at a discount to tangible book value. Ancora works to understand catalysts that will unlock the value of the target company's assets, although Ancora will also buy based on a company being too cheap to ignore.

Secondly, companies trading sufficiently below the calculation of intrinsic value based on Ancora's "Normalized Return" analysis to provide potential total return of 50% or more over a three year time horizon. Sell decisions are based on valuation, risk and portfolio guidelines. As individual stocks approach their intrinsic value and decline in their relative attractiveness, they become candidates for sale. Other sell decisions may occur because of deterioration in the fundamentals that supported the initial investment. Automatic sales are initiated as position exposures approach diversification guidelines. Proceeds from sales are reinvested in companies that are more attractively valued based on the purchase disciplines.

## Investment Strategies

Ancora Alternatives LLC manages Private Funds and related investment vehicles for clients in the following separate categories:

**Event-driven multi-strategy (Merlin)** – who's primarily focuses on small/mid cap equities and dynamically allocates across four main strategies, allowing maximum flexibility to target the best opportunities to drive alpha and manage risk

### Small Cap Activism

- › Operating companies, banks and thrifts and closed-end funds
- › Utilizes robust fundamental background of team with a focus on event path and position sizing
- › Experienced activist managers with strong track records

- › Multi-vertical allocation, low leverage and active hedging promotes lower volatility and correlation versus typical activist managers

#### Long/Short Credit

- › Distressed credit, arbitrage and deep value special situations
- › Apply private equity style investments in publicly listed SMID caps
- › Utilize deep experience of corporate finance, investment analysis, and restructuring coupled with strong sourcing network
- › Avoiding the crowds, retaining liquidity and taking advantage of volatility and forced selling creates our best opportunities

#### Arbitrage

- › Merger arbitrage, appraisal rights and closed-end funds
- › Opportunistic in merger arbitrages which is a low beta, volatility, and correlation strategy
- › Significant experience in appraisal rights, a market neutral strategy with asymmetric risk/reward

#### Special Situations

- › Alternative lending, structured credit, receivable factoring and private securities
- › Yield-centric, uncorrelated investment opportunities

*Risks include investment in smaller companies which are subject to larger price fluctuations and are typically less liquid.*

**Small cap value activist (Catalyst)** – a fund that invests in multiple verticals, allowing maximum flexibility to target the best opportunities to drive alpha and manage risk better than single vertical activist managers:

#### Operating Companies

- › Focus on strong balance sheets; fundamentally sound businesses
- › Prolonged market or peer group under-performance

#### Banks & Thrifts

- › Identified strategic buyers
- › Attractive valuation/scarcity value
- › Low cost deposit franchise with high quality loans

#### Closed-End Funds

- › Focus on significant or persistent discount to NAV
- › Favorable shareholder base

› Market dislocation opportunities

*Risks include investment in smaller companies which are subject to larger price fluctuations and are typically less liquid.*

**Co Investments & SPVs** - The strategy will typically focus on the best opportunities in small cap activism where significant upside can be unlocked with constructive shareholder intervention.

› Focused on companies with solid balance sheets offering multiple pathways to realize value

› Sale of a company, sale or spin of business units, turnaround or other capital allocation alternatives

*Risks include investment in smaller companies which are subject to larger price fluctuations and are typically less liquid.*

**Commodity** – The strategy employed is to construct a portfolio of commodities, Long/Short investments, geared towards achieving an absolute return.

*Risks include investment in a Fund investing in Commodities and Futures are subject to larger price fluctuations and are often uncorrelated with other investments like stocks and Bonds. They also can be affected by weather or geopolitical events.*

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**Investors should carefully consider the investment objectives, risks, charges and expenses of the funds carefully before investing.**

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

## Risk of Loss

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

While your brokerage account may allow margin transactions, we generally do not recommend the use of margin. We want you to understand the risks of margin transactions and recommend that you read your broker dealer's written disclosure document describing margin trading and its related risks. Some of our strategies may include option transactions. You should understand the risks involved when trading options therefore Ancora recommends that you read the "Characteristics and Risks of Standardized Options" published by the Options Clearing Corporation.

# Disciplinary Information

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## Legal and Disciplinary

Ancora Alternatives LLC has not been part of any disciplinary actions.

# Other Financial Industry Activities and Affiliations

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## Broker-dealer or Registered Representative

Ancora Alternatives LLC, is affiliated with Inverness Securities Inc., a FINRA member broker dealer through common ownership. Some employees may be registered representatives of Inverness Securities. Ancora Alternatives LLC does not manage any accounts or direct any trades for managed accounts to Inverness Securities. Some employees may be registered representatives of Inverness Securities, Inc. and may earn fees as described in the “Additional Compensation” section of this Brochure. No non-directed orders are placed through Inverness Securities, Inc. Inverness Securities may act as a solicitor on behalf of affiliated or non-affiliated investment products.

## Material Relationships or Arrangements within Financial Industry

Ancora Alternatives LLC's affiliate, Ancora Advisors serves as investment manager for the Ancora Trust (also known as the Ancora Family of Mutual Funds). Ancora Advisors' investment managers serve as portfolio managers for the Ancora Income Fund, Ancora/Thelen Small-Mid Cap Fund (as of 1/1/13), Ancora MicroCap Fund and the Ancora Dividend Value Equity. Ancora's employees may serve as officers and/or provide services to the Ancora Trust. Ancora Alternatives LLC serves as the General Partner and investment manager to Ancora's Private Funds and is registered with the Commodity Futures Trading Commission as part of the services it performs for Ancora's Commodity Fund. The private fund entities are investment partnerships. Ancora Retirement Plan Advisors Inc. is an affiliate and a registered investment Advisors. Ancora is affiliated through common ownership to Source Insurance. Ancora Alternatives LLC is affiliated by common ownership to Ancora Family Wealth Advisors, a registered investment advisor.

## Recommend or Select Other Investment Advisers

Ancora Alternatives LLC may use subadvisors, asset allocators or consultants.

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

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## Code of Ethics

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

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

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

## Recommend Securities with Material Financial Interest

Frederick DiSanto was elected to the Board of Directors of Alithya, symbol "ALYA", The Eastern Company symbol "EML", and Regional Brands Inc. symbol "RGBD". A conflict of interest may exist because; 1) Mr. DiSanto in his capacity as a Chief Executive Officer for Ancora has a fiduciary obligation to advisory clients and 2) as a Director for this company, Mr. DiSanto has an obligation to take action in the best interest of the company and their shareholders. In addition, there may be instances where Mr. DiSanto in his position as a Director could become knowledgeable of material non-public information. If this situation occurs, Ancora would be unable to purchase or sell securities related to these Corporations until that information would become public information (information that is available to the general public). These self-imposed black-out periods could cause Ancora to miss market opportunities in these Companies, perceived to be available to investors of the general public.

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

## Invest in Same Securities Recommended to Clients

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

## Personal Trading Policies

Ancora has a formal Personal Securities Trading Policy. As part of this policy Ancora requires that our employees and affiliated persons submit all personal trading requests through our compliance software for approval prior to placing their personal transactions. Further, employees must also submit a Personal Securities Transaction Report quarterly and an Annual Holdings Report to the compliance department to affirm that no trades were done outside of the firm's supervision. Other blackout period restrictions on securities due to client trades and MNPI may be in place and are monitored by compliance. The CCO will review any exception requests and make a determination if one will be granted on a case by case basis and will hold ultimate authority on all exception requests.

## Cross Trading Policies

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

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

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

- In addition to the procedures presented above, Ancora will follow additional procedures required by Rule 206(3)-2 under the Advisers Act when using an affiliated broker-dealer to cross assets and/or cash between Client Accounts. The additional procedures include:
- Ancora will provide any Client that may participate in agency cross trades with full written disclosure that Ancora or an affiliate will act as broker for, receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to such transactions;
- Any Clients that may participate in agency cross trades, after receiving full written disclosure, with execute written consent prospectively authorizing such transactions;

- Ancora or its affiliate will send a written confirmation to any Client participating in an agency cross transaction that includes:
  - I. A statement of the nature of the transaction;
  - II. The date the transaction took place;
  - III. An offer to furnish, upon request, the time when the transaction took place, and;
  - IV. An offer to furnish, upon request, the source and amount of any other remuneration received or to be received by Ancora and its affiliates in connection with the transaction

Ancora or its affiliate(s) send to each Client, at least annually and as part of any written account statement or summary, a written disclosure statement identifying the total number of agency cross transactions since the date of the last such statement, as well as the total amount of all commissions or other remuneration received or to be received by Ancora and its affiliates in connection with such transactions.

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

## Brokerage Practices

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### Selecting Brokerage Firms

You are free to select any custodian / broker dealer for custody of your account.

Ancora has established relationships with Pershing, Charles Schwab, Fidelity and TD Ameritrade, among others. Should you choose to place your assets at one of these brokerage firms, we will continue to be your primary source of contact for all account related needs.

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

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

### Trading

Trading instructions are given by a Portfolio Manager to a Trader verbally, in writing via email or hardcopy trade ticket, and/or through the Company's order management system. Verbally placed and emailed orders will be reduced to a formal trade ticket by a Trader and will be confirmed with the Portfolio Manager prior to executing the trade. The Brokerage Committee is responsible for reviewing and approving broker-dealers to be utilized as execution counterparties. The Committee's level of review of counterparties will be based, in part, on the amount of counterparty risk the Company expects to incur with the broker-dealer. The Trader decides upon the appropriate means of executing the trade. When determining which trading venue(s) to use, the Trader may consider, among other things:

- Listed bids and asks;

- The opportunity for price improvement;
- Transaction costs;
- Anonymity;
- Liquidity;
- Speed of execution;
- Quality of research;
- Expertise with difficult securities; and
- Trading style and strategy.

The Company will ensure that the execution and services of broker-dealers are fair and reasonable. The Trader must ensure that Ancora creates and maintains a trade ticket, either electronically or in hard copy, for each trade. Pursuant to Rule 204-2(a)(3) under the Advisers Act, the trade ticket must show:

- The terms and conditions of the order, instruction, modification, or cancellation;
- The person at Ancora who recommended the trade;
- The person at Ancora who placed the trade;
- The Client account(s) for which the trade was entered;
- If applicable, how the trade will be allocated among Clients;
- The date the trade was entered;
- The broker-dealer or bank with which the trade was placed; and
- Whether the order was placed pursuant to Ancora's discretionary authority.

All trade tickets will be time stamped for the time of entry by a Trader, and orders placed for the Mutual Funds will also record the time such transaction was executed. All paper trade tickets will be retained by the Company. Trades are communicated to broker-dealers by telephone, instant messaging, and the order management system. Ancora uses Omgeo's Affirm/Confirm solution to ensure that executing broker-dealer trade details match the Company's records and are promptly affirmed. Following affirmation, Ancora maintains contact with both the custodian and executing broker-dealer to ensure settlement takes place as expected. A fixed income Portfolio Manager will ensure that all trades are confirmed in writing by the executing broker-dealer upon completion of the trade. Confirmations are delivered by mail or electronic means. Each confirmation must include:

- The security traded;
- Whether the trade was a buy or a sell;
- The price;
- The quantity traded;
- The trade date;
- The settlement date; and
- All commissions, taxes, and other settlement charges.

Special requirements may arise for certain types of transactions such as swaps or options. Ancora typically receives a daily feed from custodians into the Advent APX portfolio accounting system where the Company can reconcile securities positions against the files provided by the custodians. Portfolio Managers periodically review custodial records to identify any deviations from intended Client holdings. The CCO will review a daily electronic report with the previous day's trading activity for any trading abnormalities.

## Research and Other Services

Ancora may direct brokerage for research in a "soft dollar" manner for any account in which brokerage was not directed by the client. However, most research is done internally and most non-directed trades



are placed on the basis of execution quality and liquidity. Ancora will only use soft dollars to obtain products and services that fall within the safe harbor provided by Section 28(e) of the Exchange Act. Any new arrangements with broker-dealers regarding soft dollars must be approved in advance by the CCO. The terms of any such arrangement must be documented in a written agreement that is executed by Ancora and the broker-dealer. Employees must then obtain approval from the CIO before using soft dollars to obtain any new product or service. The CIO will consider:

- Whether the product or service is eligible under the Section 28(e) safe harbor;
- Whether the product or service should be paid for in whole or in part with hard dollars; and
- Whether the use of soft dollars to obtain the product or service requires additional disclosures to Clients or Investors.

Ancora will allocate the cost of any mixed use products or services between hard dollars and soft dollars in good faith. For each mixed use product or service, the CCO will:

- Determine an appropriate allocation methodology;
- Determine an appropriate allocation;
- Maintain documentation necessary to demonstrate that Ancora made the mixed use allocation in good faith; and
- Ensure that Ancora discloses that it pays for part of the product or service with soft dollars and that Ancora faces a conflict of interest when allocating costs between hard dollars and soft dollars.

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

## Brokerage for Client Referrals

Ancora may engage in the practice of directing brokerage trades to outside broker dealers for capital introduction to our private funds. Ancora generally does not engage in the practice of directing brokerage trades to outside broker dealers for separately managed account clients.

## Best Execution

As part of its fiduciary duty to Clients, Ancora has an obligation to seek the best price and execution of Client transactions when Ancora is in a position to direct brokerage transactions. While not defined by statute or regulation, “best execution” generally means the execution of Client trades at the best net price considering all relevant circumstances. Ancora will seek best execution with respect to all types of Client transactions, including equities, fixed income, options, futures, foreign currency exchange, and any other types of transactions that may be made on behalf of Clients. Ancora will conduct the following types of reviews to evaluate the qualitative and quantitative factors that influence execution quality:

- Initial and periodic reviews of individual broker-dealers;
- Contemporaneous reviews by Ancora’s Traders;
- Quarterly meetings of the Brokerage Committee; and
- Third-party analyses.

## Directed Brokerage

In some instances, Ancora may trade based on the client’s direction. In those instances clients request that trades are placed directly with the client’s custodian. In some cases, the client may direct us to trade

the security with a certain brokerage firm and settle it with the client's custodian as part of a COD transaction.

It is important to note that if you do not give Ancora discretion to direct trades, you may limit our ability to negotiate favorable commissions and seek best execution for trades in your account. You may also be excluded from block trades and average price transactions. Ancora aims to place all non-directed trades for the same side in the same security with the same broker to aggregate orders and give all clients their pro-rata allocation of the trade at the same price. Ancora aims for a similar process for directed brokerage. All orders for the same side in the same security with the same directed broker will be aggregated and allocated pro-rata at the same price whenever possible. Ancora will place non-directed trades before directed trades. Directed trades are grouped together and traded on a rotational basis based on custodian. When placing Client transactions through multiple broker-dealers, a rotation schedule is used to be fair to all Clients over time.

## Order Aggregation and Allocation

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

Ancora will aggregate trades whenever it has the ability to do so. Typically, directed brokerage and non-directed brokerage orders cannot be combined.

The Portfolio Manager will prepare a written preallocation that identifies each participating account and each such account's expected participation, measured in shares, principal value, as a percentage of the block, or as a percentage of the account's value. In determining the written preallocation, the Portfolio Manager will consider each participating account's size, diversification, cash availability, investment objectives, and any other relevant factors. The Portfolio Manager will generally deliver the written preallocation to the Trader before the Trader starts executing the block.

If the trade is fully filled by the end of the day, the Trader will give the executing broker-dealer allocation instructions that match the written preallocation. If the trade is partially filled at the end of the day, the Trader will instruct the broker-dealer to allocate the trade pro-rata based on the written preallocation. De minimis deviations from the preallocation are permitted in the interest of placing round lots in Client accounts or to meet certain minimum ticket charges.

If a Trader receives a new trade order for an investment where a block trade is already pending, the Trader will form a new block that includes the new participants' order, as well as the original participants' order.

If a Portfolio Manager is unable to complete a written preallocation because an investment opportunity is available for a limited time, then the Portfolio Manager will set the order size based on an estimate of the appropriate level of participation for all Clients. The Portfolio Manager will provide a written allocation for the trade to the Trader no later than the close of business on the trade date.

The Trader will place non-directed trades before directed trades. Directed trades are grouped together and traded on a rotational basis based on custodian. When placing Client transactions through multiple broker-dealers, the Traders will use a rotation schedule designed to be fair to all Clients over time. The Head Trader is responsible for developing, and maintaining a record of, the rotation schedule. The CCO periodically reviews pro rata allocations and rotational patterns for the directed account group.

Where applicable, Ancora may seek to step-out transactions amongst broker-dealers to include directed traded with non-directed trades in an aggregated order. In all cases, the Trader will instruct executing broker-dealers to allocate trades to specific Client accounts before the close of business on the trade date, notwithstanding extenuating circumstances.

# Review of Accounts

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## Periodic Reviews

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

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

We will base our management process on the original management agreement unless we are notified in writing of changes.

## Review Triggers

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

## Regular Reports

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

# Client Referrals and Other Compensation

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## Economic Benefits

Ancora may receive an economic benefit or compensation for referring business in addition to what is

described in the “Additional Compensation” section of this document. The economic benefit may include fees on the performance of investments which we have recommended but are not managing or the introduction of a third party manager who offers a product that we do not offer but may benefit our clients. In the event that Ancora’s actions constitute a solicitation we will follow the third party solicitors’ processes that are described below for those who solicit for Ancora.

## Third Party Solicitors

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

# Custody

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## Asset Custody

Under SEC Rule 206(4)-2, Ancora may be viewed for regulatory purposes as having custody of certain client assets due to Ancora’s ability to deduct fees directly from certain client accounts, and/or Ancora’s role as both investment advisor and general partner to Merlin Partners LP (an investment limited partnership), or Ancora Catalyst Fund LP (an investment limited partnership), and their related investment vehicles.

## Account Statements

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

# Investment Discretion

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## Discretionary Authority for Trading

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

We also do consulting on a non-discretionary basis. Typically, these clients are institutions that have an internal management team, but may require help developing strategies and specialized reporting that we can provide to supplement their efforts.

## Limited Power of Attorney

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

# Voting Client Securities

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## Proxy Voting

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

Proxies are an asset of our client's accounts and Ancora takes voting very seriously. Ancora will vote each proxy in accordance with its fiduciary duty to its Clients. Ancora will generally seek to vote proxies in a way that maximizes the value of Clients' assets. However, Ancora will document and abide by any specific proxy voting instructions conveyed by a Client with respect to that Client's securities. Ancora also offers clients the ability to vote in accordance with Taft-Hartley Guidelines. Clients may also retain the authority to vote proxies.

The proxy voting policy is premised on the following principles:

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

vote proxies according to its policy under the authority granted by the client.

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

## Financial Information

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### Prepayment of Fees

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

### Financial Condition

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

### Bankruptcy

Ancora has not been subject to a bankruptcy proceeding.

## Requirements for State-Registered Advisers

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This item does not apply to Ancora.