

# Rocky Mountain Wealth Concepts Part 2A of Form ADV The Brochure

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This brochure provides information about the qualifications and business practices of Rocky Mountain Wealth Concepts (“RMWC” or “Adviser”). If you have any questions about the contents of this brochure, please contact us at 415-738-8283. 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 RMWC is also available on the SEC’s website at:  
[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

RMWC's most recent update to Part 2 of Form ADV was made in February 2012. Since the time of that update, the Adviser has made the following material business changes:

- RMWC received shareholder consents from the Credit Strategies Fund, LP's to exchange their interest in this fund into a like amount in the RMWC Credit Alpha Fund, LP (formerly named RMWC Credit Strategies Fund II, LP).
- In conjunction with the above change, the fee structure for the RMWC Credit Strategies Fund, LP's and Credit Alpha Fund, LP's has been changed.

As a result, RMWC has amended this brochure to reflect these business changes.

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## Advisory Business

Rocky Mountain Wealth Concepts ("RMWC" or "Adviser") provides investment advisory services to several pooled investment vehicles, including private limited partnerships (collectively, "Partnerships"), organized to invest in securities for the purposes of capital preservation and capital expansion. RMWC provides advisory services to the Partnerships on a discretionary basis according to the objectives and investment policies described in each Partnership's respective offering and/or operational documents. RMWC's Partnerships aim to achieve capital preservation and capital expansion primarily through the identification, selection, and monitoring of investment managers and the allocation of capital to these managers.

Interests in the Partnerships are not registered securities under the Securities Act of 1933, as amended. In addition, the Partnerships are not registered as investment companies under the Investment Company Act. Accordingly, interests in the Partnership are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements in private transactions within the United States.

RMWC was founded in 2008 and is 100% owned by RMWC Management, Inc. RMWC Management, Inc. is primarily owned and controlled by Janet Jensen. As of October 1, 2012 RMWC managed approximately \$135 million on a discretionary basis on behalf of 3 clients.

## **Fees and Compensation**

Compensation received by RMWC from the Partnerships is comprised of both fee-based and performance-based amounts. For the Alternative Fund, fees are based on total committed capital plus a performance fee. For the Hybrid Fund and Credit Alpha Fund, fees are based on total assets under management plus a performance fee.

For the Alternative Fund, RMWC (and/or the General Partner) receives both an annual asset-based management fee of 0.85% of the total committed capital and an annual incentive profit allocation. The management fee is generally paid quarterly in advance. The incentive profit allocation is a performance-based fee determined at the end of each accounting period based on the relevant Partnership's net realized and unrealized appreciation for the year, subject to an 8% net hurdle rate. The incentive profit allocation is earned after an 8% net preferred return (the hurdle), and then 15% of profits between 8% and 20% returns and then 20% of profits over 20%.

For the Hybrid Fund, RMWC (and/or the General Partner) receives both an annual asset-based management fee of 0.85% of the total assets under management and an annual incentive profit allocation. The management fee is generally paid quarterly in advance. The incentive profit allocation is a performance-based fee determined at the end of each accounting period based on the relevant Partnership's net realized and unrealized appreciation for the year, subject to an 8% net hurdle rate. The incentive profit allocation is earned after an 8% net preferred return (the hurdle), and then 15% of profits between 8% and 20% returns and then 20% of profits over 20%.

For the Credit Alpha Fund (formerly Credit Strategies Fund II), RMWC (and/or the General Partner) receives both an annual asset-based management fee based on total assets under management and an annual incentive profit allocation. The Credit Alpha Fund is presently divided into two series (each a "Series"), the terms of which are described below. The Partnership may at any time offer additional series of Interests on different terms than are expressed herein, including for the purposes of offering Interests with different liquidity profiles or with exposure to greater leverage. Any such additional Series may be offered without notice to existing or prospective Limited Partners.

The Investment Manager provides management and certain related administrative services to the Partnership under the Investment Management Agreement and, pursuant to such agreement, will receive a quarterly management fee ("Management Fee"), paid in advance and pro-rated as of the first business day following the Initial Closing, and thereafter paid in advance as of the first business day of each calendar quarter of the Partnership.

### **Management Fee for Series 1:**

The Management Fee attributable to the Series 1 Interests will be equal to approximately: (i) with respect to the Series 1 Interests of Limited Partners that have made initial investments in the

Partnership of less than \$5,000,000, 0.35% (1.40% on an annual basis); and (ii) with respect to the Series 1 Interests of Limited Partners that have made initial investments in the Partnership of \$5,000,000 or more, 0.25% (1.00% on an annual basis), of the Net Asset Value of the Partnership attributable to such Limited Partner's Capital Account, including any assets allocated to Special Investment Accounts (which are valued at fair value, as reasonably determined by the General Partner, including a determination to value at cost or last-reported net asset value, for such purposes). At the beginning of each calendar quarter, the General Partner will re-adjust the management fees set forth above such that Limited Partners that have made aggregate capital contributions to the Partnership, minus any redemptions, equal to or greater than \$5,000,000 will be subject to a Management Fee with respect to Series 1 Interests of 0.25% (1.00% on an annual basis) of the Net Asset Value of the Partnership attributable to such Limited Partner's Capital Account, and those Limited Partners that have made aggregate capital contributions to the Partnership, minus any redemptions, of less than \$5,000,000 will be subject to a Management Fee with respect to Series 1 Interests of 0.35% (1.40% on an annual basis) of the Net Asset Value of the Partnership attributable to such Limited Partner's Capital Account.

#### **Management Fee for Series 2:**

The Management Fee attributable to the Series 2 Interests will be equal to approximately: 0.25% (1.00% on an annual basis), of the Net Asset Value of the Partnership attributable to such Limited Partner's Capital Account, including any assets allocated to Special Investment Accounts (which are valued at fair value, as reasonably determined by the General Partner, including a determination to value at cost or last-reported net asset value, for such purposes).

#### **Incentive Allocation for Series 1:**

The Incentive Allocation in respect of each Series 1 Interest shall equal 10% of the amount by which (i) the aggregate positive amount of the Series 1 Interest's Allocable Net Profit for all Fiscal Periods in that Incentive Allocation Period exceeds (ii) the unrecovered balance, if any, in such Series 1 Interest's Loss Recovery Account with respect to that Incentive Allocation Period, subject to the 5% Hurdle

#### **Incentive Allocation for Series 2:**

The Incentive Allocation, respectively, the Incentive Allocation in respect of a Series 2 Interest shall equal 10% of the amount by which (i) the aggregate positive amount of the Series 2 Interest's Allocable Net Profit for all Fiscal Periods in that Incentive Allocation Period exceeds (ii) the unrecovered balance, if any, in such Series 2 Interest's Loss Recovery Account with respect to that Incentive Allocation Period, subject to the 5% Hurdle.

All compensation arrangements whereby RMWC receives a fee based on a share of capital gains or capital appreciation will comply with the requirements of Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). RMWC (and/or the General Partner), at its discretion, may waive all or a portion of the incentive profit allocation. Performance-based compensation may create an incentive for RMWC to make investments that are riskier or more speculative than would be the case absent performance-based compensation.

The fees paid by the Partnerships have not been established on the basis of an arm's-length transaction between the Partnerships and RMWC. Fees charged by the Partnerships are generally not negotiable, but may be negotiated in special circumstances. Generally, all RMWC fees are calculated and deducted directly from the Partnerships.

In addition to RMWC's or the General Partner's fees, investors will indirectly bear any other costs charged to the Partnerships. As the Partnerships are invested in other "sub-funds" those expenses typically include management fees, incentive fees, administrative expenses and custodial and transactions costs paid to custodians, brokers or any other third parties. Investors should review all fees charged by RMWC, its affiliates (including the General Partner), the Partnerships' administrator, custodians, brokers, and other third parties to fully understand the total amount of fees to be paid by the relevant Partnership.

Although the Partnerships have not entered into any "side letter" agreements, it should be noted that without notice to other investors, the Partnerships may enter into "side letter" agreements with certain prospective or existing investors granting them, among other things, greater portfolio transparency, special liquidity rights (in the ordinary course or upon specified events), fee waivers or adjustments, future capacity rights in the Partnership, different voting rights or restrictions, reduced minimum subscription amounts, additional rights to reports and other information and other more favorable investment terms than the standard terms that are described in the applicable Partnership's offering documents and/or operational documents. As a result of such agreements, certain investors may, among other things, receive information not generally available to other investors as well as be able to redeem at a time when redemptions are otherwise not permitted. The granting of preferred terms to certain investors is solely at the discretion of RMWC, and the Partnerships shall have no obligation to offer such differing or additional rights, terms or conditions to all investors.

## **Performance Based Fees and Side-by-Side Management**

As stated in the Fees and Compensation section above, RMWC charges performance based fees that are fees based on a share of capital gains on or capital appreciation of the Partnerships' assets.

The fact that RMWC receives performance-based compensation may create an incentive for RMWC to make investments on behalf of the Partnerships that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance-based fee received by RMWC is based primarily on realized and unrealized gains and losses. As a result, the performance-based fee earned could be based on unrealized gains that clients may never realize. However, pursuant to the terms of the Partnerships a clawback feature may be present which reconciles unrealized gains with earned performance fees.

## **Types of Clients**

RMWC is the investment manager of the Partnerships. Investment advice is provided directly to the Partnerships, and not individually to the investors in the Partnerships. The Partnerships for which RMWC provides services are "funds of funds" which invest in other investment vehicles. RMWC's strategy is to allocate capital of the Partnerships to a group of money managers, who in turn invest in underlying securities and investments. The Partnerships generally invest with

money managers by purchasing ownership interests issued by underlying funds managed by such money managers.

RMWC's investor base primarily consists of high-net-worth individuals and associated trusts, estates, pension and profit sharing plans.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

Initial investment ideas are generated top-down. Intermediate and final manager due diligence is bottom-up. RMWC's culture is completely open to discussion with regards to new ideas and honest and direct when evaluating potential investments. In addition, the firm relies on its network of advisors, on whom it draws extensively for detailed research and perspective.

The firm's investing philosophy is highly focused with well-diversified investment managers, rather than well-diversified with highly focused investment managers. RMWC seeks to invest with top-decile to top-quartile performers. The firm uses independent databases and its own proprietary research to benchmark absolute and relative performance of investment managers.

As of 10/1/2012, RMWC managed three investment strategies, which are described below:

### *Alternative Fund (Closed December 31, 2010)*

The underlying strategy for the Alternative Fund is to buy well-performing equity assets from distressed sellers. As global liquidity challenges have deepened, the supply of high quality assets for secondary sale has greatly exceeded available capacity and demand to purchase these assets, therefore resulting in favorable pricing dynamics for experienced, disciplined buyers. RMWC complements this strategy with equity investments in proprietarily sourced direct funds and companies originated within our network of investors.

### *Credit Alpha Fund (formerly Credit Strategies Fund II, launched January 2, 2012)*

The Credit Alpha Fund invests in diversified portfolios of credit instruments as well as select direct investment in credit instruments. During the financial meltdown of late 2011, as traditional sources for credit disappeared, covenants tightened, and credit spreads widened, RMWC has invested with portfolio managers that are focused on credit quality and pricing discipline in making carefully structured loans to public and private middle-market operating companies.

### *Hybrid Fund*

The Hybrid Fund invests in a small universe of hedge fund managers, all of whom have records over the past decade and longer – including the recent meltdown – of generating returns in excess of the S&P 500 while exposing clients to reduced risk. Capital preservation is the primary objective of the Fund.

For additional detail on the Funds, please refer to Private Placement Memorandum for each respective fund.

Coleman Andrews, Chief Investment Officer, is the managing member of RMWC's investment committee, which also includes Michael Rubenstein. The investment committee is also substantially influenced by selected outside advisors. The investment committee is responsible for all investment decisions made by the firm. The committee meets monthly and whenever a new investment is being contemplated and reviews a due diligence deck that encompasses data

relevant to an investment decision. RMWC employs both qualitative and quantitative analyses in evaluating investment strategies, investment managers and underlying funds for inclusion in the portfolios of the Partnerships. The qualitative factors include a review of the investment manager's risk management and investment process, organizational infrastructure, operational capabilities, background and experience, and an assessment of the skills and commitment of the investment manager's key personnel. The quantitative factors include a review of various statistical measures of the investment manager's track record. The following data is analyzed: return characteristics (e.g., consistency, length of track record, percentage of positive months, compounded average rate of return, etc.); risk characteristics (e.g., volatility measures including monthly, annual, and combined upside and downside standard deviation, and drawdown information); reward to risk characteristics (e.g., Sharpe ratio, average return divided by maximum drawdown, etc.); and reward to assets under management characteristics (e.g., evaluating the above factors as a manager increases assets under management). RMWC will, at all times, retain the discretion to hire and fire the investment managers.

RMWC primarily invests for relatively long time horizons, often for a year or more. However, market developments could cause RMWC to sell securities more quickly.

The investment program of a Partnership involves significant risk factors and is suitable only for experienced and sophisticated investors who can bear the economic risk of the loss of their entire investment and who have limited need for liquidity in their investment. Further, due to the illiquid nature of the assets of the money managers in which RMWC invests, investors may redeem or withdraw their investment at a price that does not accurately reflect the value of their investment.

Although RMWC will seek to select only money managers who will invest the Partnerships' assets with the highest level of integrity, RMWC's investment selection process cannot ensure that selected money managers will perform as desired and RMWC will have no control over the day-to-day operations of any of its selected money managers. RMWC would not necessarily be aware of certain activities at the underlying money manager level, including without limitation a money manager's engaging in unreported risks, investment "style drift" or even regulatory breach or fraud. As a result, there can be no assurance that money managers selected by RMWC will conform their conduct to the desired standards. There is a risk that underlying money managers may suffer a complete failure as a result of poor performance, failure to raise assets, regulatory violations and enforcement actions, fraud or other factors, which in any case could result in a complete loss of a Partnership's investment with such money manager. Investments with underlying money managers carry additional risks including, but not limited to, lack of liquidity, ultimate lack of diversification, lack of transparency, reliance on money managers for performance and valuation information, and dependence on key personnel risk.

All investing involves a risk of loss. Each prospective client and investor should carefully review the Private Placement Memorandum and/or related agreements, as applicable, before deciding to make an investment in a Partnership or engaging RMWC. There can be no assurances that the Partnerships will achieve their investment objectives.

## **Disciplinary Information**

RMWC and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to an investor's evaluation of the company or its personnel.

## **Other Financial Industry Activities and Affiliations**

The Adviser is affiliated with other companies that provide investment management services, however these companies are not registered as an investment adviser with the United States Securities and Exchange Commission ("SEC"). The companies include the Rocky Mountain Wealth Concepts Alternative Fund GP, LLC, the Rocky Mountain Wealth Concepts Hybrid Fund GP, LLC, and the Rocky Mountain Wealth Concepts Credit Alpha Fund GP, LLC. The Adviser or a related advisor will be responsible for all decisions regarding portfolio transactions of the Partnerships and has full discretion over the management of the Partnerships' investment and trading activities. While related advisers are not registered as investment advisers, all of the investment advisory activities are subject to the Advisers Act and the rules thereunder. In addition, employees and persons acting on behalf of the related advisers are subject to the supervision and control of the Adviser. Thus, the related advisers, all of their employees and the persons acting on their behalf would be "persons associated with" the registered investment adviser so that the SEC could enforce the requirements of the Advisers Act against the related advisers.

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

There may be apparent and potential conflicts of interest between RMWC, its affiliates, and its principals on the one hand, and their clients, on the other hand. Among the conflicts that a potential client of RMWC may wish to consider are the following:

RMWC previously provided asset allocation, portfolio and risk analysis services to clients for compensation. RMWC made initial allocation recommendations to clients utilizing the affiliated Partnerships managed by RMWC. RMWC, its principals or a related entity will generally have a material investment in the Partnerships, mostly as the general partner of the Partnerships. Therefore, RMWC may be considered to participate, indirectly, in transactions effected for the Partnerships. The foregoing relationships, fees and any other actual or potential conflicts of interest arising there from are disclosed in the applicable Partnership's offering document.

To avoid any potential conflicts of interest involving personal trades, RMWC has adopted a written code of ethics that is applicable to all employees. Among other things, the code requires RMWC and its employees to act in clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on many types of personal securities transactions. RMWC's restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household. A copy of RMWC's code of ethics is available upon request.

RMWC's employees are generally permitted to invest in the Partnerships that it manages, provided that capacity is available to clients/investors. The Chief Compliance Officer monitors



employee trading, relative to client trading, to ensure that employees do not engage in improper transactions.

Under certain circumstances an employee might invest in a security that is not considered suitable for client accounts because of size, liquidity, or other factors. A change in these factors could result in the security becoming more suitable for clients, but the Chief Compliance Officer may not allow the security to be purchased for client accounts in order to avoid even the appearance of employees trading ahead of clients. In RMWC's experience, it is rare for an employee's personal trading to limit clients' investment opportunities, but such a situation may arise from time to time.

## **Brokerage Practices**

RMWC is the investment manager to three private partnerships that function as "fund-of-hedge funds" and generally has complete discretion and authority to manage and direct the investment of capital for the client funds for which it serves as the general partner and/or investment manager. Investments by the Partnerships in underlying funds do not involve a broker-dealer. RMWC does not receive products or research services in return for payment of commissions to brokers or dealers ("soft dollars").

## **Review of Accounts**

The Partnerships under RMWC's management are monitored no less than quarterly by RMWC's investment professionals, including Coleman Andrews. On at least a quarterly basis the investment professionals and Chief Compliance Officer review a number of internal reports that are designed to identify investments in the Partnerships that are outside the expected ranges for returns, exposure to asset classes, and exposure to industry sectors.

Limited partners receive account statements directly from RMWC's third party administrator, Standish Management on a quarterly basis. RMWC may supplement these account statements with reports provided during limited partner meetings or as requested. Limited partners in the Partnerships are also provided with written annual audited year-end financial statements within 260 or 180 days after the end of the applicable Partnership's fiscal year, depending on whether a Partnership is considered a fund-of-fund-of-funds.

## **Client Referrals and Other Compensation**

RMWC may in some circumstances compensate persons who introduce investors to RMWC or to investment funds managed by RMWC, which payments may be in the form of a portion of RMWC's fee or other payment by RMWC, and which payment arrangements may vary on a case-by-case basis. RMWC's policy is to ensure that such compensation arrangements are clearly disclosed to solicited investors.

RMWC may refer clients to other third party investment advisor firms. Occasionally, RMWC will receive a percentage of the fees that are earned as a result of the relationship. In all cases, a written disclosure specific to the terms of the referral agreement will be provided to clients in advance of a new referral relationship.

## **Custody**

All Partnership assets are held in custody by unaffiliated broker/dealers or banks; however RMWC has access to the Partnerships since it or an affiliate serves as the General Partner or Managing Member, or in a similar capacity. Investors in the Partnerships will not receive statements from the custodian but will receive statements from the third party administrators or from RMWC. RMWC complies with the SEC's rules regarding custody by, among other things, arranging for annual financial statement audits of the Partnerships and by distributing the audited financial statements to each investor. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 180 days (or 260 days for any Partnership considered a fund-of-fund-of-funds) of the Partnerships' fiscal year ends.

## **Investment Discretion**

Subject to the investment guidelines set forth in the offering and/or operational documents of the applicable Partnership, RMWC has discretion to determine the underlying funds in which the Partnerships advised by RMWC will invest, and to determine the amount of investment in such underlying funds or accounts.

## **Voting Client Securities**

RMWC has adopted Proxy Voting Policies and Procedures (the "Procedures") that are designed to ensure that RMWC votes proxies with respect to securities in the best interests of the Partnerships. The Procedures also require that RMWC identify and address conflicts of interest between RMWC and the Partnerships. If a material conflict of interest exists, RMWC will determine whether voting in accordance with the guidelines set forth in the Procedures is in the best interests of the Partnership or whether RMWC should take some other appropriate action.

It should be noted that RMWC is an investment adviser to funds-of-funds, and as such the portfolios over which it has investment discretion generally do not hold exchange-traded securities that regularly solicit votes, consents or proxies. In the case that RMWC is required to make a vote or grant an approval relating to an underlying fund, RMWC generally votes in favor of routine corporate housekeeping proposals (where no corporate governance issues are implicated). A copy of the RMWC's Proxy Voting Policy and Procedures is available upon request, as is information about how the Adviser voted.

## **Financial Information**

RMWC has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client account.