

## **Rockville Capital, LLC**

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This brochure provides information about the qualifications and business practices of Rockville Capital, LLC (“**Rockville**”). If you have any questions about the contents of this brochure, please contact us at (516) 992-7800 or email [compliance@rockvillecapital.com](mailto:compliance@rockvillecapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

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

**Item 2: Material Changes**

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This is our initial filing of the Form ADV Part 2A. In the future, we will use this section to report any material changes.

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**Item 4: Advisory Business**

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**The Adviser**

Rockville (the “**Adviser**”, “**we**”, “**us**”, “**our**” or the “**Firm**”), is an investment adviser organized as a Delaware Limited Liability Company (LLC) founded on March 6, 2013. Rockville’s principal owner is John K. Sweeney.

**Advisory Services**

The Adviser provides investment advisory services to a separately managed account (the “**Managed Account**” or the “**Client Account**”). As the investment adviser of the Managed Account, the Adviser’s services consist of identifying opportunities for acquisition, management, monitoring, and disposition of investments of the Managed Account. Investment advice is provided directly to the Managed Account.

The Adviser may in the future organize investment funds or manage investment funds or separately managed accounts that may either co-invest with the Managed Account or follow an investment program similar to or different from the Managed Account’s program.

Services are provided to the Managed Account in accordance with an investment management agreement between the Managed Account and the Adviser (the “**Management Agreement**”). Investment restrictions for the Managed Account, as amended from time to time, are established pursuant to the Management Agreement.

The Adviser does not participate in wrap fee programs.

**Assets Under Management**

As of December 31, 2013, Rockville managed Regulatory Assets under Management (“**RAUM**”) of approximately US \$204 million (\$94 million in Net Assets Under Management) on a discretionary basis on behalf of the Managed Account.

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**Item 5: Fees and Compensation**

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The Adviser will receive from the Managed Account both a monthly management fee at a fixed rate and an annual performance fee based upon the performance of the Managed Account. This arrangement is set forth in the Management Agreement between the Adviser and the Managed Account.

**Expenses**

Expenses shall be borne in accordance with the Management Agreement.

The Adviser and its supervised persons do not accept compensation or commissions for the sale of securities or other investment products.

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**Item 6: Performance-Based Fees and Side-By-Side Management**

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As disclosed above under Item 5, “Fees and Compensation,” the Adviser receives a Performance Fee based on performance of the Managed Account.

No other hourly, flat or asset-based fees are charged to the Managed Account.

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**Item 7: Types of Clients**

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We consider the Managed Account to be our client.

The Adviser may in the future provide advisory services to funds and other separately managed accounts for high net worth individuals, trusts, estates, charitable organizations, pension plans, corporations, limited partnerships, limited liability companies, and similar entities.

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**Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

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**Methods of Analysis and Investment Strategies**

The Managed Account will employ a variety of strategies across asset classes globally with a strong bias towards trades with limited downside and positive asymmetric payoffs. Our investment philosophy is focused on event-driven and special situations investing with a deep value orientation across the capital structure. Our core strategies include Arbitrage, High Yield and Distressed Credit and Special Situations. Our investment objective is to achieve superior risk-adjusted absolute returns. To achieve our investment objective we employ an opportunistic investing approach across asset classes and by seeking mispriced assets coupled with a catalyst map to unlock value. We employ bottoms-up research rooted in fundamental valuation, legal, accounting and structural corporate finance analysis. We compare risk and reward across strategies and opportunity sets and allocate capital and resources to the most attractive risk-adjusted investment opportunities. Some specific asset classes we might choose to invest in, but not limited to, would be equities, fixed income, interest rates, currencies and variety of volatility products.

**Investment Risks**

The risk of the portfolio is closely managed by Mr. Sweeney, based on his 27+ years experience in trading, investing and managing risk in both debt and equity situations and the investment team. Risk is managed through position size limits and hedging on a position by position basis as we deem appropriate. Overall market risk is managed by either shifting the portfolio to a less risky profile (i.e., shifting to more senior debt levels, etc.), or by employing macro portfolio hedges (e.g. equity and credit indices, single name equity and credit shorts). We may also use derivative instruments to hedge out market volatility risks. Interest rate risk may be managed at times through the use of macro index hedges such as CDX or through ETF or CDS positions. Our portfolio is generally focused on North America. We hedge foreign currency exposure to US dollar as we deem appropriate.

We may modify our investment objectives and strategies at any time. Our right to modify strategies with respect to the Managed Account(s) depends upon the terms of the agreements governing the Managed Account(s).

**Risk of Loss Factors**

The following list sets forth the material risks that are inherent to Rockville's investment strategy. This list does not purport to be a complete enumeration or explanation of the risks involved in Rockville's strategy:

*Nature of Investments and Limited Rights of Investors*

Investments may be affected, among other things, by business, financial market or legal uncertainties. There can be no assurance that we will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Managed Account's activities and the value of its investments.

*Long-Term Investments*

The investments that Rockville makes will at times require longer-term holding periods for the positions in order to be successful and positions may experience considerable price volatility over such holding periods. Therefore, our investments may not be appropriate for clients requiring short-term liquidity or stable returns.

*Operational Risk*

Operational risk is the potential for loss caused by a deficiency in information, communication, transaction processing and settlement and accounting systems. We (or our agents) maintain controls that include systems and procedures to record and reconcile transactions and positions, and to obtain necessary documentation for trading activities.

*Performance Based Fee*

As described in Item 5, we generally charge our clients, and in particular the Managed Account, a performance based fee. A performance based fee arrangement may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

*Illiquid Investments*

We may invest in securities or loans that either lack a readily assessable market value or should be held until the resolution of a special event or circumstance. However, we may not be able to readily dispose of such investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time.

*Use of Leverage*

We currently do not leverage long investment positions by borrowing funds from securities broker-dealers, banks or others, but may do so, on a limited basis, in the future. However, we may use portfolio assets as collateral in connection with short positions. In addition, through the use of options, derivatives or other financial instruments, we may create positions that are effectively leveraged even if the options, derivatives or other financial instruments are fully paid for. While leverage presents opportunities for increasing the total return on an investment, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment by a client account would likely be magnified to the extent that any of them are leveraged.

*Non-Diversification*

In general, we are not subject to limitations on the percentage of assets we may invest in a particular security, but we are subject to position size limits. Being concentrated in a small number of securities, options or futures, exposes a portfolio to the risk of adverse developments in or affecting a single issuer or industry to a greater extent than if the investments were diversified over a large number of issuers and industries.

*Short Selling Increases Risk of Capital Losses*

We will affect short sales. Short selling, or the sale of securities not owned by the Client Account involves certain additional risks. Such transactions expose the Client Account to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a “short squeeze” can occur, wherein Rockville might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

*Derivatives*

Derivative instruments, or “derivatives,” include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading, including liquidity risk and counterparty risk.

*Non-US Investments*

Investment in non-US issuers or securities principally traded outside the US will likely involve certain special risks due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and possible difficulty in obtaining and enforcing judgments against non-US entities. Furthermore, issuers of non-US securities are subject to different, often less comprehensive accounting reporting and disclosure requirements than domestic issuers. The securities of some foreign governments and companies and foreign securities markets are less liquid and at times more volatile than comparable US securities and securities markets.

**Item 9: Disciplinary Information**

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Rockville has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of Rockville have been subject to such action.

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

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The management and employees of Rockville dedicate substantially all of their professional efforts to Rockville and its affiliates, and currently have no significant outside business interests.

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

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***Code of Ethics Pursuant to Rule 204A-1 of the Advisers Act***

Pursuant to Rule 204A-1 of the Advisers Act, Rockville has adopted a Code of Ethics to establish various procedures with respect to investment transactions in accounts in which employees of Rockville have a beneficial interest or accounts over which an employee has investment discretion.

The foundation of the Code of Ethics is based on the underlying principles that:

- Employees must at all times place the interests of the clients first;
- Employees must make sure that all personal securities transactions are conducted consistent with the Code of Ethics; and
- Employees should not take inappropriate advantage of their position at Rockville.

All Rockville employees (and members of their immediate households) are deemed to be “Access Persons” and are required to adhere to a comprehensive Code of Ethics and Compliance Manual, which cover the duty of confidentiality as well as personal trading. All employees are required to certify their adherence to the Code of Ethics upon commencement of employment and annually thereafter. Further, all employees are required to instruct their brokers to deliver transaction confirmations and statements directly to Rockville’s CCO. The Code of Ethics also places restrictions on personal trades by employees, including that they disclose their personal securities accounts and transactions to the CCO, and that employees pre-clear certain types of personal securities transactions with the CCO.

***Privacy Policy***

We are committed to maintaining the confidentiality, integrity and security of our client’s personal information. It is our policy to collect only information necessary or relevant to our management business and use only legitimate means to collect such information. We do not disclose any non-public personal information about our clients or former clients to anyone except for servicing and processing transactions and as required by law. We restrict access to non-public personal information about investors to those employees with a legitimate business need for the information. We maintain security practices, physical, electronic, and procedural safeguards to guard Investor’s non-public personal information.

Upon request, we will provide you with a copy of our privacy policy.

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**Item 12: Brokerage Practices**

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It is the Adviser’s policy to execute portfolio transactions for the Client Account in the best interests of clients, including to seek to obtain “best execution” of each and every transaction made by the Adviser for a client’s account (except where the Adviser does not



have the authority to select the broker or dealer or to negotiate the price or commission). The term “best execution” means seeking the best price and execution for a security in the marketplace as well as ensuring that, in executing client transactions, clients do not incur unnecessary brokerage costs and charges. The Adviser is not obligated to obtain the lowest possible commission cost, but rather, should determine whether the transaction represents the best qualitative execution for clients. The Adviser has adopted procedures to help it apply this policy.

Our Chief Compliance Office, John Sweeney, will be responsible for monitoring Client Account(s) for compliance with the Adviser’s policy on best execution. The Adviser also evaluates, and seeks to resolve, any conflicts of interest that it may have in selecting brokers to execute client transactions.

### ***Selection of Broker-Dealers***

Subject to the consent of the owner of the Client Account with respect to the choice of brokers generally, the Adviser is solely responsible for choosing the broker(s) used for each securities transaction for the Client Account. In negotiating commission rates and selecting broker/dealers, the Adviser will take into account such as the following, among other factors:

- Reliability of execution
- Pricing
- Financial stability and reputation of the broker
- Responsiveness
- Accuracy of recommendations
- Financial responsibility
- Operational efficiency
- Quality of research services provided

Since commission rates are generally negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

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

Brokerage and research services may either be obtained from brokerage firms or paid for by brokerage firms and may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; news, quotation, statistics and pricing services, as well as discussions with research personnel and consultants; and software, data bases and other technical and telecommunications services and equipment utilized in the investment management process and consulting fees in connection with investigating and monitoring potential and existing investments. Research services may be proprietary research (created or developed by the broker-dealer) and research rendered or developed by a third party, such as a consultant or a lawyer.

Research services, whether obtained by the use of commissions arising from the Client Account transactions or paid for by the Adviser and charged to the Managed Account as described above, may be used by the Adviser for the benefit of other separate accounts or funds that may be organized or managed by the Adviser in the future.

When an Adviser uses brokerage commissions to obtain research or other products or services, the Adviser receives a benefit because the Adviser does not have to produce or pay for such research, products or services (“**soft dollars**”). Rockville does not currently

have soft dollar arrangements in place with any of its brokers. If in the future Rockville will put into place such arrangements, Rockville may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than in the Adviser's clients interest in receiving most favorable execution.

In formulating and implementing its arrangements and its policies with regards the use of commissions of soft dollars it will be Rockville's intention to remain within the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended.

***Principal Trading***

Our policy and practice is to not engage in any principal transactions.

***Trade Errors***

As a fiduciary, we have the responsibility to effect orders correctly, promptly and in the best interests of the Managed Account. In the event any error occurs in the handling of any transactions, due to our actions, or inaction, or actions of others, our policy is to assess each trade error on a case-by-case basis.

**Item 13: Review of Accounts**

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***Review of Accounts***

We review and reconcile the portfolios of the Managed Account on a continual basis to assure conformity with investment objectives and guidelines.

We engage in active management for the Managed Account and, accordingly, review our transactions, positions and cash balances on a daily basis.

***Reporting***

The Adviser provides reports with respect to the Managed Account in accordance with the Management Agreement.

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

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Rockville does not currently utilize the services of any third-party marketers.

**Item 15: Custody**

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Rockville does not currently have custody of the Managed Account.

**Item 16: Investment Discretion**

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Rockville provides investment advice directly to the Managed Account pursuant to the Management Agreement. Powers of attorney and any restrictions on the Adviser authority are set forth pursuant to the Management Agreement.

**Item 17: Voting Client Securities**

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To the extent that Rockville has been delegated proxy voting authority on behalf of its client, Rockville complies with its proxy voting policies and procedures that are designed to ensure that in cases where Rockville votes proxies with respect to client securities, such proxies

are voted in the best interest of the Client Account. There may be circumstances in which Rockville is advised in writing by the Managed Account not to vote and in such circumstances, Rockville will refrain from voting.

This summary of the Adviser's voting policies and procedures is qualified in its entirety by the Adviser's voting policies and procedures. The Adviser will make information regarding how proxies were voted available upon request to any client and a copy of the Adviser's voting policies and procedures is available to any client upon request sent to [compliance@rockvillecapital.com](mailto:compliance@rockvillecapital.com).

#### **Item 18: Financial Information**

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Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition.

Rockville has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to the Managed Account(s), and has not been the subject of a bankruptcy proceeding.