

## **Item 1. Cover Page**

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

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This brochure provides information about the qualifications and business practices of Rockshelter Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 412-586-3750. 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 Rockshelter Capital Management, LLC also is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

Rockshelter Capital Management, LLC is a federally registered investment advisor with the Securities & Exchange Commission. Our registration as a registered investment advisor does not imply a certain level of skill or training.

## Item 2. Material Changes

The following is a concise summary of material changes to the Rockshelter Capital Management, LLC (“RCM”) Form ADV Part 2 since the initial brochure dated November 2013:

- The office location remains the same but the suite number has changed from 310 to 320.
- The main office telephone number has changed from 412-281-1948 to 412-586-3750.
- RCM did not manage any client assets as of the date of the initial brochure. We began managing client assets effective January 1st, 2014. As-of February 28<sup>th</sup>, 2014, RCM has \$455 million in assets under management amongst 270 separately managed accounts.
- RCM and Venator Management (“VM”) are unaffiliated firms sharing office space and may occasionally share proprietary research. A further description of the research sharing is located under Item 12 Brokerage Practices – Research and Other Soft Dollar Benefits.

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## Item 4. Advisory Business

Rockshelter Capital Management, LLC (“RCM”) is a newly-established investment-advisory firm founded by Jeffrey Alan Rex, the firm’s principal owner, in November 2013. RCM intends to provide discretionary investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and corporations (“clients”) through the use of separately managed accounts, which are broker or bank domiciled accounts.

RCM adheres to an opportunistic value-oriented discipline with regard to the management of client accounts. RCM believes independent thought, price discipline and rigorous risk-reward analysis are essential components of investment success. RCM’s primary focus is to generate superior investment performance.

Upon written request, RCM will tailor its advisory services to meet the needs of clients by adjusting the percentage of capital allocated to equity investments thereby increasing or reducing a client’s market exposure. Additionally, upon written request, clients may also impose restrictions on investing in certain securities or types of securities.

As-of February 28<sup>th</sup>, 2014, RCM has \$455 million in assets under management amongst 270 separately managed accounts. RCM intends to only manage client assets on a discretionary basis.

## Item 5. Fees and Compensation

### Management Fee

RCM charges each client an investment management fee, which is calculated and payable quarterly in advance at the beginning of each calendar quarter. Fees are calculated at the applicable rate set forth below, based on the market value of the client’s account at the close of business on the last business day of the prior calendar quarter.

#### Fee Schedule

<u>Account Value</u>	<u>Annual Fee Rate</u>
less than \$2.5 million	1.000%
from \$2.5 million to less than \$10 million	0.750%
from \$10 million to less than \$25 million	0.650%
greater than \$25 million	0.500%

These fees may be negotiated by RCM under certain circumstances, and at the sole discretion of RCM.

Clients have the option of having the investment management fees deducted from their assets or billed separately for fees incurred.

Investment management fees paid in advance will be refunded on a pro rata basis upon termination of the investment advisory contract prior to the end of a quarter.

#### Other Fees and Expenses

Clients acknowledge that the RCM quarterly investment management fees discussed above are in addition to, and do not include, any fees, costs, commissions or expenses related to their account including, but not limited to, brokerage, custodial, prime brokerage, wire and other transactional costs of the account. Any such fees, costs, commissions or expenses related to the account shall be incurred by the account; provided, that RCM shall not cause the account to incur any costs outside of the normal course of business without the prior written consent of the client. These charges are generated by the client custodians and/or trade executing broker-dealers and are not shared in any way with RCM. For additional information regarding brokerage practices please refer to *Item 12. Brokerage Practices* of this brochure.

### **Item 6. Performance-Based Fees and Side-By-Side Management**

This Item is not applicable. Neither RCM nor any of its supervised persons receives performance-based fees.

### **Item 7. Types of Clients**

RCM intends to generally provide investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and corporations. Generally, RCM requires a minimum investment of \$250,000 to open a separately managed account.

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

RCM utilizes a variety of methods and strategies to make investment decisions and recommendations. The methods of analysis include fundamental research, charting analysis, cyclical analysis and technical analytical tools and approaches. RCM's general investment philosophy is that the long-term intrinsic value of a company grows at approximately the rate of GDP. However, RCM believes stock prices in the short run are determined by investor emotion, supply-demand considerations, and other factors, and can vary substantially from intrinsic value. RCM attempts to purchase stocks when they

are trading significantly below intrinsic value and to sell these issues as they reach intrinsic value.

RCM's initial screening involves quantitative models, analyzing information from financial publications, electronic databases, chart services, trade publications, sell-side research and a variety of other sources to identify investment candidates worthy of further analysis. Once these investment ideas are identified, additional research is conducted using available company filings with the Securities and Exchange Commission, earnings conference calls, company presentations, competitor reviews and possible calls with company management.

Purchases will occur for RCM's client accounts that are both long-term (securities held for at least one year) and short-term (securities held for less than one year). While frequent trading of securities is not a primary investment strategy, increased brokerage, transaction and tax costs associated with frequent trading of securities may negatively affect a client's portfolio performance. Although all investments involve risk, including the potential loss of principal, some securities, such as equities, involve more risks than other securities. Higher-risk investments may have the potential for higher returns, but also for greater losses.

Clients should be prepared to bear losses resulting from the following types of investments and investment strategies:

**General Investment Risks.** All investments risk the loss of capital. No guarantee or representation is made that RCM's program will be successful and clients bear the risk of loss of their entire investment. Investment results may vary substantially over time.

**Equity Securities.** The value of equity securities fluctuates in response to numerous variables, including, but not limited to, issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long-term, and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased volatility and may have adverse long-term effects on world economies and markets generally.

**Fixed-Income and Debt Securities.** Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject a client's portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that security to decline. Lastly,

investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

**Illiquid Instruments.** Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and RCM's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for RCM to obtain market quotations based on actual trades for the purpose of valuing a fund's portfolio.

**Issuer-Specific Changes.** Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

**Diversification.** Since a client's portfolio will not necessarily be widely diversified, the investment portfolio of the client may be subject to more rapid changes in value than would be the case if RCM were required to maintain a wide diversification among companies, securities and types of securities. This limited diversity could expose a client's account to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in the client's investments. In addition, the losses could increase even further if the investments cannot be liquidated without adverse market reaction or are otherwise adversely affected by changes in market conditions or circumstances.

**Investment Judgment; Market Risk.** The profitability of a significant portion of RCM's investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that RCM will be able to predict accurately these price movements. With respect to the investment strategy utilized by RCM, there is always some, and occasionally a significant, degree of market risk. Changing market and economic conditions may lead to investor losses.

**Reliance on Third Party Research.** RCM may rely on research provided by unaffiliated third parties. RCM cannot and does not independently verify the accuracy of or the assumptions or calculations underlying any research provided by third parties.

**Interest Rate Fluctuations.** The prices of portfolio investments tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the

corresponding prices of a position to move in directions which were not initially anticipated.

## **Item 9. Disciplinary Information**

Registered investment advisers such as RCM are required to disclose all material facts regarding any legal or disciplinary events that would be material to a prospective client's evaluation of RCM or the integrity of its management. RCM does not have any such legal or disciplinary events in its history and therefore has no information to disclose with respect to Item 9.

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

RCM does not have any other financial industry activities or affiliations to disclose with respect to Item 10.

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

A code of ethics (the "Code") has been adopted for all employees of RCM. The Code is predicated on the principle that RCM and its employees have a fiduciary duty to act solely for the benefit of RCM's clients. All employees of RCM must put the interest of clients before their own personal interests and must act honestly and fairly in all respects in dealings with clients. Adherence to the Code is considered a basic condition of employment at RCM and all employees are required to comply with applicable securities laws and regulations.

The Code requires RCM employees to report their personal securities holdings and transactions and obtain pre-clearance prior to investing in initial public offerings or limited offerings.

Each employee receives a copy of the Code and any amendments to it and must acknowledge in writing having received the materials.

RCM will provide a copy of the Code of Ethics to any client or prospective client upon request by contacting David Fallgren, Chief Compliance Officer, at (412) 586-3750 or [dave@rockshelter.net](mailto:dave@rockshelter.net).

RCM, in the course of its investment management and other activities (e.g., board or creditor committee service), may come into possession of confidential or material nonpublic information about issuers, including issuers in which RCM or its related persons have invested or seek to invest on behalf of clients. RCM is prohibited from

improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. RCM maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that RCM is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, RCM may possess confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but RCM will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, RCM will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that RCM possesses such information), or not using such information for the client's benefit, as a result of following RCM's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

RCM and its employees may invest in the same securities (or related securities, e.g., warrants) that RCM recommends to clients. Such practices could present a conflict of interest if RCM or its employees were in a position to trade in a manner that could adversely affect clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades). These practices by RCM and its employees could also harm clients by adversely affecting the price at which the clients' trades are executed. RCM has adopted the following procedures in an effort to address these conflicts of interest.

All employees must obtain prior written approval from the Chief Compliance Officer before engaging in any transaction in his or her personal account. In addition, unless approved by the Chief Compliance Officer in writing, RCM's general policy requires that employees are not permitted to trade in the same security as a client until, at a minimum, one day after the client trade is completed. However, if it can be assured that an employee purchase on the same day in the same security is equal to or exceeds the highest price per share of any client trade then same day purchase execution is permitted. Likewise, if it can be assured that an employee sale on the same day in the same security is equal to or is less than the lowest price per share of any client trade then same day sale execution is permitted. Exceptions to this general policy apply for stocks with a market capitalization in excess of \$1 billion. All employees of RCM are required to have duplicate brokerage trade confirmations and account statements sent to the Chief Compliance Officer. All employees must submit to the Chief Compliance Officer a final signed report of their securities transactions no later than thirty days after the end of each calendar quarter.

## **Item 12. Brokerage Practices**

RCM is authorized to make all decisions as to which securities are bought and sold for its clients' accounts, the amount and price of those securities and the selection of and commission paid to brokers, unless specifically stated otherwise in a client's statement of investment guidelines.



## **Factors Considered in Selecting Broker-Dealers**

A number of factors are considered by RCM in the selection of a broker. These factors include, but are not limited to, commission rates, execution capability, back office capability, responsiveness, referrals, reputation, financial stability, research capability, the success of prior research recommendations, industry specific research expertise and depth of services provided. “Research” may include, but is not limited to, financial analysis of specific companies, financial market forecasts, technical analysis, macroeconomic data, political news, research products including electronic market quotations, electronic trading platforms, data on pricing and availability of securities, economic and financial forecasts. RCM does not use any type of rigid formula in the selection of a broker for trade execution, need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not RCM’s practice to negotiate “execution only” commission rates. Accordingly, RCM may pay higher commission for trade execution versus alternatives in recognition of the value of the Research or execution capability provided by the broker. RCM, using its business judgment, will make a good faith determination that the transaction represents the best qualitative execution for its clients, not necessarily the lowest total commission cost.

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

RCM may receive products and services other than execution (*i.e.*, “soft dollars”) from broker-dealers. These benefits may include financial analysis of specific companies, financial market forecasts, technical analysis, macroeconomic data, political news, research products including electronic market quotations, electronic trading platforms, data on pricing and availability of securities, economic and financial forecasts, research reports (including market research), financial newsletters and invitations to attend certain seminars and conferences. The research may be written or oral or provided in electronic format.

RCM’s general policy is to comply with the provisions of Section 28(e) of the Securities Exchange Act of 1934 (“Section 28(e)”) when entering into soft dollar arrangements. Section 28(e) recognizes the potential conflict of interest involved in this activity, but generally allows investment advisers to use client commissions to pay for certain research and brokerage products and services under certain circumstances without breaching their fiduciary duties to clients.

The research received from brokers is supplemental to the in-house research performed by RCM’s analysts. Using client transactions to obtain research and other benefits creates incentives that theoretically could result in conflicts of interest between advisers and their clients. When RCM uses “soft dollars” to obtain research products and services, it receives a benefit because it does not have to produce or pay for the research products and services. The availability of these benefits creates the potential incentive for RCM to select one broker-dealer rather than another to perform services for clients, based on RCM’s interest in receiving the products and services instead of on its clients’ interest in

receiving the best execution prices. Obtaining these benefits may cause clients to pay higher fees than those charged by other broker-dealers who do not provide such benefits.

Research and other products and services purchased with soft dollars will generally be used to service all of RCM's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio, as permitted by Section 28(e). In other words, there may be certain client accounts that benefit from the research services, which did not make the payment of commissions to the broker-dealer providing the services.

Where a product or service obtained with soft dollars provides both research and non-research assistance to RCM, RCM will make a reasonable allocation of the proportion attributable to assisting RCM in carrying out its investment decision-making responsibilities, which will be paid through brokerage commissions generated by client transactions. The proportion attributable to administrative or other non-research purposes will be paid for by RCM.

RCM is not currently contractually bound to soft dollar contracts with any broker-dealer for research or any other services. At its discretion, RCM may direct a trade to a broker-dealer for research provided, but RCM is not under any obligation to do so with the broker-dealer. The Chief Compliance Officer will monitor all transactions in which RCM obtains research and will make the appropriate allocation of "mixed-use" items.

RCM and Venator Management ("VM") are unaffiliated firms sharing office space and may occasionally share proprietary research. The purpose of the research collaboration is to expand the universe of credible stock research ideas on behalf of all clients with both firms. Both firms are confident that their respective clients will benefit from dialogue between the two firms. To safeguard the clients, as well as the proprietary research performed by both firms, robust compliance policies and procedures are necessary. We will apply the procedures in the RCM Compliance Manual to benefit, while simultaneously protect, all parties involved. RCM's Chief Compliance Officer is involved in the compliance, trading and research functions at the firm and will therefore have active involvement in all disciplines to ensure fairness and transparency.

From time to time, RCM and VM may engage in discussing a new or existing proprietary research idea. The threshold as to whether the conversation requires documentation is based on the market capitalization of the underlying stock. If the market capitalization is above \$3 billion dollars on the day of discussion, no formal documentation is required as the security will have sufficient liquidity with neither firm in a position to significantly influence the movement of the stock price. If the market capitalization is below \$3 billion dollars on the day of discussion, RCM's Compliance Officer will document the discussion using a standard template as it relates to RCM.

### **Brokerage for Client Referrals**

RCM does not receive client referrals from broker-dealers or third parties when it selects or

recommends broker-dealers to potential or existing clients.

### **Directed Brokerage**

RCM permits client directed brokerage accounts. However, RCM discloses to the client directed brokerage accounts that they are responsible for negotiating commission rates with their respective broker-dealers, and therefore may pay a higher commission than the lowest commission that is negotiated by RCM for its other clients. As a result, RCM may be unable to achieve best execution of securities trades for a client directed brokerage account.

### **Trade Aggregation**

From time to time, an investment opportunity will be appropriate for more than one of RCM's clients. Before trading an aggregated order, RCM runs its batch buy report (or in the case of selling, the batch sell report) which generates a potential share purchase or sale list for all accounts based on factors including, but not limited to, the equity allocation in the account versus targeted equity allocation, cash available in each account and the portfolio position limits permissible under RCM's risk management guidelines. In an effort to remain equitable in the trade allocation of securities, each batch report is rotated by domicile. RCM's batch buy report generally guides the allocation of investment opportunities, subject to any overall limitations imposed by a client on its account.

When trading equity securities, RCM will generally prioritize allocation of trades first to the prime broker and bank-domiciled accounts based on the batch rotation order. RCM will prioritize the prime broker accounts and bank domiciled accounts because of our preference with using electronic trading platforms or when trading through a specific broker-dealer that is able to handle more order flow in a security. Because of their trading limitations, non-prime broker Schwab accounts and client directed brokerage accounts will generally participate in investment opportunities after the prime broker accounts and bank domiciled accounts. In certain circumstances, such as trading in illiquid securities, the non-prime broker Schwab accounts and client directed brokerage accounts may not be able to participate or may do so at less advantageous prices.

If an order is filled in its entirety, it will be allocated among clients in accordance with the batch buy report (or in the case of sales, the batch sell report). Partially filled orders are generally not allocated by RCM among clients on a pro rata basis. Rather, partial buy orders are generally allocated to fill specific accounts in order per domicile from the account with the lowest total equity exposure to the account with the highest total equity exposure. Partially filled sell orders are generally allocated to fill client account orders per domicile first for those accounts with the highest allocation to the security and then to the accounts with the lowest allocation to the security. Notwithstanding the above, aggregated orders may be allocated differently if treatment is deemed reasonably fair and equitable to all clients and it is approved in writing by the portfolio managers and the Chief Compliance Officer.

The length of time to complete the purchase of securities based upon the batch buy report or the sale of securities based upon the batch sell report depends on a variety of factors including,

but not limited to, the liquidity of the security, the choice of the electronic trading platform and the use of limit orders. Because it can take days to complete a batch buy or a batch sell report no assurance can be given that the execution and price paid or received by clients will be comparable amongst accounts. Additionally, no assurance can be given that a batch buy or batch sell report will be completed due to price movements away from limit orders.

## **Item 13. Review of Accounts**

Jeffrey A. Rex and Albert H. Madison are the portfolio managers for the separately managed account clients. Each client account is reviewed by the portfolio managers as necessary to determine whether securities positions should be maintained in view of current market conditions. In addition, the internal portfolio management system enables the managers to review portfolios on a daily basis. Accordingly, if a separately managed account client imposes a restriction on their managed account, RCM's portfolio management system monitors such client's account to ensure RCM's compliance with the client instruction. Since most portfolios hold similar securities, reviews are triggered by changes in risk-reward ratios for various holdings and by analysis of other securities that may meet RCM's investment discipline.

Significant market events affecting the prices of one or more securities in client accounts, changes in the investment objectives or guidelines of a particular client or specific arrangements with particular clients may trigger reviews of client accounts on other than a periodic basis.

RCM provides written investment summaries for each separately managed account on a quarterly basis, which include each client's portfolio holdings and investment performance. Each separately managed account client also receives a trade confirmation with each trade and monthly statements from their custodian.

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

No person that is not a client provides any economic benefit to RCM for providing investment advice or other advisory services to its clients.

Neither RCM nor any of its related persons have any arrangement where it directly or indirectly compensates any person for client referrals.

## **Item 15. Custody**

RCM does not have custody of its clients' accounts.

Clients will receive account statements from their custodian and clients should carefully review those statements. RCM also sends quarterly statements directly to clients in addition to those

sent by the custodians. Clients should compare any quarterly statements they receive from the custodian with those received from RCM.

## **Item 16. Investment Discretion**

RCM has discretionary authority to manage securities accounts on behalf of its clients. However, upon the written request of a client, RCM will tailor its advisory services to meet the needs of the client by adjusting the percentage of capital allocated to equity investments thereby increasing or reducing the client's market exposure. Additionally, upon written request, a client may also impose restrictions on investing in certain securities or types of securities.

Prior to assuming discretion in managing a client's assets, RCM enters into an investment management agreement or other agreement that sets forth the scope of RCM's discretion.

## **Item 17. Voting Client Securities**

Clients have the option of delegating the authority to vote their securities to RCM.

To the extent RCM has been delegated proxy voting authority on behalf of its clients, RCM complies with its proxy voting policies and procedures that are designed to ensure that such proxies are voted in the best interests of its clients. The following is a concise summary of RCM's proxy voting policies and procedures.

With respect to each client that delegates proxy voting authority to RCM, for each position held in such client's portfolio, a RCM analyst will review each item on the proxy ballot. Clients may direct the vote of their proxies in a particular solicitation by contacting RCM prior to the vote.

Unless RCM receives specific voting guidelines from a client, RCM will vote the proxies in the best interest of each particular client. It is possible that the proxy vote for the same issue could be different depending on the client situation or because of the guidance provided by the client. Before voting, the RCM analyst will review the proxy to determine if there is any conflict of interest between RCM and its clients. If a material conflict of interest is identified, RCM's proxy committee, which includes the portfolio managers and the Chief Compliance Officer, will make a determination whether voting in accordance with the voting guidelines is in the best interests of clients or whether some alternate action is appropriate.

Clients may obtain information about how RCM voted their securities and a complete copy of RCM's Proxy Voting Policies & Procedures by contacting David Fallgren, Chief Compliance Officer, at (412) 586-3750 or dave@rockshelter.net.

With respect to each client that does not delegate the authority to vote its securities to RCM, the client will receive its proxies or other solicitations directly from their custodian. Clients may contact RCM with questions about any proxy ballot or solicitation.

## **Item 18. Financial Information**

RCM does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet.

RCM does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients, and has not been the subject of a bankruptcy proceeding.