



**PART 2A OF FORM ADV**

**FIRM BROCHURE**

**July 1, 2016**

**MENDON CAPITAL ADVISORS CORP.**

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This brochure provides information about the qualifications and business practices of Mendon Capital Advisors Corp. If you have any questions about the contents of this brochure, please contact us at (585) 770-1770. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

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

THIS BROCHURE SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY ANY SECURITY.

## **Item 2 MATERIAL CHANGES**

This Brochure is updated at least annually to reflect current information about Mendon Capital Advisors Corp. (the “Advisor”). Only specific material changes that are made to the Brochure since its last annual update are summarized in this Item. The date of the Brochure’s last annual update was March 22, 2016.

There have been no material changes to this Brochure since the prior version of the Brochure dated March 22, 2016. In the event of a future material change, we will provide you with a new Brochure as necessary based on changes or new information, without charge.

**Item 3**      **TABLE OF CONTENTS**

<b><u>ITEM</u></b>	<b><u>PAGE</u></b>
<b>Item 2</b>	<b>Material Changes..... 2</b>
<b>Item 3</b>	<b>Table of Contents ..... 3</b>
<b>Item 4</b>	<b>Advisory Business..... 4</b>
<b>Item 5</b>	<b>Fees and Compensation ..... 4</b>
<b>Item 6</b>	<b>Performance-Based Fees and Side-By-Side Management ..... 5</b>
<b>Item 7</b>	<b>Types of Clients ..... 5</b>
<b>Item 8</b>	<b>Methods of Analysis, Investment Strategies and Risk of Loss ..... 5</b>
<b>Item 9</b>	<b>Disciplinary Information..... 10</b>
<b>Item 10</b>	<b>Other Financial Industry Activities and Affiliations ..... 10</b>
<b>Item 11</b>	<b>Code of Ethics, Participation in Client Transactions and Personal Trading..... 11</b>
<b>Item 12</b>	<b>Brokerage Practices ..... 12</b>
<b>Item 13</b>	<b>Review of Accounts..... 14</b>
<b>Item 14</b>	<b>Client Referrals and Other Compensation..... 14</b>
<b>Item 15</b>	<b>Custody..... 15</b>
<b>Item 16</b>	<b>Investment Discretion ..... 15</b>
<b>Item 17</b>	<b>Voting Client Securities ..... 15</b>
<b>Item 18</b>	<b>Financial Information..... 16</b>

## **Item 4      ADVISORY BUSINESS**

### **Advisory Services**

Mendon Capital Advisors Corp., a Delaware corporation, is an investment advisor registered with the SEC. Mendon was incorporated in 1996 and is 100% owned by Anton V. Schutz.

Mendon Capital Advisors Corp. (the "Advisor") acts:

- As sub-adviser to RMB Mendon Financial Services Fund and RMB Mendon Financial Long/Short Fund (together, the "RMB Mendon Financial Services and Long/Short Funds"), each of which is a series of RMB Investors Trust, which is registered as an investment company with the Securities and Exchange Commission (the "SEC");
- As a sub-adviser providing securities selection to certain separately managed accounts of ELCO Management Company, LLC ("ELCO Management"), an investment adviser registered with the SEC (with RMB Mendon Financial Services and Long/Short Funds, collectively, "Clients").

As of July 1, 2016 the amount of client assets managed by the Advisor on a discretionary basis was approximately \$578,519,792.

## **Item 5      FEES AND COMPENSATION**

**Registered Investment Companies.** As of July 1, 2016, RMB Capital Management LLC ("RMB Capital") and the Advisor are providing services to RMB Investors Trust, a registered mutual fund with sub-funds (the "Funds") pursuant to an interim investment advisory agreement and interim sub-advisory agreement, respectively (collectively, "Interim Agreements"). This interim investment advisory agreement is currently subject to the approval of shareholders of RMB Investors Trust. Prior to shareholder approval, all fees payable to RMB Capital will be held in escrow in an interest-bearing account. If shareholders approve the interim investment advisory agreement, the Advisor (as the sub-advisor) will receive from RMB Capital the escrowed amount and continue to charge each Fund an advisory fee, payable monthly, at the following annual rates: RMB Fund 0.60%, RMB Mendon Financial Services Fund 0.75%, and RMB Mendon Financial Long/Short Fund 0.90% (base fee), as a percentage of each Funds' average daily net asset value. The advisory fee on the RMB Mendon Financial Long/Short Fund can increase or decrease by a maximum 0.10% of average daily net assets, depending on the performance of this Fund relative to the KBW Bank Index. The performance period consists of the current month and prior 35 months ("performance period"). Any performance-based fee increase or decrease correspondingly increases or decreases the sub-advisory fees paid by RMB to the Advisor (as the sub-advisor) as described below.

Also as of July 1, 2016, RMB effectively retained the Advisor, to provide day-to-day portfolio management services for the RMB Mendon Financial Services Fund and RMB Mendon Financial Long/Short Fund, subject to RMB's oversight and pursuant to an interim sub-advisory agreement. This interim sub-advisory agreement is currently subject to the approval of shareholders of RMB Mendon Financial Services Fund and RMB Mendon Financial Long/Short Fund ("RMB Mendon Financial Funds"). Prior to shareholder approval, all fees payable to RMB, and therefore the Advisor (as the sub-advisor) will be held in escrow in an

interest-bearing account. If shareholders approve the interim sub-advisory agreement, RMB will pay the accrued fees earned by the Advisor. After shareholder approval, RMB will continue to pay the Advisor sub-advisory fees as outlined in the prospectus.

***Sub-advisory Services.*** As a sub-adviser to certain separately managed accounts of ELCO Management, the Advisor will receive net fees equal to 50% of the management fees and performance fees received by ELCO Management with respect to such accounts and will be responsible for payment of 50% of certain account administration fees incurred by each such account. In general, for these accounts, ELCO Management receives a quarterly management fee generally equal on an annualized basis to 1.5% of the account's net asset value, and an annual performance-based fee generally equal to 20% of the net profit (both realized and unrealized) of the account during such period. As sub-adviser to certain accounts of ELCO Management, the Advisor does not enter directly into any contracts with such accounts.

Fees generally are not negotiable. The Advisor may, however, in its sole discretion, waive all or any portion of the Management Fee and/or Performance Fees with respect to any investor or Client.

***Mutual Fund Expenses.*** The RMB Mendon Financial Services and Long/Short Funds also each bear their own expenses including investment expenses, custody, transfer agent, administration, legal, accounting and other expenses, as more fully described in the prospectus of the RMB Mendon Financial Services and Long/Short Funds.

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

The Advisor receives from RMB Capital, as a sub-advisor to the RMB Mendon Financial Services and Long/Short Funds, a fulcrum type performance adjustment.

Performance fee arrangements may create an incentive to favor higher fee paying accounts when allocating investment opportunities. This conflict could arise for Mr. Schutz who is a portfolio manager of both the Advisor and other independent private funds managed by RMB Capital, which advises clients that have a performance fee arrangement and/or share similar investment objectives. To address this conflict, the Advisor has established policies and procedures, in conjunction with the policies and procedures effective for allocation of investment opportunities that are intended to result in a fair and equitable allocation taking into account clients managed by outside entities. Please see Item 12 (Brokerage Practice) below.

## **Item 7 TYPES OF CLIENTS**

The Advisor provides investment advice, as a sub-advisor, to registered investment funds and certain managed accounts of ELCO. Please see Item 4 (Advisory Business).

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

***Primary Investment Strategies and Methods of Analysis.*** The Advisor's investment strategies are focused on the financial services sector. The Advisor believes that abnormal absolute returns can be earned in the financial services sector due to ongoing industry consolidation, which in the Advisor's view will be expected to continue for many years. In addition, the

Advisor believes that the breadth of the sector provides investment opportunities in almost all types of interest rate, credit quality and other macroeconomic environments. The Advisor will generally focus more on smaller cap companies in which it is possible to gain an information advantage through research, experience, and a broad network of contacts.

***Investment Philosophy.*** The Advisor's general philosophy is to identify companies that meet either long bullish or short bearish criteria. This strategy provides its advisory clients with adequate flexibility to take advantage of opportunities identified during both rising and declining markets. The Advisor may purchase or sell put options or call options for its advisory clients to protect the underlying investments, to generate income or for speculative purposes.

The Advisor begins with a macro view, based on factors such as interest rates and credit quality, to select promising sub-sectors. Investments within those sub-sectors are then selected using tools such as industry screens, sell-side company research reports and company models. The Advisor also relies on a broad information network to gather data and find promising investments. This network includes buy-side and sell-side analysts, other financial services portfolio managers (both mutual funds and hedge funds), company management teams and industry contacts.

Currently, the Advisor buys and sells equity securities and securities deemed by the Advisor to be equity equivalents, including without limitation, common stocks, preferred stocks, convertible securities, warrants, stock purchase rights, depository receipts, shares of investment companies and real estate investment trusts, and other equity related interests. Additionally, the Advisor currently utilizes options and stock index options, and may utilize futures and forward contracts (and options thereon) on stock indices and financial instruments and other securities, in each case to hedge existing long and short positions and for non-hedging (i.e. speculative) purposes. The Advisor has broad discretion in making investment strategy decisions for its advisory clients.

***Certain Risk Factors.*** Investing in securities and derivatives involves risk of loss that the Advisor's advisory clients should be prepared to bear.

The following is a brief summary of certain of the more significant risks associated with the Advisor's investment strategies. For the RMB Mendon Financial Services and Long/Short Funds, sub-advised by the Advisor, a more detailed description of the risks associated with the Advisor's investment strategies as well as other risks associated with an investment in RMB Mendon Financial Services and Long/Short Funds is included in each funds' prospectus. *Please see the prospectus of each fund for information regarding the principal risks applicable to the RMB Mendon Financial Services and Long/Short Funds.*

***Investment and Trading Risk.*** An investment in the strategy involves a high degree of risk, including the risk that the entire amount invested may be lost. Generally, the Advisor, on behalf of its advisory clients, invest in and actively trade securities and other instruments utilizing strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of the debt and equity markets (including distressed and high yield securities) and the risks associated with the use of derivatives, short sales, leverage and other instruments. The Advisor has broad discretion in making investments for its advisory clients. Investments generally consist of US equity securities and other assets that may be affected by

business, financial, market or legal uncertainties. There can be no assurance that the Advisor will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. No guarantee or representation is made that the advisory clients' investment objectives will be achieved.

***Financial Industry Concentration.*** The Advisor will focus and holds a large concentration of investments within the financial services industry. Accordingly, the Advisor's advisory clients will be disproportionately affected by events affecting the financial services industry. Events affecting the financial services industry may include changes in economic conditions and interest rates. In addition, companies in the financial services industry may fall out of favor with investors, causing advisory clients to lose money or underperform the stock market or funds concentrated in other industries. Such concentration of investments may also increase the volatility of the value of the advisory clients' portfolio investments.

***Highly Volatile Markets.*** The prices of the financial instruments in which advisory clients may invest can be highly volatile. Price movements of equity, debt and other securities and instruments in which advisory clients' assets are invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of government and national and international political and economic events and policies. Moreover, war, political or economic crisis, or other events may occur which can be highly disruptive to the markets, regardless of the strategies being employed. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments and derivative instruments. Such intervention often is intended to directly influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction, because of, among other things, interest rate fluctuations. The Advisor's advisory clients are also subject to the risk of failure of any of the exchanges on which its positions trade or the failure of applicable clearinghouses. Sustained cyclical market declines and periods of unusual market volatility make it more difficult to produce positive trading results, and there can be no assurance that the fund strategies will be successful in such markets.

***High Turnover and Transactions Costs.*** The Advisor actively manages advisory clients' portfolios. The turnover rate of advisory clients' investment portfolio may be significant, potentially involving substantial brokerage commissions and fees and other transactions costs. In particular, a few of the advisory clients' investments, including those that are not readily marketable, may involve higher bid-asked spreads than investments that are exchange-traded.

***Valuation Risk.*** Valuation of the advisory clients' investments (which will indirectly determine the amount of the Management Fee and the Performance Reallocation, as applicable) may involve uncertainties and judgmental determinations, and if such valuations should prove to be incorrect, the net asset value of an advisory client account could be adversely affected. In particular, independent pricing information may not at times be available with respect to certain of the investments. Further, given the illiquid nature of some Investments, the net asset value of such investments cannot be determined with the same degree of certainty as other investments. Accordingly, while the Advisor will use its reasonable best efforts to value all of its investments fairly, certain investments may be difficult to value and may be subject to varying interpretations of value. With respect to the RMB Mendon Financial Services and



Long/Short Funds, they have delegated certain responsibilities for determining their net asset value to their prime broker and administrator.

***Reliance on Management and Financial Reporting.*** Many of the strategies implemented by the Advisor rely on the financial information made available by the issuers in those securities which it invests. The Advisor may not be able to independently verify the financial information disseminated by the issuers in which advisory clients invest and may be dependent upon the integrity of both the management of these issuers and the financial reporting process in general.

***Market Disruptions; Systemic Risk.*** Advisory clients may incur major losses in the event of disrupted and/or illiquid markets and other extraordinary events in which historical pricing relationships become materially distorted, including through government intervention. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. Market disruptions caused by unexpected political, military and terrorist events or government intervention in the markets may from time to time cause dramatic losses for advisor clients, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. Risk may also arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, such that a default by one institution causes a series of defaults by other institutions. This is sometimes referred to as systemic risk. Systemic risk may adversely affect financial intermediaries, such as clearing agencies, clearinghouses, banks, securities firms and exchanges, with which the funds interact on a daily basis.

***Concentration.*** An advisory client may at certain times hold a few, relatively large (in relation to its capital) positions in securities or other instruments. A loss in any concentrated position could have a material adverse impact on an advisory client's account. To the extent an advisory client's investments are concentrated in a single issuer, industry, geographic region or any other applicable exposure, an advisory client will be susceptible to a greater degree of risk affecting investments in that issuer, industry, geographic region or any other applicable exposure than would otherwise be the case. Such concentration of investments may increase the volatility of the value of an advisory client's portfolio investments. RMB Mendon Financial Services and Long/Short Funds are subject to percentage restrictions to reduce the risk inherent in a concentrated investment.

***Risk of Investing in Illiquid Investments.*** Certain of the investments of advisory clients may be or become illiquid and involve a high degree of business and financial risk that could result in substantial losses. Because of the absence of active or regulated trading markets for these illiquid investments, and because of the difficulties in determining market values accurately, it may take the Advisor longer to liquidate these positions (if they can be liquidated) than would be the case for more liquid investments. The prices realized on the resale of illiquid investments could be less than those originally paid. Further, companies whose securities are not publicly listed may not be subject to public disclosure and other investor protection requirements applicable to issuers of publicly traded securities.

***Risk of Short Selling.*** A significant aspect of the investment objectives and strategy involves seeking to profit from securities believed to be overvalued by entering into short sale positions, both directly and indirectly through the use of credit default swaps, options and other



derivative instruments. When the Advisor effects a short sale for an advisory client, it may be obligated to leave the proceeds of the short sale with the broker and also deposit with the broker an amount of cash or other securities (subject to requirements of applicable law) that is sufficient under any applicable margin or similar regulations to collateralize its obligation to replace the borrowed securities that have been sold. Short selling involves selling securities which are not owned by the short seller and delivering borrowed securities to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs, the costs of borrowing the securities and any interest or dividends on the securities that must be paid to the lender of such securities. The extent to which the Advisor engages in short sales on behalf of an advisory client will depend upon the Advisor's investment strategy and opportunities. In certain cases, a short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the Advisor will be able to maintain the ability to borrow securities sold short on behalf of advisory client. In such cases, an advisory client can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Additionally, certain market participants could accumulate such securities in a "short squeeze," which would reduce the available supply, and thus increase the cost, of such securities. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

***Risk of Investing in Small Capitalization Companies.*** The Advisor, on behalf of its advisory clients, may invest a portion of its assets in small and/or unseasoned companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification, and competitive strength of larger companies. In addition, the securities of companies with small capitalization may be traded only on over-the-counter markets or on regional securities exchanges. As a result, the securities of smaller companies may be subject to wider price fluctuations. When liquidating large positions in small companies, the Advisor may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small transactions over an extended period of time. The Advisor is aware of the information flow surrounding such investments, and, as such, using a measure such as daily average volume may not be entirely appropriate. In addition, many of these securities exhibit "asymmetrical illiquidity" in that large positions are easy to sell but hard to find.

***Risk of Investing in Pooled Vehicles.*** The Advisor, on behalf of its advisory clients, may from time to time invest in other pooled vehicles, registered investment companies and similar entities that may not be registered as investment companies (collectively, "Investment Vehicles"). Advisory clients will indirectly bear a proportionate share of any asset-based fees, performance-based fees, allocations and other expenses of such Investment Vehicles in which the advisory client invests in addition to the Management Fee, Performance Reallocation allocated by the Investment Vehicles and other fees borne by the Investment Vehicles or the Master Fund. To the extent not prohibited by applicable law, advisory clients may from time to time invest in Investment Vehicles managed or sponsored by its affiliates; provided, that in

such event, any asset-based fees or performance-based fees or allocations with respect to such investments will not exceed the Management Fee and Performance Reallocation for the Investment Vehicle will bear any other expenses associated with such vehicles.

***Non-Public Information Restrictions.*** In the event the Advisor and/or any of its affiliates have access to or are in possession of material, non-public information concerning a company in which an advisory client invests or may invest, the Advisor may be restricted from effecting purchases and/or sales of securities on behalf of its advisory clients. Such a restriction may force an advisory client to hold positions longer than anticipated or cause it to forego an opportunity to profit on certain positions. At times, the Advisor, in an effort to avoid restriction for its advisory clients, may elect not to receive such information, which may be relevant to the advisor clients' portfolios, that other market participants are eligible to receive or have received.

THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED IN THE ADVISOR'S METHODS OF ANALYSIS AND INVESTMENT STRATEGIES USED IN FORMULATING INVESTMENT ADVICE OR MANAGING ASSETS.

Please see Items 10 (Other Financial Industry Activities and Affiliations), 11 (Code of Ethics, Participation in Client Transactions and Personal Trading), and 12 (Brokerage Practices).

## **Item 9      DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Advisor's advisory business or the integrity of the Advisor's management.

## **Item 10    OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The Advisor acts as sub-advisor to RMB Mendon Financial Services and Long/Short Funds under the supervision of RMB Capital, an affiliate and related person of RMB Mendon Financial Services and Long/Short Funds. The Advisor believes that it does not control and is not a related person of RMB Mendon Financial Services and Long/Short Funds. Foreside Financial Services, LLC ("Foreside"), a registered broker-dealer, serves as the distributor for RMB Mendon Financial Services and Long/Short Funds. Mr. Schutz is a principal of the Advisor and may conduct certain marketing-related activities on behalf of RMB Mendon Financial Services and Long/Short Funds with a registered representative of Foreside. These activities may include meeting with current and prospective investors of RMB Mendon Financial Services and Long/Short Funds. Neither the Advisor nor the principals receive any direct compensation for such marketing activities. However, the Advisor may receive indirect compensation through management fees and performance based allocations paid by investors in the RMB Mendon Financial Services and Long/Short Funds as a result of increased assets under management from such sales of interests.

Mr. Schutz is the Director, President and Chief Investment Officer of Mendon Capital Advisors Corp, 100% shareholder and participates in the management of Mendon Capital Advisors Corp. Mr. Schutz acts as a portfolio manager for the Advisor and its advisory clients. Mr. Schutz also provides portfolio management services to private funds as a dual-employee of the Advisor and RMB Capital RMB Capital, which is also an investment adviser registered with the SEC. As a

part of Mr. Schutz's business arrangement with RMB Capital, the Advisor has established a joint venture entity with RMB Capital called RMB Mendon Managers, LLC, which facilitates the economic arrangement between the Advisor and RMB Capital with respect to private funds managed by RMB Capital. Mr. Schutz, as a dual-employee, may have incentive to favor the private funds if their interests are more substantial, whether as a result of assets under management, fee structure, ownership role or other factors. In addition, because Mr. Schutz will have a significant role in leading the investment program of Mendon Capital Advisors Corp. and other private funds, his time and attention will be shared between both groups.

As part of the joint venture discussed above between RMB Capital and the Advisor, RMB Capital agreed to provide the Advisor and its advisory clients with administrative and clerical services, operational and back office support, compliance support services, human resources support, finance and accounting support, trade entry, procession and reconciliation services and technology services. Given this arrangement, Mr. Schutz must comply with RMB Capital's Code of Ethics which will also serve as the Advisor's Code of Ethics.

The Advisor also acts as sub-advisor to certain separately managed accounts of ELCO Management Co. LLC, an investment adviser registered with the SEC, to provide securities selection and related account administration services. ELCO Management Co. LLC is not a related person of the Advisor because it does not control, is not controlled by, and is not under common control with the Advisor.

Please see Items 4 (Advisory Business), 8 (Methods of Analysis, Investment Strategies and Risk of Loss), 11 (Code of Ethics, Participation in Client Transactions and Personal Trading), and 12 (Brokerage Practices).

#### **Item 11 CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Mr. Schutz, as the sole employee of the Advisor, is subject to the RMB Capital's Code of Ethics. The individual Code is designed to detect and prevent potential conflicts of interest between the Advisor and its advisory clients. Mr. Schutz is prohibited from trading either personally or on behalf of others in securities while in possession of material non-public information regarding the securities or communicating non-public information to others. He is also prohibited from accepting gifts of any material value from any person that does business with or on behalf of the Advisor, RMB Capital or RMB Mendon Financial Services and Long/Short Funds. Mr. Schutz is required to obtain advance approval to serve as a director of any publicly traded company.

Under RMB Capital's Code of Ethics, Mr. Schutz must receive pre-approval from RMB Capital's Compliance department prior to making any purchases or sales of a security.

Under the RMB Capital's Code of Ethics, as the portfolio manager, Mr. Schutz may not buy or sell a covered security within three business days before or after the purchase of the same security by RMB Mendon Financial Services and Long/Short Funds. An employee who purchases a covered security within three business days before or after the purchase of the same security by RMB Mendon Financial Services and Long/Short Funds must hold the purchased security for at least thirty days. Generally, if such employee sells the purchased security before the expiration of the thirty day holding period, the employee must disgorge any profit realized

upon this sale. An employee who sells a covered security within three business days before or after a sale of the same security by RMB Mendon Financial Services and Long/Short Funds and who receives a higher share or unit price than RMB Mendon Financial Services and Long/Short Funds must disgorge the excess sale proceeds resulting from the higher price. The prohibitions described in the paragraph do not apply to transactions that have been approved in advance by the Compliance Department at RMB Capital.

In order to comply with the rules of the SEC, Mr. Schutz must submit quarterly reports of their covered securities transactions or transactions in an account over which they have a beneficial interest. Covered securities include transactions in the mutual funds sub-advised by the Advisor. Each year Mr. Schutz must submit a holdings report. Completed quarterly and holdings reports must be submitted to RMB Capital. RMB Capital requires Mr. Schutz to certify, at least annually, that he has complied with the Code of Ethics of RMB Capital.

A copy of the Code of Ethics is available to any existing or prospective client upon request to the Chief Compliance Officer, Mendon Capital Advisors Corp. c/o RMB Capital Management LLC, 115 S. LaSalle Street, 34th Floor, Chicago, IL 60603 or by email at [compliance@rmbcap.com](mailto:compliance@rmbcap.com).

## **Item 12 BROKERAGE PRACTICES**

**General.** In selecting brokers to effect portfolio transactions for clients, the Advisor will generally seek best execution after considering such factors as the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility and the provision or payment (or the rebate to the client for payment) of the cost of property or services. The Advisor need not, however, solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

If more than one broker-dealer is believed to be capable of providing the best combination of price and execution with respect to a particular portfolio transaction, the Advisor often selects a broker-dealer which furnishes it research and execution products and services (described below). In addition, if the Advisor determines in good faith that the commission charged by a broker-dealer is reasonable in relation to the value of brokerage and research services provided by that broker-dealer, the Advisor may cause a client account to pay such a broker-dealer an amount of commission greater than the amount another broker-dealer may charge, but generally within a competitive range for full service brokers.

**Soft Dollars.** Research and execution products and services furnished by broker-dealers may be used in servicing any or all of the clients of the Advisor and may be used in connection with accounts other than those which pay commissions to the broker-dealer providing the products and services. The Advisor intends that any research or execution products or services it obtains with "soft dollars" generally will be eligible types of research and/or brokerage products or services for purposes of the Section 28(e) safe harbor. These research and execution products and services include, but are not limited to, fundamental research reports, current market data and news, technical and portfolio analyses, economic forecasting and currency and interest rate projections, historical information on securities and companies, tuition or attendance fees for research seminars, assistance in arranging company visits, news services, economic, political or other data directly related to industry, research or a specific security.

The Advisor may also defray the costs of certain computer and communication systems that facilitate research or trade execution such as on-line quotation systems and direct data feeds from stock exchanges, computer and telephone equipment and related usage costs, and on-line trading systems and other software used for research purposes with brokerage commissions generated by client transactions. Certain products or services can be used by the Advisor for both research/execution and non-research purposes. If these products or services are obtained with soft dollars, the Advisor will make a reasonable allocation of the portion of the costs which may be paid for with soft dollars and pay the remaining portion using the Advisor's own hard dollars. The Advisor and its affiliates may derive substantial direct or indirect benefits from the use of soft dollars as they may not otherwise have to produce, develop or acquire such research, products or services. Accordingly, the relationships with brokerage firms that provide soft dollar services may influence the judgment of the Advisor in allocating brokerage business of its clients and create a conflict of interest in using the services of those brokers or dealers to execute the funds' brokerage transactions. Management fees paid by clients will not be reduced as a result of the use of soft dollars.

**Aggregation of Trades.** The Advisor will use reasonable efforts to aggregate purchase and sale orders when investments are identified as having characteristics that would be mutually beneficial to the Advisor's clients, other separately managed accounts and other private funds, and aggregation will be reasonably likely to result in an overall benefit to the Advisor's clients based on an evaluation of factors in the Advisor's discretion. In certain instances, the purchase or sale of securities for the Advisor's clients and the private funds will be effected simultaneously. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, and at the sole discretion of the Advisor, participating advisory clients may be charged or credited, as the case may be, the average transaction price. The Advisor may also execute opposing trades (e.g., a buy order and a sell order for a particular security through a broker-dealer) between the Advisor's clients and other clients. Consistent with Section 206 of the Investment Advisers Act of 1940 and, if applicable, Rule 17a-7 under the Investment Company Act of 1940, the Advisor has adopted procedures regarding purchases or sales of securities between its clients and the funds.

**Allocation of Investment Opportunities.** Trading opportunities generally will be shared among Advisor's advisory client and may also be shared among other private funds and other clients that have the ability to participate according to individualized investment guidelines and current assets under management. Consideration and amount is given to cash availability, illiquidity, suitability, proximity to exposure limitations or additional valid reasons that will be indicated in writing and reviewed for adherence to procedure.

If the Advisor's access to an investment opportunity is limited, the Advisor will use reasonable efforts to allocate such investment opportunity in an equitable manner among accounts for which the security is an appropriate investment, including, where appropriate, proprietary and affiliated accounts. Generally, each allocation will be made pro rata among accounts based upon the relative size of the accounts of a similar type for which the security has been determined to be an appropriate investment. However, the Advisor may deviate from a pro rata allocation in order to reflect (1) rounding, (2) minimum size requirements, (3) a desire to avoid odd lot positions, (4) cash flow requirements, (5) proximity to various account limitations,



(6) portfolio balancing, (7) a determination that a trade would be unsuitable for a particular account, (8) the “ramping” of a portfolio that is not yet fully invested or (9) other good reasons. Generally, the percentage of assets in an asset type held by a fund with a particular asset bias that is “ramping” (*i.e.*, a fund that is not yet fully invested), shall be deemed to be the percentage of assets in such asset type that would be held by such fund were that account fully invested (*i.e.*, consistent with how the portfolio is expected to look when it becomes fully invested).

The Advisor considers investment opportunities to be limited for this purpose only in the following circumstances:

- The Advisor receives an allocation in an initial public offering of equity securities (“IPO”), or
- The Advisor proposes to acquire an equity security for more than one account where (a) there is a limited trading market in such equity security, such as a small cap stock with limited trading liquidity, (b) a significant market development has occurred or the Advisor's outlook for such issuer has materially changed and (c) the Advisor reasonably anticipates that if all accounts for which the security is an appropriate investment were to purchase the security, the market price of the security would increase primarily due to trading on behalf of the Advisor’s clients, or
- There is limited availability to the Advisor of securities being privately placed, including limited availability of Rule 144A securities, where such security is thought by the Advisor to represent a unique investment opportunity in light of other securities available or reasonably anticipated to become available in the market, or
- Clients of the Advisor may not qualify to purchase certain securities that are suitable for other clients managed by the portfolio manager as a dual employee of RMB Capital.

***Capital Introductions Services.*** From time to time, brokers (including, without limitation, prime brokers) and other counterparties may assist the Advisor in raising additional funds from investors by introducing the Advisor to prospective investors, including permitting advisory client to participate in capital introduction services provided by the broker or its affiliates. Subject to best execution, the Advisor may direct brokerage through such brokers or may engage such brokers for the provision of prime brokerage services.

### **Item 13 REVIEW OF ACCOUNTS**

Mr. Schutz generally makes all final portfolio investment decisions on a daily basis. He is responsible for monitoring the portfolio, including hedges, and for taking corrective actions if necessary. In certain circumstances, Mr. Schutz may delegate decisions to investment professionals of RMB Capital. The Chief Compliance Officer of the Advisor also generally monitors investments for excessive concentrations and unusual increases in risk and similar conditions. The Advisor provides performance reports at least quarterly to the board of trustees of RMB Mendon Financial Services and Long/Short Funds. The RMB Mendon Financial Services and Long/Short Funds issue annual and semi-annual reports to their respective shareholders.



#### **Item 14 CLIENT REFERRALS AND OTHER COMPENSATION**

The Advisor has, and may from time to time continue to enter into, agreements with third parties providing cash compensation to solicitors who secure clients for the Advisor. These agreements require that the solicitor meet the disclosure and other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, and comply with the requirement that each client subject to a referral arrangement receive a copy of the referral agreement before or at the time of entering into an agreement with the Advisor or becoming an investor in a Private Fund.

The Adviser also has entered into an agreement with ELCO Management Company LLC, as discussed in Item 10 above. Under this agreement, the Advisor will sub-advise certain separately managed accounts focused on financial sector investments, particularly banks and thrifts. In its capacity as sub-adviser, the Advisor will be responsible for securities selection and certain other management and administrative functions, subject to the oversight of ELCO Management.

#### **Item 15 CUSTODY**

As noted in Item 13 above, investors in RMB Mendon Financial Services and Long/Short Funds receive their annual financial statements audited by an independent public accounting firm. Investors in RMB Mendon Financial Services and Long/Short Funds are urged to carefully review such statements.

#### **Item 16 INVESTMENT DISCRETION**

The Advisor exercises discretion in managing the investments of its advisory clients based on each advisory client's particular investment objectives, policies and strategies. For more information, please see Item 4 (Advisory Business), above.

#### **Item 17 VOTING CLIENT SECURITIES**

The Advisor has adopted and implemented policies and procedures that the Advisor believes are reasonably designed to ensure that proxies are voted in the best interest of clients in those cases where a client has contractually given proxy voting responsibility to the Advisor.

Votes are cast in accordance with the Advisor's fiduciary duties and SEC rule 206(4)-6 under the Advisers Act. The proxy voting guidelines have been tailored to reflect these rules and the long-standing fiduciary standards and responsibilities for ERISA accounts set out by the Department of Labor (if applicable). Clients may retain their right to vote proxies provided they give the Advisor prior written notice.

For clients who do not retain their right to vote proxies, RMB Capital, on behalf of the Advisor, has contracted with a proxy advisor firm (the "Proxy Firm"), to handle administration and voting of client proxies. Additionally, the Proxy Firm provides research on proxy proposals and vote recommendations based on written guidelines, which are reviewed and approved from time to time by RMB's Sub-Committee (the "Committee"). The Committee is made up of executives of RMB.

The Adviser, as a general matter, accepts vote recommendations from the Proxy Firm, though the Adviser retains the right to determine the vote on a particular proxy issue. Accordingly, there may be instances, including those in which the Proxy Firm recommends a vote in line with management, in which the Adviser will provide the Committee with its written recommendations as to why the Adviser should not vote as recommended by the Proxy Firm on a particular proxy issue. In those instances, after consultation with RMB, the Adviser may decide to vote contrary to the Proxy Firm recommendation if it is determined to be in the best interests of the clients. As a matter of course, the Adviser and RMB will also review issues for which the Proxy Firm does not provide a recommendation.

In cases in which it is determined that the Adviser has a material conflict of interest that could influence how proxies are voted, such conflicts may be resolved by using the recommendation of the Proxy Firm if it is determined to be in the best interests of the client. Alternatively, the Adviser and RMB, when appropriate, may decide to disclose the conflict to the affected clients and give the clients the opportunity to vote their proxies themselves, or the Committee may review the issue and determine a vote. In any of these material conflict of interest situations, the Committee will review the issue and determine a resolution.

Additionally, there may be cases where the Adviser deems that the cost-benefit analysis of voting proxies received for client accounts may lead to the Adviser declining to vote. Such instances may include:

- Voting for foreign securities in countries which require “share-blocking,”
- Unsupervised securities
- Securities in Transition or already sold
- Completing ballots for companies held in the client account as of the record date, but which are no longer owned at the time that a vote would be cast.

Additional information regarding the Adviser’s proxy voting policies and procedures can be obtained by contacting the Adviser by mail, by phone at (312) 993-5800 or by email at [compliance@rmbcap.com](mailto:compliance@rmbcap.com). Clients may request information on votes cast by making a request by phone or mail.

The Adviser does not generally participate in class action lawsuits directly on behalf of clients. Clients are given an option to elect a third-party vendor to provide class action litigation monitoring and claim filing. The Adviser does, however, facilitate an exchange of information between the client and the third-party vendor. Any information received regarding class action lawsuits will be forwarded to the clients who may be eligible to participate and do not elect to utilize the services of a third-party vendor.

## **Item 18 FINANCIAL INFORMATION**

Registered investment advisers are required in this section to provide you with certain financial information or disclosures about the Adviser’s financial condition. The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.