



PREPARED BY:

RESOURCE CAPITAL MANAGEMENT, LLC  
RENO, NEVADA

February 27, 2019

**This brochure provides information about the qualifications and business practices of RESOURCE CAPITAL MANAGEMENT, LLC. If you have any questions about the contents of this brochure, please contact us at [advisor@resourcecapitalmgt.com](mailto:advisor@resourcecapitalmgt.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.**



## Item 2 - Material Changes

NONE



RESOURCE CAPITAL MANAGEMENT, LLC provides investment advice for making investments in equities, options and other securities. **THE RISK OF LOSS:** When making investments in equities, options or other securities, there is a risk that a portion or all of the investment funds could be lost.

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#### **Item 4 - Advisory Business**

RESOURCE CAPITAL MANAGEMENT, LLC (“the Firm”) develops and utilizes financial models that are based on algorithms to structure investment portfolios that are comprised of equities, options and/or other securities. The Firm has been in business since 2009 and is 50% owned by Henry Rolling, the Firm’s founder and President, 25% owned by RAM HOLDINGS LLC and 25% owned by The Richard J Reviglio Family Trust.

The Firm utilizes ONLY internally developed financial models as the basis for making financial investment decisions. The Firm can tailor its advisory services to individual Clients. However, Clients do have the discretion to impose restrictions on whether an investment can be made in a particular equity, option and/or other security.

The Firm does not have a wrap fee program.

As of February 27, 2019 the Firm had the following client assets under management:

- \$10,280,000 on a Discretionary Basis
- \$0 on a Non-discretionary Basis

#### **Item 5 - Fees and Compensation**

- The Firm charges a 1% annual management fee that is charge in arrears on a monthly basis. The Firm is compensated for its services, provided in accordance with the terms of the Investment Advisory Agreement in such manner and amount as may be agreed to by the Client and Advisor and set forth in Schedule A of the Firm’s Investment Advisory Agreement and provided and disclosed at the end of this section. One twelfth of the annualized fee shall be billed monthly in arrears to the Client, based on the average market value, utilizing the closing business day of each week in that month. Market value, as reported by the Custodian, including accrued income, will be determinative for the purpose of calculating fees. Any deposits or withdrawals initiated by the Client during the billing quarter shall be prorated to the effective date. Such amount shall be the sole compensation owing by reason of investment advisory services under this Agreement. The fee for services for any period less than a full calendar monthly period will be pro-rated on a daily basis on the annualized fee for the period and on the market value of the portfolio as described on the final date of such period. Advisor shall provide the Client with full disclosure of direct and indirect fees, commissions, penalties, and other compensation, including reimbursement for expenses that may be paid by or on behalf of the Advisor in connection with the provision of services to the Client. Manager shall update the disclosure promptly after a modification of those payments or an additional payment. The following table discloses the Firm’s management fee schedule:

## MONTHLY MANAGEMENT FEE SHCHEDULE

Annual Management Fee:	1.00%
The following discloses how the Annual Management Fee will be charged in arrears on a monthly basis:	
Monthly Management Fee Charged in Arrears:	
January	0.0833%
February	0.0833%
March	0.0833%
April	0.0833%
May	0.0833%
June	0.0833%
July	0.0833%
August	0.0833%
September	0.0833%
October	0.0833%
November	0.0833%
December	0.0833%
Total Annual Management Fee	1.00%

- The management fee is negotiable.
- The Firm and client may agree to a performance fee. The performance fee is negotiable.
  - The Firm's performance fees are paid on a monthly, quarterly or annual basis.
  - The Firm and client negotiate a return performance threshold and the Firm receives 20% of all returns above that threshold.
- The Firm deducts its performance based fees directly from a Clients account.
- There are no other fees or expenses that the Firm charges to a client. Clients may incur brokerage fees and transaction cost associated with those brokerages services. See Item 12.
- The Firm does not accept compensation for the sale of securities or other investment products.
- Clients should note that Investment Advisers may NOT base their compensation on a share of capital gains on, or capital appreciation of, the funds of a client unless however, the client is a "qualified client," which, effective May 22, 2012, is defined as a client with (a) at least \$1 million under management with the investment advisor OR (b) a net worth of more than \$2 million, exclusive of the value of a person's primary residence.

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

- The Firm and client may agree to a performance fee. The performance fee is negotiable.
- The Firm and client negotiate a return performance threshold and the Firm receives 20% of all returns above that threshold.

- Aside from performance based fees deducted from the Clients account, the Firm does not charge or deduct other fees or bill Clients for other fees incurred.
- Clients should note that Investment Advisers may NOT base their compensation on a share of capital gains on, or capital appreciation of, the funds of a client unless however, the client is a “qualified client,” which, effective May 22, 2012, is defined as a client with (a) at least \$1 million under management with the investment advisor OR (b) a net worth of more than \$2 million, exclusive of the value of a person’s primary residence.

### **Item 7 - Types of Clients**

The Firm provides investment advice to the following:

- Qualified and Accredited Investors
- Pension funds
- Endowments
- Investment companies
- Foundations
- Trusts

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

- The Firm employs quantitative methodologies in making equity, derivative and alternative investments and management decisions.
- The Firm utilizes ONLY internally developed quantitative financial models to make investment decisions. As such, the Firm’s financial advice is based solely on the results generated by the Firm’s respective quantitative financial models.
- The Firm believes that a quantitative method of analysis provides a sound and logical procedure for making investment decisions and providing investment advice.
- There are inherent risks in utilizing quantitative methods of analysis for making investment decisions and providing investment advice.
  - The decision and advice are based on historical data and past performance.
  - Past performance is no guarantee of future performance.
    - There can be no assurance that a current investment that is based on past data will generate a positive return in the future.
- Another important risk is that the development of the Firm’s quantitative method of analysis is reliant on real time and historical data. The real time and historical data utilized in the Firms quantitative financial models are obtained from third party sources and as such, the Firm cannot verify or guarantee the reliability and accuracy of the data.

The following are the financial models that the Firm utilizes:

#### **Buy & Hold Quantitative Multifactor Financial Model**

- The Firm utilizes a Buy & Hold Quantitative Multifactor Financial Model that has been programmed to develop equity security portfolios that are diversified across sectors and industries. The model constrains the equity security selection process by developing equity

security universes that include companies with significant market capitalization, that possess high liquidity as measured by daily trading volume and that continue to be responsive to financial factors identified as positively impacting equity security performance over at least a ten to fifteen year period. It is important for Clients to know that when making investments in equity based portfolios that there is a risk that a portion or 100% of an investment could be lost. Therefore, before making an investment, a client should make sure that he or she can bear the loss of his or her entire investment. The portfolios developed by this model are subject to but are not limited to the following risk:

- Market Risk
  - Industry Risk
  - Sector Risk
  - Management Risk
  - Other Unforeseen Risk
- The Buy & Hold Quantitative Multifactor Financial Model does not involve frequent trading which could limit brokerage fees. Once the portfolio is established, the securities are held in the portfolio for at least a year and one day, the holding period. If a security has to be sold and replaced by another security after the holding period, then a long-term capital gains tax is triggered and a brokerage fee is incurred. This repositioning of the portfolio can adversely impact the performance of the overall portfolio.

#### Directional Quantitative Financial Model

- The Firm utilizes a Directional Quantitative Financial Model that has been programmed to develop equity or derivative portfolios. The equities or derivatives in the portfolio are bought and sold based on statistical analyses that quantify the probability of a directional move in the overall market as measured by the S&P 500 or Russell Index 1000. The model calculates a probability based on the past performance of the overall markets and determines an entry and exit point for the investment opportunity. It is important for Clients to know that when making investments in equity or derivative based portfolios that there is a risk that a portion or 100% of an investment could be lost. Therefore, before making an investment, a client should make sure that he or she can bear the loss of his or her entire investment. The portfolios developed by this model are subject to but are not limited to the following risk:
  - Market Risk
  - Industry Risk
  - Sector Risk
  - Management Risk
  - Other Unforeseen Risk
- The Directional Quantitative Financial Model tracks the performance of the overall market on a daily basis. This model does involve frequent trading which inherently generates additional brokerage fees and tax implications. Therefore, the overall performance of the portfolios developed by the model could be adversely impacted by the additional brokerage fees and taxes.

#### Reliance on Key Personnel

- The Firm relies, to a great extent, on the services of a limited number of individuals in connection with the services provided to its Clients. The loss of such services or the loss of some key individuals could impair the ability of the Firm to continue operations and to perform its management and advisory activities.

#### Risk of Loss

- It is important for Clients to know that when making investments in equity or derivative based portfolios that there is a risk that a portion or 100% of an investment could be lost. Therefore, before making an investment, a client should make sure that he or she can bear the loss of his or her entire investment.

The Firm does not primarily recommend a particular security. A security is only included in a portfolio based on the quantitative method of analysis process that is conducted by the Firm's respective internally developed financial models.

#### **Item 9 - Disciplinary Information**

NONE

#### **Item 10 - Other Financial Industry Actives and Affiliations**

- The Firm does not participate in other financial industry activities.
- The Firm does not have any affiliations with other companies.

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

- A copy of the Firm's "Code of Ethics" will be provided to a client upon request.

The Firm adheres to the following practices as the practices relate to this item:

- The Firm does not sell or trade securities to Clients in which the Firm has a material financial interest.
- The Firm puts the interest of the client first in order to try and avoid conflicts of interest.
  - If there is a conflict of interest then the Firm does not invest in the same securities that it recommends to the client.
  - If there is a conflict of interest then the Firm does not buy or sell the same securities that it recommends to the client.

#### **Item 12 - Brokerage Practices**

- The Firm does not recommend broker-dealers to Clients.
- The Firm ONLY establishes its relationship with broker-dealers to assist the Firm in effectively and efficiently executing transactions.
- The Firm initially attempts to make purchases and sales on a first come first served basis.
- The Firm attempts to aggregate ALL purchases or sales of securities for client accounts upon any new transaction that is made on behalf of the Firm's Clients.
  - A new transaction is any transaction that establishes or repositions the investment portfolios.



- If the Firm cannot aggregate the purchases or sales, then the Firm utilizes the first letter of a name if it is a company or the first letter of the last name if it is an individual client to provide an order in which the purchases or sales will be made. The Firm changes the order upon each new transaction. For instance, if the A through Z sequence was utilized for a previous purchase or sale, then the Z through A sequence would be utilized for the next transaction. The Firm believes this provides an orderly and fair process.
- If the Firm is not able to aggregate the purchase or sale of securities, then there may be varying cost incurred by the Firm's Clients due to where the client lies along the A through Z sequence. As such, the cost to the client with a last name that starts with the letter Z could vary significantly from the cost to the client with a last name that starts with the letter A. Therefore, the Firm changes the order for purchases and sales execution for every new transaction that cannot be aggregated in order to attempt to establish a fair dealing order flow process.
- There is no guarantee that the Firm will achieve its' fair dealing order flow process, however, the Firm does have procedures in place to attempt to achieve it.
- The Firm does not accept or use soft dollar benefits.

#### **Item 13 - Review of Accounts**

- The Firm reviews the accounts of Clients on a daily basis.
  - The Firm conducts this process in order to ensure that all transactions are completed as per the Firm's investment strategy and that the performance of the account is meeting the established return threshold.
- Clients have access to their respective accounts on a 24 hour 7 day a week basis.
- On a monthly basis, the Firm provides a hard copy that details all of the transactions associated with a Clients respective account.

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

- The Firm does not offer any monetary benefits, gifts or other compensation for client referrals
- The Firm does not offer, provide or accept other compensation.

#### **Item 15 – Custody**

- The Firm utilizes a qualified third party custodian.
- A qualified custodian is defined in the Investment Advisers Act of 1940 in Section 202(a) (2).
- The Firm provides safekeeping of client funds and securities by using a qualified third party custodian that has been selected after proper due diligence and research by the Firm for integrity, ethical conduct, insurance, and technology for safekeeping of client funds or securities.
- The Firm complies with the custody of funds requirements in the Investment Advisers Act of 1940.
- The Firm will not accept any client funds in the form of cash.
- The Firm will not hold any client funds in the form of a check over night.
  - Any check will be sent to a qualified third party custodian immediately
    - Checks will be sent using Fed Ex or similar overnight delivery service directly to a qualified third party custodian.

- The Firm will verify that checks or securities sent to a qualified third party custodian were received within the next business day and deposited in the client's account correctly.
- If the Firm receives a check from a client in the evening and overnight delivery is not feasible the Firm will either not accept the check, or accept the check if a founder of the Firm reasonably believes it can be safeguarded until the following morning's mail by FedEx or similar overnight delivery service can be reached.
  - Accepting a check from a client without being able to immediately send it to a qualified third party custodian is the exception to the rule and will be highly discouraged by the Firm.

#### Notice to Clients

- If the Firm opens an account with a qualified custodian on a client's behalf the Firm will promptly notify the client in writing of the custodian's name, address, and the manner in which the funds or securities are maintained.
- The Firm will promptly notify the client if there are any changes to the aforementioned information.

#### Account Statements sent to client by qualified custodian

- The Firm requires that the qualified custodian send a complete and detailed monthly statement directly to the client.
- The Firm encourages the client to carefully and completely review all statements.
- The Firm encourages the client to contact the Firm or the qualified custodian regarding in questions they may have concerning their respective account statement.

#### **Item 16 - Investment Discretion**

- The Firm will exercise investment discretion over client accounts.
- The Firm's Clients, at all times, will have the ability to place the following limitations upon the discretionary control that the Firm can exercise over the Clients account.
  - The Firm's Clients, at all times, can place limitations on the types of investments the Firm can enter into on the Clients behalf.
  - The Firm's Clients, at all times, can place limitations on the amount of the Clients discretionary funds that can be invested by the Firm on the Client's behalf.
- The Firm will provide Clients with an investment advisory agreement giving the Firm discretion to manage the client's account per the investment strategy being offered by the Firm and agreed to by the client.

#### **Item 17 - Voting Client Securities**

- The Firm will not have or accept the voting rights of client securities.
- The Firm will direct the custodian to mail any proxies or other solicitations directly to the Clients mailing address.
- The Firm will not provide any guidance regarding any proxies or solicitations received by the client from the custodian.

- The Firm's Clients may contact the Firm primarily via the Firm's online website, via phone, email, or regular mail regarding any questions they may have related to a particular solicitation. The Firm will, under its best efforts, direct the client to a source that may be able to further assist the client regarding any questions related to a specific solicitation.

#### **Item 18 - Financial Information**

- The Firm does not require or solicit fees in prepayment of advisory services. Please refer to Item 6 of this brochure.
- The Firm does exercise discretionary authority over client accounts.
  - The Firm does not have any condition that would impair the Firm's ability to meet contractual obligations to Clients.

#### **Item 19 - Requirements for State-Registered Advisers**

- Henry Rolling is the founder of RESOURCE CAPITAL MANAGEMENT, LLC an investment development and investment management Firm. From 2005 to the present, Rolling has been working within the financial investment industry. By leveraging his past programming experience, Rolling has developed various financial algorithms that are utilized for the development of equity, options and other securities based portfolios.

#### *Rolling holds the following degrees and licenses*

- Bachelors in Economics
- Masters of Science in Economics – MS Economics
- Masters in Business Administration – MBA
- Masters of Science in Finance – MS Finance
  - Graduate Student of the Year
- BETA GAMMA SIGMA
- Series 65 License
- Real Estate Broker (Inactive)
- Property Management (Inactive)

#### *Business & Finance Experience*

##### **Resource Capital Management, LLC**

- Rolling has 10 + years of experience Trading Derivatives - Options
- Rolling has 20 + years Trading Equity and Bond Securities
- Rolling formed Resource Capital Management, LLC in 2009 as an investment advisory company. Rolling has managed the company since its inception
- In 2009, Rolling developed and employed the following financial algorithms:
  - **The RCM Directional Trading Strategy Algorithm** The RCM DTS Algorithm utilizes statistical analysis and probabilities to determine when to enter and exit a trade. The RCM DTS algorithm was developed utilizing the BGU and BGZ ETFs which are tied directly to the S&P 500 however the algorithm can be utilized to analyze any security. The algorithm utilizes the directional change of the S&P 500 as a determinant of which ETF to trade. The development process for the RCM DTS algorithm took approximately 9 months.
  - **The RCM Option Trading Strategy Algorithm** The RCM OTS Algorithm utilizes statistical analysis and probabilities to determine when to enter an option trade. The RCM OTS algorithm was developed utilizing the BGU and BGZ ETF options however the algorithm can be utilized to analyze any option. The algorithm utilizes the time remaining to expiration and the DELTA

of the option as the entry point of the trade. The development process for the RCM OTS algorithm took approximately 3 months and takes advantage of the algorithm programming of the RCM DTS.

- **The RCM Complex Option Investment Strategy Algorithm** The RCM COIS Algorithm utilizes the premiums of the strike prices to determine when to initiate an investment. The RCM COIS Algorithm was developed utilizing the RUT option chain however the algorithm can be utilized to analyze the option chain of any security. The algorithm analyzes the entire option chain and then filters out and identifies the investment opportunity that exists at any given point in time along the entire option chain. The development process of the RCM COIS Algorithm took approximately 4 months and takes advantage of the algorithm programming of the RCM OTS.

#### Resource Investments, Inc.

- Rolling formed Resource Investments, Inc. in 2008. The company was formed to develop complex financial algorithms in order to construct equally weighted equity based portfolios that could consistently outperform the selected benchmarks, S&P 500, the Russell Index 1000
- Rolling developed and then programmed the financial algorithms utilizing VBA and C++.
- Developed and employed the RCM Quantitative Financial Model (RCM BHTS)
  - Development time for the RCM Quantitative Financial Model was approximately 14 months. The Financial Model was tested utilizing twenty five years (1985 – 2009) of fundamental financial data obtained from FACTSET. The impetus for the development of Financial Model, was to develop methods to simultaneously and systematically analyze all relevant financial measures, such as ROE, ROA, P/E ratios, Market CAP, etc., that influenced stock returns. The primary objective, of the Financial Model is to provide a method to develop diversified stock portfolios that are comprised of companies that are performing at the top of their respective sectors and industries based on fundamental financial data analysis.
- Utilize the RCM Quantitative Financial Model to develop diversified stock portfolios comprised of 55 to 65 large cap companies at the beginning of each year
- Readjust portfolio composition at the end of each year utilizing the RCM Quantitative Financial Model to identify which companies should be included in the RCM Value Portfolio
- Purchase equities on an equally weighted basis

#### CEO and Founder of Game Company

- Prepared and submitted all SB-2 disclosure documents to the Securities and Exchange Commission to clear the company for listing.
- Prepared and submitted all accounting statements associated with the SB-2 to the Securities and Exchange Commission.
- Prepared and submitted all registration documents with the NASD to list the company for trading.

#### Redrock Valley Ranch, LLC

- Founder, Manager and Member of Redrock Valley Ranch, LLC
- Secured \$7 million in financing to purchase water rights and property
- Negotiated contract to sell water rights to public utility company for \$35,000 per acre foot: Market Value of water rights \$45.2 million

#### Firm Compensation

- The Firm charges a 1% annual management fee that is charge in arrears on a monthly basis. The Firm is compensated for its services, provided in accordance with the terms of the Investment Advisory Agreement in such manner and amount as may be agreed to by the Client and Advisor and set forth

in Schedule A of the Firm's Investment Advisory Agreement and provided and disclosed at the end of this section. One twelfth of the annualized fee shall be billed monthly in arrears to the Client, based on the average market value, utilizing the closing business day of each week in that month. Market value, as reported by the Custodian, including accrued income, will be determinative for the purpose of calculating fees. Any deposits or withdrawals initiated by the Client during the billing quarter shall be prorated to the effective date. Such amount shall be the sole compensation owing by reason of investment advisory services under this Agreement. The fee for services for any period less than a full calendar monthly period will be pro-rated on a daily basis on the annualized fee for the period and on the market value of the portfolio as described on the final date of such period. Advisor shall provide the Client with full disclosure of direct and indirect fees, commissions, penalties, and other compensation, including reimbursement for expenses that may be paid by or on behalf of the Advisor in connection with the provision of services to the Client. Manager shall update the disclosure promptly after a modification of those payments or an additional payment. The following table disclosed the Firm's management fee schedule:

#### MANAGEMENT FEE SHCHEDULE

Annual Management Fee:	1.00%
The following discloses how the Annual Management Fee will be charged in arrears on a monthly basis:	
Monthly Management Fee Charged in Arrears:	
January	0.0833%
February	0.0833%
March	0.0833%
April	0.0833%
May	0.0833%
June	0.0833%
July	0.0833%
August	0.0833%
September	0.0833%
October	0.0833%
November	0.0833%
December	0.0833%
Total Annual Management Fee	1.00%

- The Firm's management fee is negotiable.

#### Firm Performance Fees

*The following is an example of how the Firm calculates its performance based compensation*

- Firm and Client agree upon a 10% performance based threshold (annual basis)
- Firm receives 20% of the net return exceeding the performance threshold of 10% (annual basis)
  - Firm's investment advisory services produce 15% annual return

- Firm compensation calculation:
  - $\text{Return} - \text{Threshold Return} = \text{Net Return}$ 
    - $15\% - 10\% = 5\%$
  - $\text{Net Return} * 20\% = \text{Firm Compensation}$ 
    - $5\% * 20\% = 1\%$
- It is Important to note that performance based compensation can potentially create a conflict of interest since higher compensation is directly related to higher returns. This could lead to taking riskier investments which may carry a higher degree of risk for a client.
- The Firm's performance fees are negotiable.