



## **Raven Rock Capital Management, LLC**

55 Vilcom Center Drive, Suite 240  
Chapel Hill, NC  
27514  
United States of America  
Tel: 919 442 5220  
[www.ravenrockcapital.com](http://www.ravenrockcapital.com)

**January 31<sup>st</sup>, 2014**

This Brochure (the "Brochure") provides information about the qualifications and business practices of Raven Rock Capital Management, LLC ("Raven Rock", "Adviser", or "we"). If you have any questions about the contents of this Brochure, please contact us via telephone at 919 442 5226 or send an email to [rgodfrey@rrhedge.com](mailto:rgodfrey@rrhedge.com). 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. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

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

## Item 2- Material Changes

This Brochure dated January 31<sup>st</sup> 2014 has been prepared in accordance with the SEC's 2011 rule requiring investment advisers to provide new and prospective clients with a Brochure and Brochure supplement. As such, this Brochure is structured differently from our prior Brochure dated January 2013, which was prepared in accordance with the Brochure rule that existed prior to March 2011. In the future, this Item 2 will identify and discuss material changes from the prior version of the Brochure, and will provide the date of the last annual update of the Brochure.

You will receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year. We may provide other ongoing disclosure information about material changes, as necessary.

We will further provide you with a new Brochure as needed, based on changes or new information.

**Item 1- Cover Page**

**Item 2- Material Changes**

**Item 3- Table of Contents**

**Item 4- Advisory Business**

- 4.A Advisory Firm Description**
- 4.B Types of Advisory Services**
- 4.C Client Investment Objectives/Restrictions**
- 4.D Wrap Fee Programs**
- 4.E Assets Under Management as of 1/31/2014**

**Item 5- Fees and Compensation**

- 5.A Adviser Compensation**
- 5.B Direct Billing of Advisory Fees**
- 5.C Other Non-Advisory Fees**
- 5.D Advance Payment of Fees**
- 5.E Compensation for Sale of Securities or Other Investment Products**

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

**Item 7- Type of Clients**

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

- 8.A Methods of Analysis and Investment Strategies**
- 8.B Material Risks of Investment Strategies**
- 8.C Material Risks of Securities Used in Investment Strategies**

**Item 9- Disciplinary Information**

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

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

**Item 12- Brokerage Practices**

**Item 13- Review of Accounts**

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

**Item 15- Custody**

**Item 16- Investment Discretion**

**Item 17- Voting Client Securities**

**Item 18- Financial Information**

**18.A Advance Payment of Fees**

**18.B Financial Condition**

**18.C No Bankruptcy Proceedings**

**Brochure Supplement**

## **Item 4- Advisory Business**

### **4.A Advisory Firm Description**

Raven Rock Capital Management, LLC was formed in 2009 and focuses primarily on the investment management of corporate fixed income securities in North America, including high yield bonds, convertible bonds and other related securities. Raven Rock is an investment manager that provides discretionary investment management services to Private Funds and to institutional separately managed accounts. These two classes of accounts will be referred to collectively in this Brochure as “Clients”. Raven Rock’s corporate and convertible bond investments are typically non-investment grade and are subject to credit, liquidity, market value, interest rate and other risks.

Raven Rock Capital Management, LLC and its affiliated entity Raven Rock Capital, LLC are partnerships organized in Delaware. The managing members of Raven Rock are Nate Brown, Guy Caplan and Bobby Richardson, who each own in excess of 25% of both Raven Rock entities. Biographies of the three managing members are presented in Part 2B of this Brochure. Three other members complete the ownership of the Raven Rock entities. Andy Ferguson, Rich Godfrey and Tom Loughrey each own 10% or less of the Raven Rock entities. The total ownership interest of all six partners combined comprises the total 100% ownership of Raven Rock. The ownership interest percentages are the same in both Raven Rock entities. Raven Rock has no parent or subsidiaries.

### **4.B Types of Advisory Services**

Raven Rock employs investment strategies that are focused on the North American corporate credit markets. The Raven Rock team previously worked together managing a hedge fund that specialized in convertible arbitrage. The Raven Rock investment strategy includes both convertible arbitrage (“Relative Value”) and high yield bonds (“Directional Credit”).

### **4.C Client Investment Objectives/Restrictions**

Raven Rock acts as an investment adviser to multiple Clients. Raven Rock manages each Client’s portfolio according to the Client’s investment strategy and objectives as outlined in their respective organizational document or investment management agreement. While Clients choose Raven Rock as an investment manager based on our fixed-income and credit expertise, they can impose reasonable investment restrictions based on their individual investment objectives. Some Clients may seek to invest with Raven Rock on a long-only, non-

levered basis, or engage Raven Rock to sub-advise a portfolio whose regulatory scheme otherwise limits leverage. Other clients may require us to manage industry, sector or issuer exposure within their account to pre-defined limits.

#### **4.D Wrap Fee Programs**

Raven Rock does not participate in wrap fee programs.

#### **4.E Assets Under Management as of 1/31/2014**

As of the 31st of January, 2014 Raven Rock managed a total of approximately USD 426,400,000 on behalf of clients, the whole of which is managed on a discretionary basis.

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

#### **5.A Adviser Compensation**

Raven Rock's fees are described below and detailed in the private placement memorandum (in the case of the Private Funds) or applicable investment management agreement (in the case of institutional separately managed accounts). Raven Rock negotiates fees for investment advisory services with each institutional Client on an individual basis.

Fees may change over time and, as discussed below, different fee schedules may apply to different types of Clients, strategies and advisory arrangements. Fees may be negotiated on a basis different from Raven Rock's stated fee schedules. If circumstances warrant, we can waive or reduce the fees charged to a particular Client.

The amount, timing, and type of fees charged, and the manner in which fees are calculated, are determined through negotiations with Clients. Accordingly, there may be differences in fees paid by certain clients based on a variety of factors. The nature and extent of the investment advisory services to be rendered and the size of the managed account influence the negotiation of fee schedules between Raven Rock and our Clients.

Management fees for the Private Funds are 1.50% annually of client assets under management, calculated and paid monthly in advance.

Management fees for the institutional separately managed accounts range between 0.60% and 1.25% annually of client assets under management. Clients calculate and pay fees to us monthly in arrears, but we can accommodate alternative schedules.

In the event that additional assets are placed under management during the calendar month, Raven Rock will charge management fees on a pro rata basis.

The Private Funds, and some of the institutional separately managed accounts, also provide for performance fees or incentive allocations, and those arrangements are detailed in Section 6 of this Brochure, titled “Performance-Based Fees and Side-By-Side Management”.

## **5.B Direct Billing of Advisory Fees**

Raven Rock deducts management and performance fees from client assets in the case of the Private Funds, according to the provisions of their respective private placement memorandums. In this way and only for this reason, Raven Rock is deemed to have “custody” of Client assets. Investors in the Raven Rock Private Funds receive audited GAAP-compliant financial statements within 120 days of the funds’ financial year end. These arrangements are described further in Section 15 of this Brochure, titled “Custody”.

Clients of institutional separately management accounts perform their own calculations of management fees earned by Raven Rock, which we review. Once we agree on the fee calculations, such Clients pay fees directly to Raven Rock.

## **5.C Other Non-Advisory Fees**

Raven Rock’s management fee is exclusive of brokerage commissions, transaction fees, financing and stock loan charges, and other related costs which may be incurred by the Client. Clients can incur additional charges imposed by custodians, brokers, fund administrators, auditors, and other third parties. A Client’s portfolio may include positions in exchange traded funds which may also charge a management fee.

Section 12 of this Brochure, titled “Selection of Broker/Dealers”, further describes the factors that Raven Rock considers in selecting or recommending broker-dealers for Client transactions and determining their reasonable compensation, such as commissions or mark ups.

## **5.D Advance Payment of Fees**

Raven Rock deducts management fees from Private Fund client assets monthly in advance as described in Section 5A of this Brochure, titled “Adviser Compensation”, and according to the funds’ private placement memorandums.

Institutional separate account Clients can elect to be billed either in advance or in arrears. Fees are normally based on the level of total assets under management (including cash, securities, and accrued income), as of the last business day of the prior calendar month, but they can also be calculated as the average asset valuation for each day of the prior month. The precise method of computation is detailed in each investment management contract and Raven Rock agrees these details in advance of the commencement of any particular mandate. Typically, Clients may terminate Investment management agreements with prior written notice to Raven Rock. Customarily such termination clauses provide 30 days prior written notice from the Client, but the final details are specified in the relevant agreement. In the event that an advisory contract is terminated prior to the conclusion of a billing period, Raven Rock will refund a pro rata portion of any pre-paid fees, or if billed arrears, bill the account pro-rata based on the date of termination.

#### **5.E Compensation for Sale of Securities or Other Investment Products**

Raven Rock team members neither seek nor accept compensation for the sale of securities or other investment products.

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

Raven Rock accepts performance based fees from several of our institutional separately managed accounts and from the Private Funds that we manage. Not all Clients pay performance fees. This presents a conflict of interest because there is an incentive for the Raven Rock team to favor the accounts with performance fees over the accounts without performances fees.

Our fiduciary duty to all Clients is paramount and therefore Raven Rock has procedures in place to ensure that trades are allocated fairly among Clients. These procedures include documentation of allocation decisions at the time of the trade by our traders and portfolio managers. The Chief Compliance Officer reviews these records and monitors these decisions. In many cases, Raven Rock will aggregate (“bunch”) transactions on behalf of Client accounts, as described in Item 12 of this Brochure titles “Brokerage Practices”. We seek to allocate investment opportunities to all participating Clients in a fair and equitable manner over time, consistent with each Client’s investment guidelines, restrictions, leverage position or cash availability.

The Private Funds incur certain research and data expenses in accordance with the provisions of their private placement memorandums. These services are also used by Raven Rock to manage our institutional separately managed account Clients.



In an effort to maintain an equitable distribution of research and data expenses, and with consideration for our fiduciary duty to all Clients, Raven Rock reimburses the Private Funds for a portion of these expenses. We review this policy regularly at the quarterly Compliance Committee meetings.

## **Item 7- Type of Clients**

Raven Rock provides discretionary investment advisory services to individuals, charitable and taxable trusts, pensions, pooled accounts, foundations, and corporations in the case of the Private Funds, and to other institutional investment managers in the case of the separately managed accounts.

The minimum investment into the Raven Rock Private Funds is \$500,000. Investors in the Private Funds must meet the eligibility criteria of “Qualified Purchaser” as defined in the Investment Company Act of 1940. The complete list of such criteria is presented in the subscription documents for each Raven Rock Private Fund. For example, an individual must own at least \$5,000,000 in investments, and an institution must control in excess of \$25,000,000 in assets.

The minimum amount required to establish a separately managed account is generally \$10,000,000, but Raven Rock may reduce the minimum requirement for certain accounts.

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

### **8.A Methods of Analysis and Investment Strategies**

Investing in securities involves risk of loss that Clients should be prepared to bear.

Raven Rock manages portfolios of North American corporate bonds. The portfolios are primarily composed of non-investment grade convertible bonds and high yield bonds. The fund employs two investment strategies: “Directional Credit” and “Relative Value”.

Directional Credit investments involve taking long or short positions in individual corporate bonds. Predominately, these directional credit positions are long exposures.

Relative Value investments involve a long position in one security combined with a short position in a different, but related security, often from the same company’s capital structure. These positions are designed to profit from pricing inefficiencies between the two securities. Many of our Relative Value positions employ an investment strategy called convertible arbitrage, which involves initiating a long position in a convertible security while

simultaneously initiating a short position in the underlying equity security that the convertible security can be exchanged into.

We employ two types of analysis to execute our investment strategies.

- Fundamental credit analysis involves reviewing financial statements to understand the general financial health of a company. Our assessment of a company's financial health helps us to estimate the company's ability to service their future debt maturities. The probability of default is a major determinant of the value of a company's bonds.
- Security analysis involves comparing a security's valuation relative to other similar securities in the marketplace. Actively selecting undervalued securities comprises a significant part of our investment return.

## **8.B Material Risks of Investment Strategies**

Raven Rock's investment strategies entail risks, some of which are described below.

### **Market Risk**

Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of the operational success of the issuer or its financial condition. The primary example of market risk for our strategies is a general widening of credit spreads, which can have a particular impact on our Directional Credit high yield bond positions.

### **Basis risk**

Relative Value investment strategies involve risk that the components of the position will not perform as expected. These positions attempt to exploit relative mispricings among related securities. Mispricings, even if correctly identified, may not be corrected by the market, at least within a timeframe over which it is feasible to maintain the position. A convertible bond can remain at "cheap" levels compared to its theoretical value for numerous reasons.

### **Liquidity risk**

Certain markets in which we may invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns. There can

be no assurance that Raven Rock will be able to identify or successfully pursue attractive investment opportunities in such environments.

During periods of limited liquidity and higher price volatility, our ability to acquire or dispose of an investment at a price and time that we deem advantageous may be impaired.

#### **Borrow Risk**

The availability of stock to borrow affects our ability to short stock for convertible arbitrage positions. If we are unable to borrow stock for a potential short position, we will be unable to set up a hedged convertible arbitrage position. Also, even if we are able to locate stock to borrow for a short position, the cost to borrow stock for certain “hard-to-borrow” issuers can have a negative effect on the price of the issuer’s convertible securities.

#### **Financing Risk**

We employ leverage for some of our Clients. For these Clients, investment returns are affected by changes in the cost of capital.

More detailed information regarding the specific strategies that may be used within a particular fund and the risk entailed in such strategies is set forth in the confidential offering memorandums for the Private Funds.

### **8.C Material Risks of Securities Used in Investment Strategies**

The securities that Raven Rock trades in the implementation of our investment strategies entail risks, some of which are described below.

#### **Default Risk**

An issuer of debt securities may fail to make interest payments and repay principal when due. Changes in an issuer’s financial strength or in a security’s credit rating may affect a security’s value. If an issuing company is unable to pay back the bond principal due upon maturity, bondholders could see a significant loss of value on their position.

#### **Interest Rate Risk**

Bond prices can change if the overall interest rates in the market change. Typically, if interest rates increase, bond prices decrease. A rapid or unexpected rise in interest rates could result in losses for bondholders. In general, fixed income securities with longer maturities are more sensitive to changes in interest rates.

**Technical risk**

Corporate bonds trade over-the-counter, and their prices are determined by supply and demand. In a market environment where there are more sellers than buyers, bond prices may move lower. In the high yield bond market, this would manifest itself in the form of wider credit spreads. In the convertible bond market, we would witness increasing “cheapness” to theoretical value.

**Prepayment or Call Risk**

The issuer of a debt security may prepay or call the debt, in whole or in part, prior to the security’s maturity date. We may be unable to reinvest the proceeds in a security of equivalent quality or paying a similar yield or coupon.

More detailed information regarding the specific securities that may be used when we implement our strategies, and the risk entailed in such securities is set forth in the confidential offering memorandums for the Private Funds.

**Item 9- Disciplinary Information**

Raven Rock is required to report any legal or disciplinary events that may be material to your evaluation of our firm or the integrity of our management. We have no such events to report.

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

As described in Section 4 of this Brochure, titled “Advisory Firm Description”, all of the partners of Raven Rock Capital Management, LLC are also partners in the affiliated entity Raven Rock Capital, LLC, which is the General Partner and sponsor of our Private Funds.

None of our partners is affiliated with any other financial or professional entity of any type. All of our partners are required by the Raven Rock partnership agreement to dedicate all of their professional attention to our business. We do not recommend or select other investment advisers for our clients.

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

Raven Rock strives to adhere to the highest industry standards of integrity, professionalism and trust. To this end we have adopted a Code of Ethics (the “Code”). The Code requires our partners to comply with all applicable federal securities laws, place the interests of our clients first, avoid conflicts of interest, not take inappropriate advantage of our position, adhere to

certain restrictions with respect to the receipt and giving of gifts and safeguard confidential information.

The Code places restrictions on the personal trading of partners, including disclosure to Raven Rock's Chief Compliance Officer and our Compliance Committee of our personal securities holdings and transactions on a periodic basis and obtaining pre-clearance for certain personal securities transactions. Training is provided for employees with respect to the Code and their duties under it. On an annual basis, each Raven Rock partner must certify that he has read and that he understands the Code, that he has complied with its provisions and that he has disclosed, pre-cleared and reported all transactions in securities consistent with the requirements of the Code. The Compliance Committee reviews personal trading records at its quarterly meetings. We also have a separate privacy policy designed to protect the security, confidentiality, and integrity of non-public, personal information of our Clients and an insider trading policy designed to prevent the misuse of material, nonpublic information by Raven Rock and its partners.

We will provide a complete copy of the Code to any Client or prospective Client upon request. Should you wish to receive a copy, please direct your request to Rich Godfrey, Chief Compliance Officer by telephone at (919) 442 5226 or send an email to [rgodfrey@rrhedge.com](mailto:rgodfrey@rrhedge.com).

## **Item 12- Brokerage Practices**

Raven Rock places all orders for the purchase or sale of securities with the primary objective of obtaining the best execution from responsible broker-dealers. We insist on a high standard of quality regarding execution services and we deal only with broker-dealers that can meet that standard. Raven Rock also places value on broker-dealers who are able to provide a market for the types of securities that we trade, and that deliver useful research and brokerage assistance.

In selecting broker-dealers to execute securities trades for Client accounts, Raven Rock seeks to comply with our fiduciary duty to obtain best execution. We take into account several relevant factors, including: (a) the price of the security, (b) the transaction cost, (c) the execution capabilities required by the transaction, and (d) the reputation and financial condition of the broker-dealer. In general, Raven Rock's starting point for determining whether best execution is received is an evaluation of market availability for the security we plan to purchase or sell. We compare published markets ("levels") and observed trades by other participants across a range of broker-dealers in comparable securities, depending upon the nature of the product and the market. As experienced fixed-income managers and traders, we recognize that the nature of over-the-counter ("OTC") bond trading will affect the

execution capability of a broker-dealer. In evaluating execution capability, we may consider market conditions for a particular security, the size and type of transaction, the quantity of primary markets that are checked, the broker-dealer's reputation and their observed ability to execute on published levels.

The best net price, including commissions, spreads and other costs, is normally an important factor in this decision, but several of other factors are considered as they are deemed relevant. In applying these factors we recognize that different broker-dealers may have varying execution capabilities with respect to different types of securities.

The majority of Raven Rock's transactions are the purchase and sale of corporate bonds and other fixed income instruments. The selections of the agent, dealer or selling party will depend in large part upon the availability from such agent, dealer or other party of the corporate bond selected for purchase or sale. Corporate and convertible bonds are sometimes only available for purchase from a single source at any given moment in time. Where multiple sellers exist we will generally transact with the broker who is judged to be able to execute at the best price. Other discretionary factors that we may consider are the speed of execution in fast markets, confidentiality, operational capabilities, counterparty credit quality, and the broker's reputation for integrity. Most of these transactions take place in OTC markets which tend to be less transparent than equity markets. Further, transactions take place among a relatively small universe of trading partners, and the availability of bonds can be limited. Raven Rock has spent a significant amount of time and effort to develop a network of contacts within fixed income broker-dealers. These contacts are critical in our efforts to access the best prices and availability of bonds for our Clients.

Although constant evaluation of these factors is an integral part of the activity on our trading desk, Raven Rock also formally evaluates and reviews its best execution practices and procedures at quarterly meetings of the Compliance Committee. During the course of this review, Raven Rock evaluates the criteria for selecting broker-dealers and we review trade placement, service quality, commissions paid and alternative means of execution.

Raven Rock does not receive research from brokers in return for generating commissions for such brokers ("soft dollars") but we do sometimes receive standard unsolicited materials such as research reports. From time to time personnel of Raven Rock attend research conferences or similar functions sponsored by broker-dealers and financial institutions that are widely attended by other investment advisers and which afford the opportunity to meet with the management of the companies in which we invest.

Raven Rock does not maintain referral arrangements for any broker-dealer. We select counterparties to trades based on the best execution factors described above and do not accept Client directed brokerage at the transactional level.

In certain cases, Clients may require Raven Rock to execute all the trades for their account from a sub-set of the existing brokerage relationships that we maintain. In such cases, Clients can provide us with a list of approved brokers. This arrangement is documented in the investment management agreement and we will accommodate such requests.

In such cases however Raven Rock will inform our Client that the limitations requested are likely to reduce the availability of certain investment opportunities for that Client, result in less favorable prices and increase transaction costs.

Raven Rock seeks to allocate investment opportunities to Clients in a fair and equitable manner over time in an attempt to create a well-constructed portfolio, while adhering to the Client's investment objectives and restrictions. Our Clients have varying investment restrictions as a result of their regulatory considerations, investment guidelines, availability of cash or buying power, and risk tolerances.

The ability to aggregate orders and transact larger size trades, often in round lots such as to the nearest million, or half million, often benefits all clients since these are the preferred trading lot sizes of the liquidity-providing broker-dealer participants in the OTC markets. While in many cases we allocate such aggregated trades on a pro-rata basis with reference to each Client's capital amount, this is sometimes not possible. Our traders and portfolio managers note such deviations from pro-rata allocations at the time of trade on Raven Rock's trade tickets, and our Chief Compliance Officer reviews these records periodically to ensure consistency with fair and equitable treatment over time.

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

Raven Rock's investment team monitors investments held in the various portfolios by means of a daily portfolio position and exposure report. Each member of the Raven Rock team receives this report every morning and they refer to it continually throughout the day in the performance of their various duties.

Raven Rock evaluates the suitability of new investments for each Raven Rock Client account, and our orders are placed accordingly. Upon execution the team makes a final allocation decision.

Raven Rock has formed an Investment Committee comprised of the three managing members in their capacities as Head of Trading, Head of Research, and Chief Risk Officer. The Investment Committee meets weekly to review Client accounts. They may also meet more frequently throughout the trading day to review Client account trading activity and investment opportunities, general market conditions, observed trading activity by other market participants and other matters.

With respect to our Private Funds, the administrator produces monthly statements of capital balances and distributes these statements to Private Fund clients. Raven Rock may also disseminate more frequent estimates of Private Fund portfolio performance, transactions and holdings intra-month if requested by a Private Fund Client.

Clients of institutional separately managed accounts will generally obtain reporting related to the positions and performance of the funds we manage on their behalf from their own custodians or fund administrators. Raven Rock makes available to each Client's service providers whatever information as may be necessary in order to facilitate this reporting.

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

Raven Rock has entered into solicitation agreements with unaffiliated entities that are compensated for client referrals. This compensation is a portion of the revenue generated by such referrals and therefore a percentage of the management and, if applicable, performance fees that Raven Rock earns from the referral. Unaffiliated solicitors may seek to introduce clients to the Raven Rock Private Funds, or to introduce us to institutional Clients for the purposes of establishing a separately managed account. Solicitation fees paid to such entities are made subject to the written agreements in place between us and the particular solicitor. Clients who are referred to us through such arrangements will receive a copy of this Brochure, and disclosure from the solicitor describing the terms of their compensation.

#### **Item 15- Custody**

Raven Rock does not have physical custody of any assets, either for our Private Funds or institutional separately managed accounts.

Institutional Clients who engage us to manage separate accounts should ensure that they receive account statements from their custodians at least quarterly and preferably much more frequently. Raven Rock can and will make available to such Clients whatever information may be necessary in order to facilitate reconciliations between our records and those of the custodian.

Because Raven Rock deducts fees from the Private Funds according to the procedures described in each Funds' private placement memorandums, in these relationships and only for this reason we are deemed to have custody of such assets. Clients of the Private Funds will receive audited financial statements that conform with GAAP and that have been prepared by an accredited independent public accountant within 120 days of the Private Fund's year end.



## Item 16- Investment Discretion

Clients retain Raven Rock on a discretionary basis and we are authorized to make the following determinations in accordance with the Client's specified investment objectives without Client consultation or consent before a transaction is effected:

- Which securities to buy or sell.
- The total amount of securities to buy or sell.
- The broker-dealer through which securities are bought or sold.
- The commission rates at which securities transactions for Client accounts are affected.
- The prices at which securities are to be bought or sold, which may include dealer spreads or mark-ups and transaction costs.

Investments for separately managed Client accounts are managed in accordance with each Client's stated investment objectives, strategies, restrictions, and guidelines.

Raven Rock assumes discretion over the account upon execution of the advisory agreement with the Client and upon notification from the custodian that account has been funded and is ready to trade.

## Item 17- Voting Client Securities

By virtue of Raven Rock's investment strategies and the techniques that we employ to implement them, we rarely maintain long positions in listed equities in Client accounts. However, in the instances that Client funds have such holdings, we recognize our fiduciary responsibility to vote proxies solely in the best interests of our Clients with the overall goal of maximizing the growth of its Clients' assets. Toward that end, Raven Rock has developed proxy voting guidelines which the Director of Research uses to vote proxies for securities that may be held in Client accounts.

Raven Rock will vote proxies in furtherance of maximizing the short-term value of securities in respect of which proxies are solicited in most cases. We consider each proxy proposal on its own merits, and we make an independent determination as to the advisability of supporting or opposing management's position. Raven Rock believes that the recommendations of management should be given substantial weight, but we will not support management proposals that we believe are detrimental to maximizing the short-term value of its Clients' positions.

Our policy is that we would usually oppose proposals that dilute the economic interest of shareholders, reduce shareholders' voting rights or otherwise limit their authority. With respect to takeover offers, Raven Rock would normally vote for the merger, acquisition or leveraged buy-out if the offer approaches or exceeds the value estimate.

Any Client may obtain a copy of Raven Rock's complete proxy voting policy as well as information regarding how Client portfolio shares were voted by contacting Rich Godfrey at (919) 442 5226

## **Item 18- Financial Information**

### **18.A Advance Payment of Fees**

Raven Rock does not require or solicit prepayment of fees from Clients six months or more in advance. Please refer to item 5.D of this Brochure, titled "Advance Payment of Fees", for more details.

### **18.B Financial Condition**

Raven Rock has no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients.

### **18.C No Bankruptcy Proceedings**

Raven Rock has not been the subject of a bankruptcy proceeding.