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**February 2017**

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**THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF RARITAN VALLEY CAPITAL MANAGEMENT LLC. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT 908-232-5693. THE INFORMATION IN THIS BROCHURE HAS NOT BEEN APPROVED OR VERIFIED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR BY ANY STATE SECURITIES AUTHORITY. ADDITIONAL INFORMATION ABOUT RARITAN VALLEY CAPITAL MANAGEMENT LLC ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT [WWW.ADVISERINFO.SEC.GOV](http://WWW.ADVISERINFO.SEC.GOV). REGISTRATION AS AN INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING.**

## ITEM 2 - MATERIAL CHANGES AND GENERAL INFORMATION

### Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

### Material Change

The brochure was last updated March 23, 2016. The only material change since that date was:

- the Chief Compliance Officer of Raritan Valley Capital Management LLC changed to Jeffrey Sassoon during January 2017

### Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us at 908-367-5690.

## ITEM 3 - TABLE OF CONTENTS

### Contents

ITEM 1 – COVER PAGE.....	1
ITEM 2 - MATERIAL CHANGES AND GENERAL INFORMATION .....	2
Annual Update .....	2
Material Change.....	2
Full Brochure Available .....	2
ITEM 3 - TABLE OF CONTENTS .....	3
ITEM 4 - ADVISORY BUSINESS.....	4
ITEM 5 - FEES AND COMPENSATION .....	5
ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	6
ITEM 7 - TYPES OF CLIENTS .....	7
ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	8
ITEM 9 - DISCIPLINARY INFORMATION .....	12
ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	13
ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING. ....	15
ITEM 12 - BROKERAGE PRACTICES.....	16
ITEM 13 - REVIEW OF ACCOUNTS.....	17
ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION.....	18
ITEM 15 - CUSTODY.....	18
ITEM 16- INVESTMENT DISCRETION.....	18
ITEM 17 - VOTING CLIENT SECURITIES.....	19
ITEM 18 - FINANCIAL INFORMATION.....	20

## ITEM 4 - ADVISORY BUSINESS

Raritan Valley Capital Management LLC (“RVCM”) is a Delaware limited liability company and was formed on September 24, 2014. RVCM is managed by QTrade Holdings L.P. and is wholly owned by QTrade Holdings L.P., which is principally owned by the Friedman Investment Trust (for which Barry Friedman and Brad Shalit act as co-trustees), through its ownership in JAHSB Investments LLC; Derrick Kaiser; and Llewellyn Jones.

RVCM currently offers its discretionary investment management services to a single private investment fund (the “Client”), but may in the future offer its services to one or more other clients, including other private investment funds, registered investment companies and/or separately managed client accounts. The terms, nature and scope of such advisory services may be negotiated by RVCM and the applicable client, based on the client’s specific financial and investment objectives, risks and goals.

RVCM’s strategy utilizes algorithmic trading models primarily to trade the U.S. equities markets, while using equity index futures contracts to hedge its clients’ exposure. The specific investment objectives and strategies utilized by RVCM are described in the section “*Methods of Analysis, Investment Strategies and Risk of Loss*”, later in this Brochure.

As of November 30, 2016, RVCM had regulatory assets under management of \$130,000,000.00 managed on a discretionary basis.

## ITEM 5 - FEES AND COMPENSATION

The Client pays RVCN a performance-based fee and also pays RVCN a monthly management fee of an agreed upon dollar amount, which is meant to reimburse RVCN for identified expenses incurred, and a portion of shared resources of QTrade (as defined below) utilized, by RVCN in rendering advisory services on behalf of the Client.

The amount of these fees and reimbursements was negotiated between the Client and RVCN, and is set out in the investment management agreement (IMA) between the Client and RVCN. These fees and reimbursements may not reflect the fees or other costs that would be borne by other clients in the future. The types and amounts of fees payable in respect of a client of RVCN will be set forth in an IMA between RVCN and the applicable client and may be negotiated based on a variety of factors, including, but not limited to, the size, composition and complexity of the client's account, length and nature of RVCN's relationship with the client, special services agreed upon with the client or other factors deemed relevant by RVCN. As RVCN has only a single client, and this brochure is intended to be delivered solely to "qualified purchasers," as such term is defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, RVCN is not required to publish a fee schedule in this brochure.

**Other Fees and Expenses.** RVCN's clients will incur other expenses in connection with RVCN's advisory services. RVCN's fees do not include transaction fees, brokerage commissions, custody fees and other related costs and expenses that will be incurred by clients with respect to the transactions for their account.

**Prepayment of Expenses.** The Client has agreed to prepay a specified dollar amount to RVCN as of the first day of each month during the term of its IMA with RVCN to cover certain agreed-upon expenses. As agreed upon between the Client and RVCN, reimbursements for actual expenses incurred are not refundable.

## ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

RVCM only has a single client, which pays RVCM a performance-based fee.

As compensation for its advisory services to the Client, RVCM is entitled to receive a performance based fee, as agreed between RVCM and the Client. This performance-based compensation is calculated by the Client and payable annually as of the end of each year.

The amount of the performance-based fee was negotiated between the Client and RVCM, and is set out in the IMA between the Client and RVCM. These fees may not reflect the fees or other costs that would be borne by other clients in the future. The amount and payment terms associated with any such fee may be subject to negotiation between RVCM and the client, as described above. See *"Fees and Compensation."*

## ITEM 7 - TYPES OF CLIENTS

RVCM currently provides investment advice exclusively to an account of a single private investment fund operated by a third-party asset manager. The Client is operated in reliance upon the exclusion from the definition of an “investment company” described in Section 3(c)(7) of the 1940 Act.

In order to qualify for this exclusion, investment in the Client is generally limited to U.S. persons who are “qualified purchasers,” as defined in Section 2(a)(51) of the 1940 Act, as well as non-U.S. persons and certain “knowledgeable employees” of the fund and/or fund manager. In general, the definition of “qualified purchaser” includes individuals with \$5,000,000 or more in “investments” (as defined by the SEC) and entities with \$25,000,000 or more in “investments,” as well as certain other specified categories of investors.

In the future, RVCM may determine to offer investment advisory services to various types of clients, including, but not limited to, high-net worth individuals, trusts and estates, institutional investors, corporations, private funds operated by RVCM or other third parties, registered investment companies and other business entities.

## ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

RVCM seeks to take advantage of opportunities primarily in the U.S. equities markets using its proprietary quantitative models, while seeking to hedge its market exposure using equity index futures contracts. RVCM's trading approach generally employs statistical arbitrage, providing liquidity to markets and seeking to maximize portfolio return while taking into account portfolio risk and transaction costs. RVCM will collect and perform research on historical data in an effort to establish optimal trading parameters. RVCM will seek to trade a broad universe of NMS-listed securities, and expects that approximately 2-3,000 securities will pass its filters and requirements, based on a combination of liquidity, risk, correlation, industry, and other metrics.

RVCM's trading is expected to be primarily algorithmic, with the determinations to trade in and out of positions being automated in the ordinary course, taking into account real-time data. RVCM's trading positions are generally expected to be held for a period of several days, although more frequent turnover is possible. RVCM uses the following risk management procedures:

- Risk management is conducted on a real-time basis, with monitoring by RVCM's trading desk personnel.
- As an additional layer of control, RVCM uses a quantitative approach to portfolio risk management, by way of a third-party risk management software tool, measuring and controlling multiple sources of risk, including market risk, factor risk and liquidity risk.
- The Client monitors the account and dictates the risk parameters as defined in the IMA. The client as a managed account has the authority to manage the level of risk in the account.

RVCM reconciles positions on a daily basis after each trading day's close, prior to each trading day's open, as well as periodically throughout the trading day.

### Methods of Analysis

RVCM relies on a combination of quantitative analysis, internally generated alphas, and external market data obtained via subscription, in making investment decisions on behalf of the Client. RVCM's Portfolio Managers, Paul Kornfeld and Ilya Lisansky, manage the research and analysis functions on behalf of RVCM.

### Certain Risk Factors.

The identification of attractive investment opportunities is difficult and involves a significant degree of uncertainty. Potential clients should consider the following risks before engaging RVCM to manage their assets.

**Equity Securities.** RVCM trades in equity securities on behalf of its clients. Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available after making interest, dividend and any other required payments on more senior securities of the issuer. The value of equity securities may fluctuate in response to specific situations for



each company, industry market conditions and general economic environments. RVCM may acquire long and short positions in listed common and preferred equities of issuers domiciled in developed countries.

RVCM may invest in equity securities regardless of market capitalization, including micro- and small-cap companies. The securities of smaller companies may involve more risk and their prices may be subject to more volatility. RVCM may also invest in distressed equity securities, which are generally considered to be riskier, speculative and relatively illiquid.

**Exchange-Traded Funds (“ETFs”).** RVCM may invest in ETFs, both long and short, on behalf of its clients. ETFs are funds that track a particular basket or index of securities traded on a public exchange. ETF investments are subject to the risks arising from the portfolio of underlying stocks, including market and issuer risks, but may also present certain unique risks. It is possible for the value of ETFs to fall or to rise more slowly than the stock market as a whole even when stock prices in general are rising. In addition, the fees and expenses charged by such ETFs result in an additional level of fees and greater expense to clients than would be associated with direct investment.

**Commodities and Futures Trading.** RVCM invests in equity index futures products for hedging purposes on behalf of its clients. Equity index futures are generally settled only in cash based on the value of the underlying composite index. Futures prices may be highly volatile, and can be influenced by a wide range of macro- and micro-economic variables. Futures trading also is subject to various regulatory limitations, including limitations on the maximum net long or net short positions that any trader (such as RVCM) may hold or control in particular futures contracts and limitations on daily price movements, which could limit RVCM’s ability to trade futures on behalf of its clients under certain circumstances. Because futures contracts are typically traded on “margin”—meaning that only a small portion of the total value of the futures contract must be posted with a broker to establish a futures position—a comparatively small commitment of cash or its equivalent may permit trading in futures contracts of substantially great value. As a result, price fluctuations may result in a contract profit or loss that is disproportionate to the amount of funds deposited as margin.

**Effectiveness of Risk Reduction Techniques.** RVCM may employ various risk reduction strategies designed to minimize the risk of its trading positions taken on behalf of client accounts. A substantial risk remains, nonetheless, that such strategies will not always be possible to implement and when possible will not always be effective in limiting losses. If RVCM analyzes market conditions incorrectly, or employs a risk reduction strategy that does not correlate well with RVCM’s investments on behalf of its clients, such risk reduction techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return. These risk reduction techniques may also increase the volatility of client accounts and/or result in a loss if the counterparty to the transaction does not perform as promised.

**Market Neutral Strategies.** The use of “market neutral” or “relative value” hedging or arbitrage strategies should in no respect be taken to imply that RVCM’s strategy is without risk. Substantial losses may be recognized on “hedge” or “arbitrage” positions, and illiquidity and default on one side of a position can effectively result in the position being transformed into an outright speculation. Every market neutral or relative value strategy involves exposure to some second order risk of the market, such as the price spread between different classes of stock for the same underlying issuer.

**General Risks of Arbitrage Transactions.** RVCN's investments for its clients are expected to be based on statistical arbitrage strategies. The success of arbitrage strategies depends often on the ability to execute two or more simultaneous transactions at desired prices. Should such transactions not be executed simultaneously at the desired prices, losses may be incurred on both sides of the transaction.

Additionally, separate costs are incurred on both sides of an arbitrage transaction, and substantial favorable price moves may be required before a profit can be realized. There can be no assurances that the hedging and arbitrage strategies used by RVCN will be successful. The market values of related financial instruments may not move in correlation with each other or in ways anticipated by RVCN, and intervening events may cause hedged positions not to perform as anticipated. A hedged position may perform less favorably in generally rising markets than an unhedged position.

**Leverage.** The low margin and collateral deposits required to trade equity index futures may permit an extremely high degree of leverage. In addition, RVCN may utilize broker-provided financing in its trading on behalf of clients. The degree of leverage that RVCN may utilize may not be limited to any predetermined level, but will be subject to applicable legal, regulatory or broker imposed leverage limitations, to the extent applicable. As a result of trading with a high degree of leverage, a relatively small price movement in a financial instrument's price may result in immediate and substantial losses to clients, and could result in the mandatory liquidation of certain positions if margin requirements are not satisfied. If a client is in a leveraged position, any losses would be more pronounced than if leverage were not used and, under particularly adverse circumstances, could exceed the client's capital under RVCN's management.

**Turnover.** Capital of RVCN's clients may be invested on the basis of short-term market considerations. The portfolio turnover rate of those investments may be significant, potentially involving substantial brokerage commissions and fees. These commissions and fees will reduce the applicable client's profits.

**Short Sales.** A short sale involves the sale of a financial instrument that a client does not own in the expectation of purchasing the same financial instrument (or a financial instrument exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, RVCN, on behalf of the client, often must borrow the financial instrument, and the client is obligated to return the financial instrument to the lender, which is accomplished by a later purchase of the financial instrument by the client's account. When a client makes a short sale of a financial instrument on a U.S. exchange, it must leave the proceeds thereof with a broker and it must also deposit with a broker an amount of cash or U.S. Government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. A short sale involves the risk of a theoretically unlimited increase in the market price of the financial instrument and a corresponding loss to the client. The extent to which RVCN engages in short sales on behalf of clients depends upon its investment strategy and perception of market direction. RVCN does not necessarily have a policy limiting the amount of capital it may deposit to collateralize clients' obligations to replace borrowed financial instruments sold short.

**Reliance on Fundamental Analysis.** RVCN may base its trading decisions, in whole or in part, on fundamental analysis. Fundamental trading methodologies consider factors, such as inflation, trade balances, inventories and interest rates, which do not have an impact on traditional technical trading systems, in an attempt to identify investment opportunities. To the extent that such factors provide mixed or conflicting signals, a fundamental trading program may not be able to detect and/or accurately

predict price trends. There can be no guarantee that RVCМ's fundamental analysis and trading methodologies will enable RVCМ to accurately value the securities and other instruments in which any client account advised by RVCМ invests or that any anticipated price trends will materialize with respect to such investments.

**Reliance on Quantitative Analysis.** RVCМ's investment strategies rely upon quantitative models and systems. Such models and systems may entail the use of sophisticated statistical calculations and complex computer systems, and there is no assurance that RVCМ will be successful in carrying out such calculations correctly or that the use of these quantitative models and systems will not expose clients to the risk of significant losses. In addition, the analytical techniques used by RVCМ cannot provide any assurance that clients will not be exposed to the risk of significant trading losses if the underlying patterns that form the basis for the quantitative models and systems employed by RVCМ change in ways not anticipated by RVCМ. The effectiveness of quantitative models and systems may diminish over time, and attempts to apply existing quantitative models and systems to new or different markets, strategies or financial products may prove ineffective.

To the extent that information regarding RVCМ's positions or trades becomes or is required to be made publicly available, there is a material risk that other market participants may seek to reverse engineer RVCМ's quantitative investment strategies from such public information. The use of RVCМ's investment strategies by other persons, whether as a result of reverse engineering, "front-running" or other actions, may have a material adverse effect on the performance of RVCМ's strategies.

**Reliance on Qualitative Analysis.** RVCМ's investment strategies may additionally rely upon qualitative analysis. RVCМ subjectively evaluates non-quantifiable factors, including quality of management, industry cycles, labor relations and strength of research and development not readily subject to measurement, and seeks to predict changes to value based on that data. To the extent that such factors provide mixed or conflicting signals, a qualitative analysis may not be able to detect and/or accurately predict price trends. There can be no guarantee that RVCМ's subjective judgment will enable RVCМ to accurately value securities and other instruments or anticipate price trends.

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**Investment in securities and other financial instruments involves certain significant investment risks, including loss of an investor's entire investment. The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with RVCМ's investment programs or an investment in any fund or account advised by RVCМ. Prospective clients and investors must consult their own advisers before deciding whether to make such an investment.**

## ITEM 9 - DISCIPLINARY INFORMATION

RVCM is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of RVCM or the integrity of RVCM's management.

RVCM and its principals have not been the subject of any material legal proceeding required to be disclosed in response to this item.

The Firm has no history of material disciplinary action. The Firm and its employees have not been involved in legal or disciplinary events.

The Firm has no criminal or civil actions in a domestic, foreign or military court of competent jurisdiction.

The Firm has no administrative proceedings before the SEC or any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

The Firm has no self-regulatory organization proceedings.

## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

RVCM is a wholly-owned subsidiary of QTrade Holdings L.P., a Delaware limited partnership, which has various subsidiaries and affiliates, including QTrade Capital Partners LLC, a New Jersey limited liability company, XYZ Financial Markets LLC, a New Jersey limited liability company, and QTrade Technologies LLC, a Delaware limited liability company. QTrade Capital Partners, LLC ( "QTrade") operates as a proprietary trading firm that implements high turnover statistical arbitrage strategies in various financial instruments.

RVCM's Portfolio Managers, Paul Kornfeld and Ilya Lisansky, are generally responsible for overseeing, developing and implementing the trading strategies used by RVCM on behalf of its clients, independently from the trading strategies developed and implemented for QTrade's proprietary trading operations. However, personnel of QTrade assist the portfolio managers in programming the trading algorithms utilized by RVCM and also provide administrative and back-office services (such as operational, information technology, risk management and accounting services) to both firms. In addition, Barry Friedman, the Chief Executive Officer of QTrade Holdings L.P., is involved in RVCM's business operations, compliance and corporate direction, but is not involved in day-to-day algorithm research and development. Jeffrey Sassoon, the Chief Operating Officer, Chief Financial Officer and Chief Compliance Officer of QTrade Holdings L.P., provides compliance, risk management and operational support to RVCM, and is also not involved in day-to-day algorithm research and development.

RVCM at all times retains independent investment discretion over its clients' assets, including determination of the investments to be made on behalf of its clients and the timing and price of transactions in their respective portfolios.

The sharing of personnel and resources between RVCM and QTrade creates certain potential conflicts of interest, as it could enable each firm to use investment information generated by personnel of the other firm to the disadvantage of the other firm or, if applicable, its clients (for example, by acting on an investment opportunity identified by the other firm, and thereby adversely impacting the price or availability of the opportunity for the other firm). Further, because of the overlap in beneficial ownership between RVCM and QTrade, principals of the firms could have an incentive to direct investment opportunities to QTrade (rather than RVCM) based upon the relative income generated by the opportunity (and, indirectly, received by such principals), rather than considering the appropriateness of the opportunities for the firms (or, in the case of RVCM, its clients).

RVCM and QTrade seek to address this potential conflict of interest in several ways. First, RVCM employs independent Portfolio Managers whose compensation is derived solely from RVCM's performance (and not the performance of QTrade) and who have no involvement in the formulation of QTrade's investment strategies, reducing the portfolio manager's incentive to share trading information with QTrade to the detriment of RVCM clients. Second, both firms employ separate algorithmic trading systems, including independent servers, independent market data feeds, independent 15c3-5 risk gateways, and independent order entry ports to the exchanges, such that the two firms will never intentionally interact with each other. Additionally, the chance of unintentional interaction is decreased due to the firms' differing investment holding horizons as well as the fact that both are primarily providing liquidity. Finally, the markets in which RVCM trades are generally liquid, public markets, and therefore it is not anticipated that the firms will regularly be in competition with one another for limited investment opportunities.

**Other Clients.** Although RVCN and its affiliates may manage investments on behalf of a number of accounts, investment decisions and allocations will not necessarily be made in parallel among all such accounts. Other accounts managed by RVCN, QTrade or their respective principals or affiliates may make investments and utilize investment strategies that may not be made or utilized by RVCN on behalf of all (or any) of its clients, and may take positions that are opposite those of all or some clients.

Accordingly, the various accounts managed by RVCN, QTrade and their respective principals and affiliates may produce results that are materially different from those experienced by a particular client, and the records of any investment management activities that RVCN, QTrade and their respective principals and affiliates may engage in on behalf of such other accounts will not be available to any such client.

**Other Activities of RVCN and Related Persons.** As described above, certain key personnel of QTrade are also involved in the operations of RVCN. Although these individuals are expected to commit an appropriate amount of their business efforts to RVCN, they are not required to devote all of their time to the affairs of RVCN or of a particular client.

RVCN, QTrade, and the principals and affiliates of RVCN and QTrade, may engage in, invest in, participate in or otherwise enter into other business ventures of any kind, nature or description, alone or with others, including, without limitation, the management of or investment in other investment or trading accounts, entities or vehicles, and clients shall have no right in or to any such activities or the income or profits derived therefrom.

QTrade, and the principals and affiliates of RVCN and QTrade, may invest and trade for their own accounts, including in securities which are the same as or different or opposite from those traded or held by clients. As a result, QTrade, and the principals and affiliates of RVCN and QTrade, may from time to time have proprietary investments in securities in which a client may take a position, may trade and invest simultaneously with clients and may take investment positions that are different or opposite from the positions taken by clients. As a result, conflicts of interest may arise between clients and QTrade or the principals or affiliates of RVCN or QTrade with respect to matters such as the allocation of investment opportunities, purchases and sales of securities in connection with particular trading situations and allocation of personnel, resources and expenses. The records of trading by QTrade and the principals and affiliates of QTrade and RVCN generally will not be made available to clients, except to the extent required by law. However, trading by principals and personnel of RVCN will be subject to RVCN's Code of Ethics and personal trading policy, as described below in "*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*," which seeks to mitigate the conflicts described above. Among other things, RVCN's Code of Ethics requires employees to pre-clear certain securities transactions for their personal accounts with appropriate personnel of RVCN.

## ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

RVCM has adopted a code of ethics ("Code of Ethics") for all supervised persons of RVCM describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, and personal securities trading procedures, among other things. All supervised persons at RVCM must acknowledge the terms of the Code of Ethics annually, or as amended. Clients or prospective clients may request a copy of RVCM's Code of Ethics by contacting Jeffrey Sassoon at [Jeffrey.Sassoon@raritanvalleycapital.com](mailto:Jeffrey.Sassoon@raritanvalleycapital.com).

As a matter of policy, RVCM does not knowingly cause clients to effect transactions in which such client purchases securities or other instruments from, or sells securities or other instruments to, RVCM or its principals or affiliates (i.e., principal trades) or another client (i.e., cross trades), or in which one of RVCM's affiliates acts as broker for both RVCM's client and the other party to the transaction (i.e., agency cross transactions).

RVCM may, in appropriate circumstances when deemed consistent with a client's investment objectives, cause such client to purchase or sell securities in which QTrade, RVCM and/or their principals or affiliates, directly or indirectly, have a position or interest. See *"Other Financial Industry Activities and Affiliations – Other Activities of RVCM and Related Persons."*

RVCM's employees and persons associated with RVCM are required to follow RVCM's Code of Ethics. Subject to satisfying this policy, certain restrictions, and applicable laws, officers, directors and employees of RVCM and its affiliates may be permitted to trade for their own accounts in securities which are recommended to and/or purchased for clients, as described above in *"Other Financial Industry Activities and Affiliations."* The Code of Ethics is designed to assure that the personal transactions, activities and interests of the employees of RVCM will not interfere with (i) making decisions in the best interest of clients and (ii) implementing such decisions while at the same time allowing employees to invest for their own accounts.

The Code of Ethics requires pre-clearance of certain transactions for the personal securities accounts of RVCM's "access persons" by appropriate personnel of RVCM, and requires that the interests of clients be placed ahead of those of RVCM employees in their personal trading. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is regularly monitored under the Code of Ethics, in an effort to prevent conflicts of interest between RVCM and its clients.

## ITEM 12 - BROKERAGE PRACTICES

RVCM does not currently select the brokers to be utilized by the Client, and instead will execute trades on behalf of the Client through the brokers agreed upon with the Client, which brokers may be recommended by RVCM. Brokerage arrangements and responsibility for the selection of brokers (as between RVCM and the client) generally will be determined pursuant to the IMA for such client's account.

Where RVCM recommends brokers to a client, RVCM may not adhere to any rigid formulae in making the recommendation, but will weigh a combination of criteria consistent with its obligation to seek "best execution" for its clients. In selecting brokers to execute transactions, RVCM need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Brokers will be recommended generally on the basis of best execution, which may be determined by considering, in addition to price and commission rates, other factors including research capabilities, success of prior research recommendations, ability to execute trades, nature and frequency of sales coverage, depth of services provided, including back office and processing capabilities, financial stability and responsibility, reputation, commission rates, responsiveness to RVCM and the value of research and brokerage products and services provided by such brokers. The determinative factor is not the lowest possible commission cost alone.

**Research and Other Soft Dollar Benefits/Brokerage for Client Referrals.** RVCM currently does not have any soft dollar arrangements with brokers, whereby it receives research or other products or services other than execution in connection with client securities transactions. In addition, RVCM does not consider, in recommending or selecting brokers, whether RVCM or any related person of RVCM receives client referrals from such broker or a third-party.

Consistent with obtaining best execution for clients, RVCM may in the future engage in such soft dollar arrangements, provided that such arrangements are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment RVCM's own internal research and investment strategy capabilities.

**Directed Brokerage.** In certain cases, RVCM may permit its clients to direct RVCM to use a particular broker for trading on the client's behalf. In such cases, RVCM may be unable to achieve most favorable execution of the client's transactions, which could result in the client paying higher commissions on its trades.

**Aggregation and Allocation of Client Orders/Investments.** As RVCM has only a single advisory client, it does not engage in the allocation of client orders. Should RVCM accept additional clients in the future, it intends to establish procedures for the aggregation of client orders at such time.



## ITEM 13 - REVIEW OF ACCOUNTS

**Account Reviews.** The Client has engaged a third-party fund administrator to provide day-to-day administrative and bookkeeping services to the Client. RVCN conducts daily trade reviews and reconciliations of the positions held by the Client compared to the records of the Client's brokers. These reviews are conducted by RVCN's Portfolio Managers, Paul Kornfeld and Ilya Lisansky, and its Chief Executive Officer, Barry Friedman. Procedures for the review of other client accounts will be determined at the time of engagement.

**Client Reporting.** RVCN furnishes written daily trade reports to the Client's third-party administrator. Reporting obligations with respect to other client accounts will be determined at the time of engagement.

## ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

RVCM currently has no arrangements whereby it receives an economic benefit from any person who is not a client for providing investment advice or other advisory services to clients, and does not directly or indirectly compensate any third-parties for client referrals.

## ITEM 15 - CUSTODY

RVCM does not have custody of the funds or securities of the Client. Should RVCM accept custody of client assets in the future, it intends to establish procedures for compliance with Rule 206(4)-2 of the Advisers Act at such time.

## ITEM 16 - INVESTMENT DISCRETION

RVCM exercises discretionary authority over a designated account (or accounts) owned by the Client, which will be granted at the outset of the advisory relationship under the terms of the Client's IMA with RVCM. This agreement grants a power of attorney in favor of RVCM to select the identity and amount of any investments to be bought or sold for the designated account(s) of the Client; however, such discretion is to be exercised in a manner consistent with the stated investment objectives and restrictions included in the IMA.

## ITEM 17 - VOTING CLIENT SECURITIES

RVCM holds the authority to vote proxies on behalf of the Client; however, it is generally not RVCM's practice to vote such proxies, as it is RVCM's view that the outcome of such corporate decisions related to the financial instruments in which the Client invests typically does not materially impact the implementation of RVCM's investment strategies. RVCM may decide to vote a proxy on behalf of a client based on a cost benefit analysis. Although RVCM does not generally vote, the Client may exercise its right to vote. The Client may request a copy of RVCM's proxy voting policies and procedures relating to the Client and information about how RVCM voted any proxies on behalf of the Client by contacting Jeffrey Sassoon at (908) 367-5690.

## ITEM 18 - FINANCIAL INFORMATION

RVCM is required to provide certain financial information or disclosures about its financial condition. RVCM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its clients, and has not been the subject of a bankruptcy proceeding.

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