

Part 2A of Form ADV: Firm Brochure  
Item 1 Cover Page

**Rosecliff Capital Advisory LLC**

767 5<sup>th</sup> Avenue  
New York, New York 10153

This brochure provides information about the qualifications and business practices of Rosecliff Capital Advisory LLC. If you have any questions about the contents of this brochure, please contact us at (212) 621-9643 and/or [eichner@rosecliffcapital.com](mailto:eichner@rosecliffcapital.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Additional information about Rosecliff Capital Advisory LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching the firm's CRD No. 305951.

Rosecliff Capital Advisory LLC's registration as an investment adviser does not imply a certain level of skill or training.

Effective Date: April 28, 2021

## Item 2 Material Changes

### Summary of Material Changes

This disclosure brochure (“Brochure”), dated April 28, 2021 provides you with a summary of Rosecliff Capital Advisory LLC’s (“Rosecliff Capital”, the “Firm”, “Adviser”, “us”, “our” or “we”) advisory services, fees, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item 2 provides a summary of any material changes made to the Firm’s Brochure since the Firm’s prior filings, which were dated (i) December 25, 2020, and (ii) March 31, 2021, and help clients determine if they want to review this Brochure in its entirety, or contact the Firm with questions about the changes:

- *Material changes were made to our Brochure dated December 25, 2020, specifically in Item 5 (Fees and Compensation), Item 8 (Risk of Loss), Item 11 (Participation or Interest in Client Transactions and Personal Trading), and Item 12 (Brokerage Practices).*
- *This Brochure also amends our prior Brochure dated March 31, 2021, specifically in Item 5 (Fees and Compensation) and to update our regulatory assets under management as of March 31, 2021.*

A complete copy of our current Form ADV Part 2A and/or 2B may be requested free of charge by contacting us by telephone at (212) 621-9643 or email at [eichner@rosecliffcapital.com](mailto:eichner@rosecliffcapital.com).

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## Item 4 Advisory Business

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### **FIRM DESCRIPTION**

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Rosecliff Capital Advisory LLC is a New York Limited Liability company with its principal office located in New York, New York. The founder, sole owner and Managing Member of the firm is Michael Caso. The Firm's Chief Compliance Officer is Stewart Eichner.

As an investment adviser registered with the U.S. Securities and Exchange Commission (the "SEC"), we are a fiduciary to you, our client, meaning we have a fundamental obligation to act and provide investment advice that is in your best interest. Should any material conflicts of interest exist that might affect the impartiality of our investment advice, they will be disclosed to you in this Brochure. We urge you to review this Brochure carefully and consider our qualifications, business practices and the nature of our advisory services before becoming our client.

Our assets under management as of March 31, 2021 is \$31,786,478. Clients may request more current information at any time by contacting our firm.

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### **ADVISORY PROGRAMS**

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We provide discretionary investment management and financial planning services to our clients, who are individuals, high net worth clients, pensions and profit-sharing plans, trusts, estates, charitable organizations and other entities. In connection with our advisory services, we provide advice with respect to a broad range of asset classes, including, but not limited to, equities (common stocks and equivalents), warrants, mutual funds, exchange traded funds, and fixed income instruments. Our advice is generally limited to these types of investments, but we reserve the right to advise or not advise our clients on certain investments should we deem it appropriate based on their particular circumstances.

Through personal discussions in which goals and objectives based on a client's particular circumstances are established, our advisory services are tailored to the needs of our clients based on their individual investment objectives, risk tolerance, cash or income needs, and any investment restrictions. Although we seek to accommodate any reasonable investment restrictions or guidelines set by our clients, we may decline to accommodate certain investment restrictions that are incompatible with our investment philosophy or that may have an adverse effect on our ability to manage your account. Assets are allocated/reallocated on an ongoing basis to assure that any portfolio matches the client's risk tolerance, investment objectives and the selected investment strategy. Portfolios are designed to meet individual client objectives using a variety of investments. Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

We enter into formal written agreements with our clients setting forth the terms and conditions under which we will provide our advisory (the “Investment Management Agreement”) or financial planning services (the “Financial Planning Agreement”). The Investment Management Agreement and Financial Planning Agreement each sets forth the scope of the services to be provided and the compensation we receive from the client for such services. The Investment Management Agreement and Financial Planning Agreement may be terminated by either party in writing at any time by giving thirty (30) days signed written notice to the other party. Additional terms, conditions and representations are found in our client agreements.

Our advisory services are offered through certain individuals who are associated with Rosecliff Capital as our investment adviser representatives (“advisors”).

Our advisors offer the advisory service described below to our clients:

**Investment Management.** Rosecliff Capital provides investment management services in which clients grant our firm the ability to utilize discretion in managing the Client’s investment account. Specifically, the client grants our firm full power to direct, manage, and change the investment and reinvestment of the assets in the account, the proceeds and any additions. Our authority over the client’s investments includes discretionary authority to purchase and sell securities for the client’s account, to submit aggregated trade orders for the client and others in order to obtain best execution, and to give instructions concerning these transactions to the qualified custodian with which the client’s account(s) are held. We are not required to first consult with the client before placing any specific order or obtain specific authorization from the client for each specific transaction. We receive discretionary authority from our clients through our Investment Management Agreement at the outset of our advisory relationship. We do not manage accounts on a non-discretionary basis.

**Wrap Fee Programs.** We are the sponsor and portfolio manager for the Rosecliff Capital Advisory Program, listed on our Form ADV Part 1, Schedule D. Wrap fee programs offer comprehensive advisory and brokerage services for a single “wrap fee” based on a percentage of assets under management.

Clients should carefully review our Form ADV Part 2A, Appendix 1 (the “Wrap Brochure”) regarding wrap fee program terms, conditions and fees, and consider the potential advantages and disadvantages and overall appropriateness of the program in light of their particular circumstances, including whether the total cost of participating in the program would exceed the aggregate cost if the services were provided separately.

**Financial Planning Services.** We may also provide a complimentary financial plan to certain prospective clients who are considering engaging our firm for investment management services. The financial planning services are offered to certain clients as part of our investment management service, at no additional charge, and include investment implementation. We would provide financial planning and consulting services where an advisor will work with clients to review their current financial position, stated goals and objectives and make

recommendations on how clients can manage their financial resources based on an analysis of their individual needs. Recommendations may be in the form of a written financial plan or a verbal consultation based on the type of engagement. The client is under no obligation to act upon their advisor's recommendations. If the client elects to act on any of our recommendations, the client is under no obligation to affect their transactions through our firm.

Any recommendations made by us as part of our financial planning services are not limited to any specific product or service offered by any particular broker-dealer or insurance company.

Clients should understand that information related to tax and legal consequences that is provided as part of the financial plan is for informative purposes only and should not be considered tax or legal advice. Clients should contact their tax and/or legal advisor for personalized advice.

**Important Note:** We will not assume any responsibility for the accuracy of the information provided by the client. We are not obligated to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. It is the client's responsibility to ensure that we are promptly notified if there are ever any significant changes to their financial situation, goals, objectives or needs so we can review our previous recommendations and make any necessary adjustments.

## Item 5 Fees and Compensation

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### ADVISORY FEES

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The following information describes how we are compensated for the investment advisory and financial planning services we provide to our clients. The specific manner in which fees are charged and the compensation we receive may differ between clients depending upon the individual Investment Management Agreement and/or Financial Planning Agreement with each client. We reserve the right to negotiate our compensation with clients depending on the scope of our advisory relationship. We believe that our fees are competitive, however, clients should be aware that we may charge higher or lower fees than are available from other firms for comparable services. We have the general discretion to waive all or a portion of our fees, but typically only exercises this discretion for our employees.

**Investment Management Fees.** In consideration for providing investment management services and pursuant to the Investment Management Agreement with the client, we charge an annual asset-based fee of up to 1.75% based on the client's assets under management ("AUM") as valued by the client's qualified custodian. Fees are negotiated with each client based on a variety of factors, such as the amount of assets being managed, future deposits to the accounts under our management, the level and type of services provided and/or the nature of the relationship with the client.

Our asset-based fees are generally billed on a quarterly basis in arrears, based on the account's daily balance. In order to have our fees deducted from their accounts, clients must authorize the deduction of our fees from their managed accounts by the qualified custodian and choose the method by which our fees will be calculated. Clients may elect to have our advisory fees calculated by our firm or the qualified custodian and deducted from their accounts. The client makes this election when applying for their account at the qualified custodian or at any time or cancel the existing arrangement. All fees will be supported by an invoice to the client itemizing the fee as provided by the client's qualified custodian. It is the client's (not the custodian's) responsibility to ensure that fees are calculated correctly.

**Wrap Fee Program Fees.** Please review the relevant Form ADV Part 2A, Appendix 1 or program brochure (the "Wrap Brochure") regarding wrap fee program fees.

**Additional Fees and Expenses.** For those of our clients who do not participate in our wrap fee program, our fees are exclusive of brokerage commissions, transaction fees, custodial fees and other related costs and expenses which may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment management and other third parties such as deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and ETFs also charge internal management fees and operating fees, which are disclosed in a mutual fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to the Firm's fee(s), and the Firm does not receive any portion of these commissions, fees, and costs. If the mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the investment management services provided by our Firm which are designed, among other things, to assist the client in determining which mutual funds are most appropriate to each client's financial condition and objectives.

There are times when a margin account is used to purchase securities for clients. Using margin is not suitable for all investors; the use of margin increases leverage in a client's account and therefore increases overall risk. In addition, clients with margin accounts will be charged margin interest by the brokerage firm on the debit balance in their account. Buying securities on margin also subjects client to additional costs and risks that should be carefully considered before opening a margin account.

Please refer to Item 8 below for additional details on margin accounts.

Clients should review the fees being charged to their account(s) to fully understand the total amount of all fees being assessed. Clients should understand that lower fees for comparable services may be available from other investment advisory firms.

Please refer to the "Brokerage Practices" section (Item 12) of this Brochure for additional information.

**Termination.** The Investment Management Agreement or Financial Planning Agreement with our clients may be terminated by either party at any time upon thirty (30) days written notice. Upon termination of our status as the client's investment adviser, Rosecliff Capital will not take any further action with respect to the client's account(s) unless specifically notified by the client in writing. Clients will be responsible for instructing their custodian and monitoring their account for the final disposition of assets.

**Refunds.** Upon receipt of a proper notice of termination from the client, as described in the Investment Management Agreement, any earned unpaid fees will be billed on a pro-rata basis based on the amount of work performed by us up to the point of termination. For clients that pay in advance, we will calculate a pro-rata refund for the unearned portion (if any) of the fee. Prepaid and unearned fees are refunded within 30 days of the termination date.

**Brokerage Commissions.** We do not receive brokerage commissions from the sale of securities or other investment products. Our compensation for recommending securities and investment products is limited to the advisory fees described above.

Any material conflicts of interest between clients and us or our employees are disclosed in this Brochure. If at any time, additional material conflicts of interest develop, we will provide our clients with written notification of those material conflicts of interest or an updated Brochure.

## Item 6 Performance-Based Fees

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### PERFORMANCE BASED FEES

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We do not charge our clients performance-based fees (i.e., fees based on a share of capital gains on or capital appreciation of the assets in their accounts). Consequently, the Firm does not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as those based solely on accounts under management).

## Item 7 Types of Clients

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### TYPES OF CLIENTS

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We offer investment advisory services to a diversified group of clients including individuals, high net worth individuals, trusts, estates, charitable/non-profit organizations, and corporations and other entities. Client relationships may vary in scope depending on what type of account is selected.



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## ACCOUNT REQUIREMENTS

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We generally require a \$100,000 minimum account size. We may, in our sole discretion, raise or lower the minimum requirement with respect to certain clients.

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

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### METHODS OF ANALYSIS

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Rosecliff Capital generally conducts fundamental analysis in constructing portfolios for our clients. We invest based on a long-term perspective with the understanding that short-term anomalies may require adjustment on a shorter-term basis, utilizing fundamental analysis and an assessment of current market dynamics. Our decision making process is based on valuation, economic themes, trends, market psychology, and other factors. Our investment strategy is derived from combining individual analysis with monitored economic and market conditions on a macro level. We research individual assets while taking into account the bigger picture and adjust investment strategy accordingly. Our allocations may or may not include investing in single name equity securities, fixed income securities, exchange traded funds (“ETFs”), mutual funds (load and no load), options and other asset classes.

Our main sources of information include financial publications, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the SEC, and company press releases.

Our methods rely on the assumption that the companies whose securities we purchase and sell for our clients, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

**Fundamental analysis** concentrates on factors that determine a company’s value and expected future earnings and the economic factors that drive supply and demand for these securities. The fundamental analysis of a business involves analyzing its financial statements and health, management and competitive advantages, and competitors in the market. It also focuses on the overall state of the economy, interest rates, political environment, and other macroeconomic drivers. Fundamental analysis maintains that markets may misprice a security in the short run, but that the correct price will eventually be reached by the market.

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## **INVESTMENT STRATEGIES**

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Rosecliff Capital provides individuals and other types of clients with a wide array of investment advisory services. We work with each client to identify their investment goals and objectives as well as risk tolerance and financial situation to create a well tailored investment strategy. We will construct, implement and monitor the portfolios to meet the objectives and risk tolerance of each client.

Strategies may include both long and short position purchases comprised of equities, mutual funds, ETFs, and fixed income securities. We may utilize individual stocks, individual bonds and other types of investments, as appropriate, to meet the needs of specific clients. Our investment strategy is primarily long-term focused, but we may buy, sell or reallocate positions that have been held less than one year to meet the objectives of the client or due to market conditions. These strategies may include short-term purchases, trading, margin transactions, and option writing (including covered/uncovered and/or spreading strategies).

The investment strategy for a specific client is based upon the objectives and limitations stated by the client during our initial consultations. The client may change these objectives and limitations at any time. Risk management is integrated into our process through the use of appropriate risk levels on each portfolio. The value of securities used in our strategies may go up or down in response to factors not within our control, including but not limited to the status of an individual company underlying a security, or the general economic climate. When investing for client portfolios, we seek to maintain discipline and objectivity by focusing on the client's financial goals and objectives.

For some clients, it may be appropriate for them to invest in comingled privately offered funds. If we believe it is appropriate, we may recommend that a client invest in such a fund, which may be a fund offered and managed by an affiliate of ours (each, a "Fund"). In such cases, the client's consent will be secured prior to making an investment in a Fund; such consent may be evidenced by the client's execution of appropriate Fund subscription documents. In the event that a client invests assets from their account that we manage into a Fund offered by our affiliate, we would not charge any fees (including our asset management fee) on that portion of the client's account that has been utilized to capitalize their interest in the Fund, although any investment in a Fund will be subject to the fees and expenses charged by our affiliate to all unaffiliated limited partners.

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## **RISK OF LOSS**

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Any investment carries a certain degree of risk, including a possible loss of principal that clients should be prepared to bear. We ask our client to work with us to help us understand their tolerance for risk and let us know when any change has occurred. The value of securities used in all of our strategies may go up or down in response to factors not within our control, such as but not limited to the status of an individual company underlying a security, or the general economic

climate. There is no guarantee that any of the investment strategies that our firm employs will outperform the investment strategies used by other firms. Past performance is no guarantee of future results.

Risk management is integrated into our process through the use of appropriate risk levels on each portfolio, diversified allocation between assets and strategies, and when appropriate, limiting the risk of extreme market moves through hedges.

The investment risks described below may not be all-inclusive but should be considered carefully:

**Fundamental Analysis.** Fundamental analysis concentrates on factors that determine the long-run or equilibrium intrinsic value of securities. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value or that the perceived value was deficient, incomplete, or affected by unforeseen factors. Our methods rely on the assumption that the companies whose securities we purchase and sell for our clients, the rating agencies that review these securities (where applicable), and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

In addition to risks related to securities analysis, there are specific risks inherent to the types of securities our firm invests in. Our firm may invest in domestic equities, options, exchange traded funds, and fixed income, all of which may carry a variety of risks, as set forth here:

**Equities.** Equity, such as common stocks, represents ownership interest of the issuer. Equities can decline in value over short or extended periods as a result of changes in a company's financial condition. Additionally, market risk which is caused by external factors independent of a security's particular underlying circumstances such as changes in the overall market, and economic and political conditions may impact the prices of equity securities. Historically, the equity markets have moved in cycles, and the value of equity securities can fluctuate significantly from day-to-day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies can suffer a decline in response. These factors contribute to price volatility.

**Fixed Income.** Fixed income securities pay a predetermined amount of cash by the issuer to the security holder. A risk associated with fixed income is that the issuer may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater is the risk that the issuer will default on its obligation. If a rating agency gives a debt security a lower rating, the value of the debt security will decline because investors will demand a higher rate of return. As nominal interest rates rise, the value of fixed income securities is likely to decrease. The amount of decrease is more pronounced for higher duration fixed income (i.e. those making payments farther in the future). Higher duration fixed income will also typically exhibit higher price volatility. A nominal interest rate is the sum of a real interest rate and an

expected inflation rate, and as such, for fixed real rates, rising inflation may lower the value of fixed income securities in addition to eroding the purchasing power of the fixed payments.

**Options.** From time to time we may use options as part of an overall investment strategy (or, in certain instances when consistent with client investment objectives, as a primary investment strategy). An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives the holder the right to buy an asset at a certain price within a specific period of time.
- A put gives the holder the right to sell an asset at a certain price within a specific period of time.

Depending on investment strategy and client suitability, we may utilize options the following ways:

- To speculate on the possibility of a sharp price swing;
- To "hedge" a purchase of the underlying security; in other words, we will use an option purchases to limit the potential upside and downside of a security we have purchased for your portfolio;
- By selling an option on one or more securities held in a client's account (known as "covered calls". In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price; and
- To purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

Below are some of the main risks associated with investing in options:

- When writing covered call options to produce income for a client's account, there can be times when the underlying stock is "called" (call option contract exercised or assigned) by the investor that purchased the call option. That means you would be required to sell the underlying security at the exercise (pre-determined) price to that investor. Also, the option buyer does not have to exercise the option, so if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss.

- Clients are usually required to open a margin account in order to invest in options, which carries additional risks (see above for details) and would result in margin interest costs to the client.
- Stock option positions tend to be adversely affected by company specific issues (the issuer of the underlying security) which can include but are not limited to bankruptcy, insolvency, failing to file with regulatory bodies, being delisted, having trading halted or suspended, corporate reorganizations, asset sales, spin offs, stock splits, mergers and acquisitions.
- Market related actions, political issues, and economic issues may adversely affect the option market. These factors could restrict, halt, suspend, or terminate option positions written (sold) or purchased.
- Changes in value of the option do not always correlate with the underlying security/index, and the account could lose more than principal amount invested.
- Profits from price swings in option spreading strategies can be limited.

Options involve risk and are not suitable for all clients. Therefore, a client should read the option disclosure document, "Characteristics and Risks of Standardized Options", which can be obtained from any exchange on which options are traded, at [www.optionsclearing.com](http://www.optionsclearing.com), or by calling 1-888-OPTIONS, or by contacting your broker/custodian.

**Margin Transactions.** There are times when the use of margin (i.e., money borrowed from a brokerage account) may offer the potential to take advantage of a buying opportunity or where the purchase of certain types of securities, such as options require margin. Margin accounts will only be used where the client has opened an account that provides for such borrowing capacity. Margin accounts allow for the purchase of more stock than one would be able to buy with available cash and allows us to purchase stock without selling other holdings.

A risk in margin trading is that securities prices can fall very quickly. If the value of the securities in a margin account minus what is owed the broker falls below a certain level, the broker will issue a "margin call", and a client will be required to sell a position in the security purchased on margin or add more cash to the account.

Using margin is not suitable for all clients and there are a number of risks that clients should consider when deciding whether to open a margin account. It is important that each client fully understand the risks involved in trading securities on margin, which are applicable to any margin account that the client may maintain. These risks include, but are not limited to the following:

- A client can lose more assets than initially deposited in the margin account. A decline in the value of securities that are purchased on margin may require a client to provide

additional monies to the account to avoid the forced sale of those securities or other securities in your margin account.

- The brokerage firm can force the sale of securities in the account. If the equity in the account falls below the maintenance margin requirements under the law -or the brokerage firm's higher "house" requirements -the brokerage firm can sell the securities in the account to cover the margin deficiency. The client will also be responsible for any shortfall in the account after such a sale.
- The brokerage firm can sell securities in the account without contacting you, the client. Some mistakenly believe that a brokerage firm must contact the account holder for a margin call to be valid, and that the brokerage firm cannot liquidate securities in client accounts to meet the call unless contacting the client first. This is not the case. As a matter of good customer relations, most brokerage firms will attempt to notify their customers of margin calls, but they are not required to do so.
- Account holders are not entitled to an extension of time on a margin call. While an extension of time to meet initial margin requirements may be granted by the brokerage firm under certain conditions, they are not required to provide any such extension. In addition, brokerage firms also are not required to provide an extension of time to meet a maintenance margin call.

**Exchange Traded Funds.** Exchange-traded funds are a type of index fund bought and sold on a securities exchange. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile and ETFs have management fees that increase their costs. ETFs are also subject to other risks, including: (i) the risk that their prices may not correlate perfectly with changes in the underlying index; and (ii) the risk of possible trading halts due to market conditions or other reasons that, in the view of the exchange upon which an ETF trades, would make trading in the ETF inadvisable.

#### **Additional Potential Risks.**

- **Business Risk:** This risk is associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Political and Legislative Risk:** Companies face a complex set of laws and circumstances in each country in which they operate. The political and legal environment can change rapidly and without warning, with significant impact, especially for companies operating

outside of the United States or those companies who conduct a substantial amount of their business outside of the United States.

- **Credit Risk:** The risk that principal and/or interest on a fixed income investment will not be paid in a timely manner or in full due to changes in the financial condition of the issuer. Generally, the higher the perceived credit risk, the higher the rate of interest investors will receive on their investment.
- **Interest Rate Risk:** The risk that the value of an interest-bearing investment will change due to changes in the general level of interest rates in the market. The market value of a bond fluctuates inversely to the change in interest rates; that is, as interest rates rise, bond prices fall and vice versa. Interest rate risk is commonly measured by a bond's duration; the greater a bond's duration, the greater the impact on price of a change in interest rates. Investors can incur a gain or loss from bonds sold prior to the final maturity date. Many bonds are rated by a third party Nationally Recognized Statistical Rating Organization (NRSRO), for example, Moody's Investor Services or Standard & Poor's Inc. While ratings may assist investors to determine the creditworthiness of the issuer, they are not a guarantee of performance. U.S. Treasury bills, notes and bonds are guaranteed by the full faith and credit of the United States and therefore are deemed to carry no risk of default.
- **Reinvestment Risk:** The risk that interest and principal payments from a bond will be reinvested at a lower yield than that received on the original bond. During periods of declining interest rates, bond payments may be invested at lower rates; during periods of rising rates, bond payments may be invested at higher rates.
- **Call Risk:** The risk that a bond will be called by its issuer. A callable bond has a provision which allows the issuer to purchase the bond back from the bondholders at a predetermined price. Generally, issuers call bonds when prevailing rates are lower than the cost of the outstanding bond. Call provisions allow an issuer to retire high-rate bonds on a predefined call schedule.
- **Prepayment Risk:** Some types of bonds are subject to prepayment risk. Similar to call risk, prepayment risk is the risk that the issuer of a security will repay principal prior to the bond's maturity date, thereby changing the expected payment schedule of the bonds. Prepayment risk is particularly prevalent in the mortgage-backed bond market, where a drop in interest rates can trigger a refinancing wave. When investors in a bond comprised of the underlying pool of mortgages receives his or her principal back sooner than expected, they may be forced to reinvest at prevailing, lower rates.
- **Liquidity Risk:** The risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Liquidity risk is typically reflected in a wide bidask spread or large price movements.

- Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

***Investors should be aware their investment is not guaranteed and understand that there is a risk of loss of value in their investment.***

## Item 9 Disciplinary Information

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### REQUIRED DISCLOSURES

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Our firm and our management persons have not been involved in any legal or disciplinary events that would have a material adverse effect on the integrity of our management or the services we provide to our clients.

## Item 10 Other Financial Industry Activities and Affiliations

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### OUTSIDE BUSINESS ACTIVITIES

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Michael Caso, Managing Member of the Firm, is also a Managing Partner at Rosecliff Venture Management LLC. Rosecliff Venture Management LLC is a registered investment adviser that manages private equity and venture capital funds. His role as Managing Partner is to make decisions on new investment opportunities and manage client relationships.

Stewart Eichner, our Chief Compliance Officer, is also General Counsel and Chief Compliance Officer at Rosecliff Venture Management LLC. Rosecliff Venture Management LLC is a registered investment adviser that manages private equity and venture capital funds. Stewart's role is to design, structure and implement legal and compliance oversight to the firm.

Neither us nor any of our employees are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

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### AFFILIATED ENTITIES

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Rosecliff Capital has relationships or arrangements with the following affiliated entity that may create a potential conflict of interest:



## **Rosecliff Venture Management LLC**

Rosecliff Venture Management LLC, a SEC-registered investment adviser, is affiliated with us through common ownership. This affiliation may cause a conflict of interest. An investor in one or more funds under management by Rosecliff Venture Management, LLC may become a client of ours by utilizing our financial planning services or entering into an investment management agreement with us. Additionally, it is expected, but not required, that our clients may become investors in funds under management by Rosecliff Venture Management if the client accepts such a recommendation. In such cases, no fees would be charged by us on the amount of funds invested into Rosecliff Venture Management-sponsored funds, although the funds would be subject to fees and expenses from Rosecliff Venture Management. Referrals to, from, and between us and Rosecliff Venture Management LLC can create a potential conflict of interest. Mr. Caso, as a managing member of both entities, has the ability to influence investment and accounting activities by keeping them all in-house. If this occurs, it can benefit Mr. Caso in receiving additional personal revenues. We recommend that when engaging Mr. Caso's professional services, you should consider this affiliated conflict and that comparable or equivalent services may cost more or less if received through an independent option.

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### **OTHER INVESTMENT ADVISERS**

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Rosecliff Capital does not have any business relationships with other investment advisers that create a material conflict of interest for our clients.

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

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### **CODE OF ETHICS**

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Rosecliff Capital has adopted a Code of Ethics (the "Code") in accordance with Rule 204A-1 of the Investment Advisers Act of 1940, as amended, that sets forth a standard of business conduct for our firm and all our associated persons. The purpose of the Code is to set out ideals for integrity, objectivity, competence, fairness, confidentiality, professionalism and diligence for our firm and our associated persons to espouse in the interest of our clients and investor protection. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All of our employees are required to handle their personal securities transactions in such a manner as to avoid any actual or potential conflicts of interest or any abuse of position of trust and responsibility. Annually, we require all employees to certify that they have read, understand and will comply with the Code.

Clients and prospective clients may request a full copy of our firm's Code of Ethics by contacting our firm at [eichner@rosecliffcapital.com](mailto:eichner@rosecliffcapital.com) or calling our firm at (212) 621-9643.

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## **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

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Rosecliff Capital and/or our advisors may recommend securities to our clients in which we and/or our advisors has a material financial interest, including those offered by private funds managed by our affiliates.

We and/or our advisors may invest in the same securities that are recommended to and/or purchased for our clients. At no time, however, will we or our employees receive preferential treatment over our clients. We may also restrict or prohibit employees' transactions in specific securities transactions if the employees' transaction disadvantages the client. We and/or our employees or related persons may not engage in the purchase or sale of securities we have recommended to our clients at or about the same time a client buys or sells the same securities for its own account that in any way affects the client's execution result.

We have adopted procedures designed to (i) assure that the personal securities transactions, activities and interests of Rosecliff Capital and/or our advisors will not interfere with our ability to make investment decisions in the best interest of our clients as well as (ii) prevent us and/or our advisors from benefiting from transactions placed on behalf of clients.

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## **PERSONAL TRADING**

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Rosecliff Capital maintains and enforces written policies and procedures reasonably designed to prevent the misuse of material non-public information by our firm or any access persons of our firm with regards to their personal securities transactions. Personal trading activities are continually monitored to reasonably prevent conflicts of interest between our firm and our clients. We have adopted the following restrictions in order to ensure we meet our fiduciary responsibilities to our clients:

- All Access Persons shall not buy or sell securities for their personal account(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No associated person of ours shall prefer his or her own interest to that of the advisory client.
- We require our employees to obtain pre-approval of certain securities transactions for their personal accounts.
- All Access Persons provide reports relating to their personal securities trading on a monthly basis that are reviewed by the Chief Compliance Officer.

- We require that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
- Any individual not in observance of the above may be subject to discipline by the Firm, including, among other things, suspension or termination.

## Item 12 Brokerage Practices

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### **SELECTION OF BROKER-DEALERS**

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We do not maintain physical custody of client assets. Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We recommend that our clients use Interactive Brokers, LLC ("Interactive Brokers"), member FINRA/SIPC/NYSE, as the qualified custodian of their assets. We are independently owned and operated and not affiliated with Interactive Brokers. Interactive Brokers will hold your assets in a brokerage account and buy and sell securities when we or you instruct them to. While we recommend that you use Interactive Brokers as a custodian/broker, you will decide whether to do so and open your account with Interactive Brokers by entering into an account agreement with them directly. Although we do not open the account for you, we can assist in this process. Unless you participate in our wrap fee program, even though your account is maintained at Interactive Brokers, we can still use other brokers to execute trades for your account as described in herein.

Each client's Investment Management Agreement generally gives us full authority to determine (without obtaining client consent or consulting with the client on a transaction-by-transaction basis) the brokers or dealers through which all transactions for the client's account will be executed. A client may, however, direct us to execute transactions for the client's account through a specified broker or dealer (the "Specified Broker"). A client may choose to direct us in writing to execute transactions through a Specified Broker if, for example, the client will be participating in our wrap fee program with Interactive Brokers. Such clients must be aware that if they direct us to use a Specified Broker it may limit our ability to achieve best execution or limit their participation in block trading. As a result, clients may pay higher or lower commissions, have higher or lower transaction costs, or receive better or less favorable prices. In situations where the client directs us to effect their transactions through a particular broker-dealer, we require such directions to be in writing.

In rare cases where the client is not participating in the wrap fee program (or does not select a Specified Broker), a client authorizes us to select the brokers and/or dealers through which transactions for the client's account are executed, we consider a number of factors prior to selecting or recommending a particular broker-dealer to our clients, including but not limited to:

- combination of transactions execution services along with asset custody services;

- capability to execute, clear and settle trades (buy and sell securities for your account);
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check request, bill payment, etc.);
- breadth of investment products made available (stocks, bonds, mutual funds, ETFs, etc.);
- availability of investment research and tools that assist us in making investment decisions;
- quality of services;
- price of services (commission rates, margin interest rates, etc.);
- reputation, financial strength and stability of provider;
- their prior service to us and our other clients; and
- availability of other products and services that benefit us.

We believe that the commissions charged by Interactive Brokers are competitive with similarly situated retail broker-dealers offering the same variety of securities to clients. Clients are advised, however, that they may be able to affect transactions in securities through other broker-dealers at lower commission rates, particularly with respect to securities listed on a national securities exchange or in the over-the-counter market.

**Research and Other Soft Dollar Benefits.** Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)") allows investment advisers to use client commissions to pay for brokerage and research services under certain circumstances without breaching their fiduciary duties to clients. This practice is commonly referred to as "soft dollars". Brokerage and research services can include, among other things, effecting securities transactions and performing services incidental thereto (such as clearance, settlement and custody) and providing research information regarding the economy, industries, sectors of securities, individual companies, statistical information, taxation; political developments, legal developments, technical market action, pricing and appraisal services, credit analysis; risk measurement analysis and performance analysis. Such research information can be received in the form of written reports, telephone conversations, personal meetings with security analysts and/or individual company management and attending conferences. The research services provided by a broker may be proprietary (i.e., provided by the broker providing the execution services) and/or provided by a third party (i.e., originates from a party independent from the broker providing the execution services). Under Section 28(e), advisers may cause clients to pay brokerage commissions that are in excess of commissions that another broker might have charged for effecting the same transaction, so long

as such adviser makes a good faith determination that the amount of commissions paid are reasonable in relation to the value of the brokerage and research services received. This must be viewed in terms of either the specific transactions or an adviser's overall responsibility to the accounts for which it exercises investment discretion. Section 28(e) also permits advisers to use the research services provided by brokers to service any or all of the adviser's clients, and the services also may be used in connection with clients other than those making the payment of commissions.

While we do not have any formal soft dollar arrangements, we do receive certain incidental benefits from our clients' qualified custodians.

Interactive Brokers offers products or services other than execution and custody that assist our firm in managing and administering client accounts. These may include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), facilitate payment of our fees from clients' accounts, and assist with back office functions, record keeping and client reporting. These services may be used to service all or a substantial number of client accounts, including accounts not maintained at Interactive Brokers.

We may also receive services from Interactive Brokers or its affiliates that are intended to help our firm manage and further develop our business. These services may include registration support through Greenwich Compliance, website design and technology support. Interactive Brokers also has arrangements with various product vendors, which enable our firm to purchase their products at a discount. These products may include such items as: client reporting and consolidated statement software; client communication software; client relationship management software; compliance assistance; and investment research.

We do not participate in any commission-sharing arrangements or receive soft dollar credits as a result of utilizing Interactive Brokers' (or other broker-dealers') services. While the benefits we receive from Interactive Brokers do not depend on the amount of brokerage transactions directed to Interactive Brokers, as a fiduciary we are required to disclose that there is an inherent conflict of interest when our firm recommends that clients maintain their assets at Interactive Brokers. These recommendations may be based in part on the benefits we receive from Interactive Brokers, such as the availability of the above mentioned products and services, and not solely on our clients' interest in receiving most favorable execution. Nonetheless, we seek to ensure that the securities transactions effected for our clients represent the best qualitative execution, not just the lowest possible cost.

Our firm routinely compares order execution disclosure information at Interactive Brokers to other broker-dealers to ensure that Interactive Brokers remains competitive in providing best execution for our clients' securities transactions. Although the brokerage commissions and/or transaction fees charged by Interactive Brokers may be higher or lower than those charged by other broker-dealers, in seeking best execution for our clients our firm strives to ensure that our clients pay brokerage commissions and/or transactions fees which we have determined, in good

faith, to be reasonable in relation to the value of the brokerage and other services provided by Interactive Brokers.

**Brokerage for Client Referrals.** We do not consider broker-dealer or third-party referrals in selecting or recommending broker-dealers to our clients as this would create a conflict of interest.

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## **TRADE AGGREGATION**

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Transactions for each client account generally will be affected independently, unless we decide to purchase or sell the same securities for numerous clients at approximately the same time. Investment decisions deemed appropriate for one client may also be deemed appropriate for other clients so that the same security may be purchased or sold at or about the same time for more than one client. When this is the case our firm may, but is not obligated to, aggregate similar trades for multiple clients and execute the trade as a single block. When transactions are so aggregated, the securities purchased or sold will be allocated in a fair and equitable manner taking into account the clients' best interests, whereby transactions will be averaged as to price and will be allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day.

Our trade allocation procedures seek to allocate investment opportunities among our clients in the fairest possible way. These procedures ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Transactions are usually aggregated to seek a more advantageous net price and/or to obtain better execution for all clients. Nevertheless, there is no assurance that the aggregation of transactions will benefit all clients equally, and in some instances combined orders could adversely affect the price or volume of a security. Also, it is possible that we may not aggregate trades in circumstances where it would be beneficial to do so.

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## **TRADE ERRORS**

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From time to time, our firm may make a trade error when servicing a client's account, including when submitting a trade order on behalf of such client account. Trade errors sometimes happen for various reasons that may or may not be our fault. When a trade error occurs, we work with all relevant parties in the trading process to promptly correct the error while ensuring it does not disadvantage the client and provide compensation, if any is warranted.

## Item 13 Review of Accounts

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### ACCOUNT REVIEWS

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We conduct account reviews on a periodic ongoing basis for clients who have engaged us for our investment management services. The frequency of the review may be adjusted depending upon a variety of factors such as: the client's risk profile, activity in the account, economic and market conditions, and the client's preferences, if any. Additional reviews may be triggered by changes in any number of areas such as a client's personal, tax or financial status, client objectives, market conditions, income, cash flow, changes in tax law, family status, disposition of assets, inheritance and health.

Formal client review meetings are generally conducted on a regular basis at intervals mutually agreed upon by the advisor and the client, but no less than annually. During these reviews, any changes in the client's investment objectives are discussed so we can review our previous recommendations and make any necessary adjustments.

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### ACCOUNT REPORTS

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Custodian account statements are generated, at least quarterly and are sent directly from the account custodian. The account statement lists the account positions, activity in the account over the covered period, and other related information, including all additions and withdraws from the account. Reports may be furnished in writing or electronically as requested by the client. Clients are urged to compare the account statements they receive from their custodian to written reports received from our firm, if any, and contact us with any questions they may have about their statement.

Clients have direct and continuous access to their account information and related documents via the password-protected website of the qualified custodian with which their accounts are held.

## Item 14 Client Referrals and Other Compensation

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### CLIENT REFERRALS

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We do not compensate third-parties (or "solicitors") to promote the investment advisory services offered by our firm. If solicitors are utilized, they would have to satisfy requirements under Rule 206(4)-3 of the Advisers Act or similar state rules regarding solicitation arrangements before a cash referral fee could be paid to them.

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**OTHER COMPENSATION**

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We do not receive an economic benefit from anyone who is not a client in exchange for our provision of investment advice or other advisory services, with the exception of research or execution-related products or services that may be provided by the broker-dealer(s) that we use to execute client transactions. Please refer above to Item 12 of this Brochure for additional information on these products or services.

## Item 15 Custody

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**CUSTODY OF CLIENT FUNDS AND SECURITIES**

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We are not a broker-dealer and do not take possession of client assets. Interactive Brokers, our preferred qualified custodian, maintains custody of client funds in separate brokerage account(s) for each client under the client's name. Our personnel may assist the client in preparing paperwork to open a new brokerage account at Interactive Brokers, but only the client is permitted to authorize, by their signature, the opening of the account. Interactive Brokers sends an account-opening letter to each client at their physical mailing address after the account is approved.

Clients can access daily, monthly and annual account statements as well as daily trade confirmations through a password protected portion of Interactive Brokers' website, [www.interactivebrokers.com](http://www.interactivebrokers.com). Clients should also expect to receive quarterly account summaries from the qualified custodian by first-class mail. Clients should carefully review the account statements and summaries received from the qualified custodian(s) and compare such official custodial statements to any account reports provided by us. Any client that does not receive an account statement or summary from the qualified custodian should call us immediately so that we can arrange to have another statement sent by the custodian.

Clients can also access information concerning their account(s) and access (and generally change) the settings for their brokerage account online on the Interactive Brokers website at [www.interactivebrokers.com](http://www.interactivebrokers.com).

## Item 16 Investment Discretion

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**DISCRETIONARY AUTHORITY**

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We manage client securities portfolios on a discretionary basis. We are granted limited discretionary authority in writing by the client at the outset of the advisory relationship. This limited discretionary authorization gives us the authority to manage the client's investment assets at our firm's sole discretion and without consulting with the client in advance, subject to the investment objectives, guidelines and restrictions set by the client. This authorization will



remain in full force and effect until we receive a written termination notice of the Investment Management Agreement from the client.

## Item 17 Voting Client Securities

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### **AUTHORITY TO VOTE CLIENT PROXIES**

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We do not accept authority from clients with respect to voting of proxies solicited by, or with respect to, the issuers of any securities held in client portfolios. The qualified custodian holding clients' assets will send all such proxy documents it receives to the client so that the client may take whatever action the client deems appropriate. We do not offer clients any consulting assistance regarding proxy issues.

## Item 18 Financial Information

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### **REQUIRED DISCLOSURES**

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As previously discussed in this brochure, we may accept limited discretionary authority when providing investment management services if agreed upon in writing with the client. We do not require clients to prepay more than \$500 in fees six months or more in advance.

We do not require or solicit prepayment of fees from our clients.

We have no financial commitments that would impair our firm's ability to meet our contractual and fiduciary commitments to our clients and has not been the subject of a bankruptcy proceeding.