



**PART 2A OF FORM ADV  
DISCLOSURE BROCHURE**

**August 6, 2021**

**MENDON CAPITAL ADVISORS CORP.**

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This Part 2A of Form ADV (this "Brochure") provides information about the qualifications and business practices of Mendon Capital Advisors Corp. ("Mendon Capital" or the "Adviser"). If you have any questions about the contents of this Brochure, please contact us at (585) 770-1770 or at [compliance@rmbcap.com](mailto:compliance@rmbcap.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Mendon Capital is registered as an investment adviser with the SEC. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

This information provided in this Brochure should not be considered a recommendation to purchase or sell any particular security.

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

## **Item 2 Summary of Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment, dated February 21, 2020 we have no material changes to report.

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## Item 4 Advisory Business

### Advisory Services

Mendon Capital Advisors Corp. ("Mendon Capital", the "Adviser" or "we"), a Delaware corporation, is an investment advisor registered with the SEC with offices in Rochester, New York and Key Largo, Florida. Mendon Capital was incorporated in 1996 and is 100% owned by Anton V. Schutz.

Mendon Capital acts:

- As sub-adviser to RMB Mendon Financial Services Fund (the "Financial Services Fund") which is a series of RMB Investors Trust, a Delaware business trust registered as an open-end investment company under the Investment Company Act of 1940, as amended; and
- As sub-adviser providing securities selection to certain separately managed accounts of ELCO Management Company, LLC ("ELCO Management"), an investment adviser registered with the SEC.

As of December 31, 2020, the amount of client assets managed by the Adviser on a discretionary basis was approximately \$219,885,507.

## Item 5 Fees and Compensation

**Registered Investment Companies.** The Adviser provides sub-advisory services to the RMB Mendon Financial Services Fund ("Fund") pursuant to a sub-advisory agreement between the Adviser and RMB Capital Management LLC ("RMB"), an investment adviser registered with the SEC, which is the adviser to the Fund.

The Adviser (as the sub-adviser) receives an advisory fee, payable monthly, equal to a percentage of the Fund's average daily net asset value at annual rate of 0.75%.

The Fund bears its own expenses including investment expenses, custody, transfer agent, administration, legal, accounting and other expenses, as more fully described in the prospectus of the Financial Services Fund.

**Separately Managed Accounts.** The Adviser provides sub-advisory services to certain separately managed accounts of ELCO Management Company LLC ("ELCO") pursuant to a sub-advisory agreement between the Adviser and ELCO, which is the adviser to such accounts.

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

Fees generally are not negotiable. The Adviser may, however, in its sole discretion, waive all or any portion of the advisory fees and/or performance-based compensation with respect to any investor or client.

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

**Performance-Based Fees.** The portion of the performance-based compensation applicable to certain separately managed accounts of ELCO to which the Adviser is entitled also constitutes a performance-based fee. ELCO will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the U.S. Investment Advisers Act of 1940 (the "Advisers Act"). Performance-based fee arrangements create an incentive to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Mendon Capital has procedures designed and implemented to help ensure that clients are treated fairly and to help prevent this conflict from influencing the allocation of investment opportunities among clients. Mr. Schutz is required to manage each client account in the clients' best interest without regard to the relative level and structure of compensation paid to Mendon Capital, and cannot favor performance-based fee accounts to increase Mendon Capital's compensation.

**Side-by-Side Management.** The Adviser provides sub-advisory services to clients in the same or similar strategies. This may give rise to potential conflicts of interest if the clients have, among other things, different objectives or fees. For example, potential conflicts may arise in the following areas: client orders do not get fully executed; trades may get executed for an account that may adversely impact the value of securities held by a client; there will be cases where certain clients receive an allocation of an investment opportunity when other accounts may not; and/or trading and securities selected for a particular client may cause differences in the performance of relative to other clients that have similar strategies.

Mendon Capital has adopted written policies and procedures designed to treat clients equitably regardless of the fee arrangement. In addition, we have adopted trading practices designed to address potential conflicts of interest inherent in proprietary and client discretionary trading. During periods of unusual market conditions, Mendon Capital may deviate from its normal trade allocation practices. There can be no assurance, however, that all conflicts have been addressed in all situations.

Mr. Schutz may invest in the Fund. This may create an incentive for Mendon Capital to favor these funds over other clients. Mendon Capital maintains investment, trade allocation and account valuation policies and procedures designed to address such conflicts of interest. Further, the Code of Ethics applicable to the Adviser requires Mr. Schutz to put client's interests ahead of his own or the firm's as well as report investments in the Fund. See Item 11 (Code of Ethics, Participation in Client Transactions and Personal Trading) below.

## Item 7 Types of Clients

The Adviser provides investment advice, as a sub-advisor, to registered investment funds and certain separately managed accounts advised by ELCO. Please see Item 4 (Advisory Business) above.

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

**Primary Investment Strategies and Methods of Analysis.** The Adviser's investment strategies are focused on the financial services sector. The Adviser believes that abnormal absolute returns can be earned in the financial services sector due to ongoing industry consolidation, which in the Adviser's view will be expected to continue for many years. In addition, the Adviser believes that the breadth of the sector provides investment opportunities in almost all types of interest rate, credit quality and other macroeconomic environments. The Adviser will generally focus more on smaller cap companies in which it is possible to gain an information advantage through research, and experience.

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

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

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

**Certain Risk Factors.** The following is a brief summary of certain of the more significant risks associated with the Adviser's investment strategies. For the Financial Services Fund, which are sub-advised by the Adviser, a more detailed description of the risks associated with the Adviser's investment strategies as well as other risks associated with an investment in the RMB Mendon Funds is included in each RMB Mendon Fund's prospectus. *Please see the prospectus of each RMB Mendon Fund for information regarding the principal risks applicable to the Financial Services Fund.*

**Risk of Loss.** All investments in securities and other financial instruments involve substantial risk of volatility (potentially resulting in rapid declines in market prices and significant losses) arising from any number of factors that are beyond the control of the Adviser. Legal, tax, and regulatory changes could occur which in certain cases materially adversely affect the ability of an account to pursue its investment strategies or achieve its investment objective.

Although the Adviser believes that its investment program should mitigate the risk of loss through a careful selection and monitoring of investments, an investment is nevertheless subject to loss, including possible loss of the entire amount invested. No guarantee or representation is made that an investment will be successful, and the investment results will vary substantially over time.

**Investment and Trading Risk.** An investment in the strategy involves a high degree of risk, including the risk that the entire amount invested may be lost. Generally, the Adviser invests in and actively trades securities and other instruments utilizing strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of the debt and equity markets (including distressed and high yield securities) and the risks associated with the use of derivatives, short sales, leverage and other instruments. The Adviser has broad discretion in making investments for its advisory clients. Investments generally consist of U.S. equity securities and other assets that may be affected by business, financial, market or legal uncertainties. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. No guarantee or representation is made that the advisory clients' investment objectives will be achieved.

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

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

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

**Valuation Risk.** Valuation of the advisory clients' investments may involve uncertainties and judgmental determinations, and if such valuations should prove to be incorrect, the net asset value of an advisory client account could be adversely affected. In particular, independent pricing information may not at times be available with respect to certain of the investments. Further, given the illiquid nature of some investments, the net asset value of such investments cannot be determined with the same degree of certainty as other investments. Accordingly, while the Adviser will use its reasonable best efforts to value all of its investments fairly, certain investments may be difficult to value and may be subject to varying interpretations of value.



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

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

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

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

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



***Risk of Investing in Pooled Vehicles.*** The Adviser may from time to time invest in other pooled vehicles, registered investment companies and similar entities that may not be registered as investment companies (collectively, "Investment Vehicles"). Adviser clients will indirectly bear a proportionate share of any asset-based fees, performance-based fees, allocations and other expenses of such Investment Vehicles in which the advisory client invests in addition to the management fee and performance compensation and other expenses charged by the Adviser. To the extent not prohibited by applicable law, advisory clients may from time to time invest in Investment Vehicles managed or sponsored by the Adviser's affiliates.

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

***Cybersecurity.*** The Adviser's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Adviser has implemented various measures to protect the confidentiality of its internal data and to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Adviser may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Adviser's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to clients. Such a failure could harm the Adviser's reputation or subject it or its affiliates to legal claims and otherwise affect their business and financial performance. The Adviser will seek to notify affected clients of any known cybersecurity incident that may pose substantial risk of exposing confidential personal data about such clients to unintended parties.

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

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

## **Item 9 Disciplinary Information**

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

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

### **RMB Mendon Fund Affiliations**

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

### **Mendon Venture Partners LP ("MVP")**

Anton Schutz and Dan Goldfarb (along with 2 other owners not affiliated with Mendon Capital) are the direct or indirect majority owners and controlling persons of the Investment Manager, Mendon Venture Partners, LP ("MVP"), a Delaware limited partnership (the "Partnership"). MVP is exempt from registration with the SEC and is filed with the SEC as an Exempt Reporting Adviser. The Partnership's investment objective is to provide Limited Partners with long-term capital growth by investing in innovative financial technology companies primarily focused on serving incumbent U.S. banks and financial institutions. Conflicts of interest in the investment activities of Mendon Capital and MVP are minimized due to the differences in investment approach and portfolio goals. Mendon Capital acts sub-adviser to RMB Mendon Financial Services Fund (the "Financial Services Fund") which is a series of RMB Investors Trust, a Delaware business trust registered as an open-end investment company under the Investment Company Act of 1940, as amended; and as sub-adviser providing securities selection to certain separately managed accounts of ELCO Management Company, LLC, an investment adviser registered with the SEC. Due to Mendon Capital's investment strategy, there is very little opportunity for Mendon Capital's investment advisory activities to compete with MVP which is a venture capital firm focused on taking private equity stakes in emerging enterprises.

### **Dual Employee Relationship**

In addition to being the sole owner and employee of the Adviser, Mr. Schutz also is an employee of RMB. In his capacity as an employee of RMB, Mr. Schutz provides portfolio management services to certain private funds managed or advised by RMB or an affiliate of RMB (the "RMB Private Funds") for which he is entitled to compensation from RMB, including management fees and performance-based compensation. As part of Mr. Schutz's business arrangement with RMB, the Adviser has established a joint venture entity with RMB called RMB Mendon Managers, LLC, which facilitates the economic arrangement between the Adviser and RMB with respect to the RMB Private Funds.

Mr. Schutz, as a dual employee of the Adviser and RMB, may have an incentive to favor the RMB Private Funds if their interests are more substantial, whether as a result of assets under management, fee structure, ownership role or other factors, or his compensation related to the RMB Private Funds is higher. In addition, because Mr. Schutz has a significant role in leading the Adviser's investment program and in providing portfolio management services to the RMB Private Funds, his time and attention will be shared between both groups, which creates a conflict.

As part of the joint venture discussed above between RMB and the Adviser, RMB agreed to provide the Adviser with back office, compliance and other administrative services, including administrative and clerical services, operational and back office support, compliance support services, human resources support, finance and accounting support, trade entry, procession and reconciliation services and technology services.

### **Separately Managed Accounts**

As discussed above, the Adviser acts as sub-adviser to certain separately managed accounts of clients of ELCO Management ("ELCO"), as the adviser, providing securities selection and related account administration services. ELCO designates which of its clients' separately managed accounts are subject, from time to time, to the Adviser's sub-advisory services. As a sub-advisor, the Adviser generally is subject to the oversight of ELCO. However, ELCO is not a related person of the Adviser because it does not control, is not controlled by, and is not under common control with the Adviser.

### **Portfolio Manager**

The portfolio manager for financials strategy serves as a member of the board of directors for a company held in certain client accounts. Any compensation earned as a member of the board of directors is not retained by our employee".

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

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

The Adviser and Mr. Schutz, as a dual employee of the Adviser and RMB, are subject to the RMB's Code of Ethics as described further below. RMB's Code of Ethics serves as the Adviser's Code of Ethics.

### **Code of Ethics**

RMB (and by extension, as noted above, the Adviser) has adopted a Code of Ethics for all supervised persons of RMB describing its high standard of business conduct and fiduciary duty to clients. The Code of Ethics includes provisions relating to personal securities trading procedures and employee reporting and attestations, among other things. All supervised persons at RMB must acknowledge the terms of the Code of Ethics as a new employee, annually, or as amended. Mr. Schutz is a supervised person under and for purposes of the Code of Ethics.

### **Trading**

In general, the Adviser does not establish or maintain contrary long and short positions in the same security in different client accounts that it manages. Exceptions to this policy may be given by the RMB's Compliance Department.

When initiating a long position for clients of the Adviser, Mr. Schutz is required to consider the investment strategies, risk tolerance, asset composition and size, investment guidelines and cash positions of each account in deciding whether to initiate a long position. Each account should be treated equitably and allocated an appropriate position in light of the above factors.

### **Personal Trading**

From time to time, Mr. Schutz may invest in securities that are also held in the Adviser's client accounts. All transactions in these and other securities must comply with the Code of Ethics. The Code of Ethics requires, among other things, that employees and related persons of RMB, including Mr. Schutz:

- Are limited by size of trade in their ability to trade in such securities if RMB or the Adviser is trading for client accounts on the same day;
- Must report all personal trading and accounts to RMB's Compliance Department to review

- compliance with these standards; and
- Must hold any securities purchased for their personal accounts for a minimum period.

In certain circumstances and upon written request, RMB may permit transactions in a security that would otherwise be prohibited under the Code of Ethics.

### **Participation or Interest in Client Transactions**

As discussed above, Mr. Schutz, as a dual employee of RMB and the Adviser, provides certain portfolio management services to RMB Private Funds. In addition to earning fees and compensation for his services to the RMB Private Funds, Mr. Schutz may introduce investors to such RMB Private Funds. While Mr. Schutz does have a financial incentive to recommend an investment in an RMB Private Fund, he will consider the suitability of the investment in light of the client's objectives and restrictions.

Mr. Schutz may also introduce investors to the RMB Mendon Financial Services Fund. Mr. Schutz does have a financial incentive to recommend the RMB Mendon Funds in order to increase the assets therein, however, he will consider whether an investment in an RMB Mendon Fund is appropriate for the investor.

Clients and prospective clients of the Adviser may request a copy of the Code of Ethics by contacting RMB's Compliance Department at (312) 993-5800 or [compliance@rmbcap.com](mailto:compliance@rmbcap.com).

## **Item 12 Brokerage Practices**

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

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

**Soft Dollars.** The Adviser may select brokers to execute trades for clients that provide certain "soft dollar" benefits to the Adviser and/or RMB in exchange for client brokerage fees. The Adviser is generally obligated to pursue "best execution" for its clients (except with respect to directed brokerage for those clients that instruct the Adviser to use certain brokers for their accounts), but the Adviser may include the provision of such "soft dollar" benefits in its determination of best execution. The Adviser will limit its receipt of soft dollar benefits to those that meet the "safe harbor" under Section 28(e) of the Exchange Act - namely benefits relating to trading, research services, or seminars. When client brokerage commissions are used to obtain services such as research, the Adviser and/or RMB benefits from not having to produce or pay for the research. Clients that have directed brokerage arrangements may benefit from soft dollar products and/or services even though their brokerage may

not be used to pay for such services. Soft dollar benefits are enjoyed by multiple clients but may not be in proportionate to the commission they pay. RMB has a committee that monitors the Adviser's use of "soft dollars".

**Aggregation of Trades.** The Adviser will use reasonable efforts to aggregate purchase and sale orders when investments are identified as having characteristics that would be mutually beneficial to the Adviser's clients, other separately managed accounts and other private funds, and aggregation will be reasonably likely to result in an overall benefit to the Adviser's clients based on an evaluation of factors in the Adviser's discretion. In certain instances, the purchase or sale of securities for the Adviser's clients and the private funds will be effected simultaneously. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, and at the sole discretion of the Adviser, participating advisory clients may be charged or credited, as the case may be, the average transaction price.

**Re-balancing Cross Trades, Principal Cross-Trades and Agency Cross Trades.** The Adviser may effect "cross" trades between client accounts through an unaffiliated broker/dealer at the prevailing market price. The Adviser will effect such transactions only when it deems the transaction to be in the best interests of both client accounts. The manner of calculating the cross price is documented within policies and procedures adopted by RMB and applicable to the Adviser, as amended from time to time. The custodian may charge a service fee for crossing the trade. Neither the Adviser, as the sub-adviser, nor RMB, as the adviser, receive any transactional compensation in regard to cross trades. In addition, the Adviser executes buys and sells in the same security in different client accounts based on liquidity needs. The Adviser does not cross those transactions for proprietary or principal accounts; rather the trades for proprietary or principal accounts are executed at current market prices.

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

If the Adviser's access to an investment opportunity is limited, the Adviser will use reasonable efforts to allocate such investment opportunity in an equitable manner among accounts for which the security is an appropriate investment, including, where appropriate, proprietary and affiliated accounts. Generally, each allocation will be made pro rata among accounts based upon the relative size of the accounts of a similar type for which the security has been determined to be an appropriate investment. However, the Adviser may deviate from a pro rata allocation in order to reflect (1) rounding, (2) minimum size requirements, (3) a desire to avoid odd lot positions, (4) cash flow requirements, (5) proximity to various account limitations, (6) portfolio balancing, (7) a determination that a trade would be unsuitable for a particular account, (8) the "ramping" of a portfolio that is not yet fully invested or (9) other good reasons. Generally, the percentage of assets in an asset type held by a fund with a particular asset bias that is "ramping" (*i.e.*, a fund that is not yet fully invested), shall be deemed to be the percentage of assets in such asset type that would be held by such fund were that account fully invested (*i.e.*, consistent with how the portfolio is expected to look when it becomes fully invested).

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

- The Adviser receives an allocation in an initial public offering of equity securities, or
- The Adviser proposes to acquire an equity security for more than one account where (a) there



is a limited trading market in such equity security, such as a small cap stock with limited trading liquidity, (b) a significant market development has occurred or the Adviser's outlook for such issuer has materially changed and (c) the Adviser reasonably anticipates that if all accounts for which the security is an appropriate investment were to purchase the security, the market price of the security would increase primarily due to trading on behalf of the Adviser's clients, or

- There is limited availability to the Adviser of securities being privately placed, including limited availability of Rule 144A securities, where such security is thought by the Adviser to represent a unique investment opportunity in light of other securities available or reasonably anticipated to become available in the market, or
- Clients of the Adviser may not qualify to purchase certain securities that are suitable for other clients managed by Mr. Schutz as a dual employee of RMB.

## Trade Errors

**General.** Errors may occur in the process of making or implementing investment decisions on behalf of clients. Mendon Capital has policies in place to shield clients from any negative effects of an error caused by Mendon Capital. Errors may arise in various situations due to clerical errors or violations of account restrictions. Mendon Capital's primary goal will be to correct the error as soon as practicable after being found. Procedures have been put in place to identify and resolve such errors.

**Separately Managed Accounts.** If the assets of the client are located at a broker-dealer and/or custodian that does not allow the netting of trade errors, clients may receive the benefit of any errors with positive effects in keeping with the policies of the client, the executing broker, the Adviser and RMB. If the assets of the client are located at a broker-dealer and/or custodian that does allow the netting of trade errors, the Adviser's or RMB's trade error account at the broker-dealer and/or custodian will receive the benefit and the burden of the error and not the client. In either situation, the clients will be made "whole" by the Adviser.

**Mutual Fund Accounts.** Errors relating to the trading for the Adviser's mutual fund clients would be subject to the policies and procedures of the mutual fund in effect at the time of the error. The Adviser's sub-advised mutual fund accounts are made whole by Mendon Capital for any trade errors.

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

## Item 13 Review of Accounts

Mr. Schutz makes all final portfolio investment decisions on a daily basis. He is responsible for monitoring the portfolio, including hedges, and for taking corrective actions if necessary. In certain circumstances, Mr. Schutz may delegate decisions to investment professionals of RMB. The Adviser provides performance reports at least quarterly to the board of trustees of the RMB Mendon Financial Services Fund. The RMB Mendon Financial Services Fund issue annual and semi-annual reports to their respective shareholders. Additionally, the Adviser provides performance reports at least quarterly to ELCO Management relating to the accounts sub-advised by the Adviser for their clients.

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

The Adviser (or RMB, on behalf of the Adviser) from time to time contracts with and pays cash compensation to third-party solicitors for client or investor referrals. Each solicitation arrangement is required to comply with the disclosure and other requirements of Rule 206(4)-3 under the Advisers Act, including the identity of the third-party solicitor and a description of the referral arrangement and compensation. The Financial Services Fund also enters into customary dealer selling agreements with unaffiliated dealers and registered investment advisers that compensate the dealers based on the amount invested by clients of such dealers in the RMB Mendon Funds.

## **Item 15 Custody**

Mendon Capital does not have custody over client funds or securities. All client funds and securities are held at a broker-dealer, bank, or other qualified custodians.

## **Item 16 Investment Discretion**

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

## **Item 17 Voting Client Securities**

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

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

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

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



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

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

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

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

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

## **Item 18 Financial Information**

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