

FORM ADV PART 2A

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Important Disclosure:

This brochure provides information about the qualifications and business practices of Royal Capital Management, LLC (“**Registrant**” or “**Royal Capital**”), an investment adviser registered with the United States Securities and Exchange Commission (“**SEC**”). If you have any questions about the contents of this brochure, please contact us at 212.920.3400 or info@royalcap.com. Registration with the SEC does not imply that Registrant or its employees possess a certain level of skill or training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Registrant is also available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2. MATERIAL CHANGES

This Brochure dated March 29, 2012 contains material changes to the disclosure in our last brochure dated March 22, 2011. RoyalCap Long Alpha Fund, Ltd., one of the Funds advised by Royal Capital and a feeder fund into RoyalCap Long Alpha Master Fund, LP, closed effective December 31, 2011. While RoyalCap Long Alpha Master Fund, LP will continue to operate, its investors consist only of RoyalCap Partners, LLC and certain employees of Royal Capital.

Please note that the above summary addresses only changes that we have determined to be material, and therefore, does not reflect all of the changes that have been made to this Brochure since our last brochure was filed.

Our current Brochure may be requested by contacting Daniel Mandelbaum, Chief Financial Officer, at 212.920.3402 or daniel@royalcap.com.

Additional information about Royal Capital Management, LLC is also available via the SEC's web site www.adviserinfo.sec.gov.

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ITEM 4. ADVISORY BUSINESS

Our Organization

Royal Capital Management, LLC (“**Registrant**” or “**Royal Capital**”), a Delaware limited liability company formed in 1998, is an investment adviser registered with the United States Securities and Exchange Commission (“**SEC**”). As of January 31, 2012, Royal Capital has approximately \$1,600,462,189 of assets under management.

Registrant manages the assets of several private investment limited partnerships and offshore investments funds (collectively, the “**Funds**” or “**Clients**”), and in the future may provide similar advice to managed accounts. For purposes of this Form ADV Part 2A, references to the “**General Partners**” shall mean Registrant’s related persons, Royal Capital Partners, LLC and RoyalCap Partners, LLC. Royal Capital will be responsible for supervising the rendering of any investment advice that may be provided by the personnel of the General Partners. Although Royal Capital Management, LLC is Registrant in this Form ADV Part 2A, reference to the “Registrant” in the responses also includes the General Partners to the extent any of the General Partners’ personnel engage in investment advisory activities. Registrant and the General Partners are under common control and share common employees.

Principal Owners

The principal owners of Registrant are Robert W. Medway and Yale M. Fergang (the “**Managing Members**”). Robert Medway and Yale Fergang have been principal owners of Registrant since March 1998 and are control persons of Registrant.

Types of Services Offered

Registrant provides investment supervisory services to limited partnerships and other forms of pooled investment vehicles, and in the future may provide similar advice to managed accounts. Registrant currently offers advice to the Funds in connection with their investment in long and short positions in common and preferred stocks, bonds, notes, options, index securities, hedging instruments such as futures, derivatives and currency contracts, private equity and mezzanine securities, warrants, limited partnership interests, and in any other financial instrument that Registrant believes are appropriate in light of a Fund’s investment strategy and guidelines.

Ability to Tailor Services and Impose Restrictions

The investment advisory agreement (and, as applicable, offering or other documents) by and between Registrant and any Client generally sets forth the investment guidelines and/or the types of investments in which the Client’s assets may be invested. Registrant also may invest Client assets in all other types of investments, provided they are not specifically prohibited by the applicable investment guidelines.

Assets Under Management

As of January 31, 2012, Registrant manages Client assets on a discretionary basis in the amount of approximately \$1,600,462,189. Registrant does not manage Client assets on a non-discretionary basis.

ITEM 5. FEES AND COMPENSATION

Registrant provides investment supervisory services to limited partnerships and other forms of pooled investment vehicles, and in the future may provide similar advice to managed accounts. For its services, Registrant is entitled to management fees and a performance-based allocation or fee (“**performance-based compensation**”). Neither Registrant nor any supervised person of Registrant accepts compensation for the sale of securities or other investment products.

Registrant’s management fees with respect to the Funds generally range from 1% to 2% of the net asset value of the Fund’s interests. Funds have different fee schedules (or different schedules with respect to certain classes of shares or interests) due to factors including the class and liquidity of shares held by an investor, the types of securities in which the Fund may invest and the particular trading strategy of a Fund. In some Funds, investors that redeem during a specified initial investment period are charged an early redemption fee (as specified in the offering materials for such Fund), which may be for the benefit of the remaining investors in such Fund or paid to Registrant in Registrant’s sole discretion.

Management fees are payable in advance on a quarterly basis or, if subscription funds are received mid-quarter at the time such funds are received or, at the option of Registrant, in the next quarter when fees are paid. Registrant generally deducts management fees from Fund accounts at the beginning of each fiscal quarter. Registrant generally deducts performance-based compensation at the end of each calendar year or at the time of any redemption or withdrawal.

Performance-based compensation typically ranges from 15-20%, and may be subject to a “priority return” or “high-water mark”, as discussed below. For certain Funds, Registrant is entitled to an annual performance-based compensation generally equal to 20% of all net profits of each investor in a Fund, subject to making up any losses carried over from a prior period (a “high water mark” limitation) and a “priority return” with respect to certain investors (which means that the performance-based compensation is charged only to the extent that, after giving effect to the performance-based compensation, the balance of the net profits allocable to such investor for the applicable performance period is at least equal to the priority return at the applicable rate). With respect to so-called “special situation” investments, the performance-based compensation will be made only when a recognition event (*i.e.*, a realization) occurred during the fiscal year.

For certain other Funds, Registrant is entitled to an annual performance-based compensation generally equal to 15% of the net profits of each investor in a Fund, but only to the extent that, after giving effect to the performance-based compensation, the balance of the net profits allocable to the investors for the applicable performance period is at least equal to a specified benchmark return. In any year where the applicable benchmark return is negative and the Fund’s performance surpasses the benchmark, Registrant will be entitled to a performance compensation equal to 15% of the amount, if any, by which the Fund outperforms the benchmark.

Registrant may in the future provide investment advice to managed accounts. Fees would be negotiated, and would be expected to include a management fee and an incentive fee.

Variation of Terms

The fee schedule for each of the Funds is generally not negotiable; however, in most cases, Registrant has the discretion to waive or modify fees with respect to a Fund or any of the investors in a Fund. Employees of Registrant and the General Partners and their family members are not charged performance-based compensation in respect of their investment in the Funds. Certain investors have been afforded the opportunity to invest in the Funds on separate terms which are preferable to the terms which other investors in the Funds have received, including with respect to fees, liquidity rights and transparency.

Other Fees and Expenses

Each Fund will bear all costs and expenses directly related to its investment program, including expenses related to proxies, underwriting and private placements, research products and services, fees and expenses of experts, consultants and sub-advisors, brokerage commissions, interest on debit balances or borrowings, custody fees, investment banking fees and any withholding or transfer taxes imposed on the Fund. Each Fund will bear all out-of-pocket costs of the administration of the Fund, including accounting, audit and legal expenses, costs of any litigation or investigation involving activities of the Fund, and costs associated with reporting and providing information to existing and prospective investors, including bookkeeping costs (whether performed in-house or by a third party). The Funds will also bear the expenses of the offering of the limited partnership interests or offering of Shares, as applicable (including legal and accounting fees, printing costs, travel, “blue sky” filing fees and expenses, and out-of-pocket expenses). Registrant may, in its sole discretion, choose to absorb any such expenses incurred on behalf of the Funds. The Funds will not bear any placement or solicitation fees.

Please see Item 12 below for further discussion of the factors that Registrant considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

As discussed in Item 5, Registrant provides investment supervisory services to limited partnerships and other forms of pooled investment vehicles, and in the future may provide similar advice to managed accounts. For its services, Registrant is entitled to performance-based compensation. Registrant generally deducts performance-based compensation at the end of each calendar year or at the time of any redemption or withdrawal. For a discussion of the performance fees and allocations charged by Registrant to the Funds, please refer to Item 5.

Performance-based compensation arrangements may create an incentive for Registrant to recommend investments that 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 clients over other clients in the allocation of investment opportunities. Registrant has designed and implemented procedures to ensure that all clients are treated fairly and equally, and to minimize the influence of this conflict, including a pre-determined trade allocation procedure on the allocation of investment opportunities among clients.

ITEM 7. TYPES OF CLIENTS

As described in Item 4, Registrant provides investment supervisory services to limited partnerships and other forms of pooled investment vehicles. In the future, Registrant may also provide similar services to managed accounts.

Prospective investors in each of the Funds managed by Registrant are required to meet certain suitability qualifications to enable the Funds to maintain their private placement exemptions under the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended. Registrant also generally imposes a minimum investment amount of US \$1,000,000 for investment in any of the Funds, but Registrant (or the board of directors of such Fund, as applicable) has the discretion to waive such minimums, subject to compliance with applicable law. Such minimums are waived for employees of Registrant and their family members.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies

Registrant offers advice to the Funds in connection with their investment in long and short positions in common and preferred stocks, bonds, notes, options, index securities, hedging instruments such as futures, derivatives and currency contracts, private equity and mezzanine securities, warrants, limited partnership interests, and in any other financial instrument that Registrant believes are appropriate in light of a Fund's investment strategy and guidelines. Investment strategies used to implement investment advice given to Clients include long term purchases (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days), short sales, margin transactions and option writing.

Registrant's methodology for securities analysis is fundamentally driven, focusing on absolute cash on cash returns. Registrant seeks to analyze investments in a consistent manner, taking into account the amount of perceived under or overvaluation, inherent potential for realization of underlying value, degree of liquidity and quality of management. In its research, Registrant typically culls and evaluates information from diverse sources that may include, but are not limited to, annual reports, prospectuses, filings with the SEC, company financial statements, company press releases, sell-side research reports, corporate rating services, third-party research materials, meetings and interviews with management teams, on-site company due diligence, discussions with competitors, suppliers, customers, industry experts and analysts, professional advisors and hired experts and financial newspapers and magazines.

Risk of Loss

Investing in any of the Funds involves substantial risks, including the risk of total loss of capital, and may not be suitable for all investors. Different investment strategies are subject to different types and degrees of risk and you should familiarize yourself with the risks associated with the particular investment strategy of the Fund(s) you intend to invest in. Prospective and current investors in any Fund should carefully consider the risks of investing in such Fund. Some of these risks are described in further detail in the applicable Fund offering memorandum, which you should review before investing. Interests in any Fund may be very illiquid and investors should be able to bear the financial risks of an investment for an indefinite period of time. There is no secondary market for interests in the Funds and none is expected to develop.

- *Limited Operating History.* The Funds have a limited operating history for prospective investors to evaluate prior to making an investment in the Funds.
- *Investment Judgment.* The profitability of a significant portion of the Funds' investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that Registrant will be able to predict accurately these price movements. With respect to the investment strategy utilized by the Funds, there is always some, and occasionally a significant, degree of market risk. In addition, trading errors may occur from time to time and such trading errors may cause losses which will be borne by the Funds.
- *Short Sales.* The Funds may enter into transactions, known as "short sales," in which they sell a security they do not own in anticipation of a decline in the market value of the security. Short sales by the Funds that are not made "against the box" theoretically involve unlimited loss potential, since the market price of securities sold short may continuously increase, although the Funds may mitigate such losses by replacing the securities sold short before the market price has increased significantly. Under adverse market conditions, the Funds might have difficulty purchasing securities to meet their short sale delivery obligations, and might have to sell portfolio securities to raise the capital necessary to meet its short sale obligations at a time when fundamental investment considerations would not favor such sales.
- *Foreign Securities.* The Funds may invest and trade in securities of foreign issuers. Investments in foreign securities involve certain factors not typically associated with investing in U.S. securities, such as risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar (the currency in which the books of the Funds are maintained) and the various foreign currencies in which the Funds' portfolio securities will be denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities markets, including the absence of uniform accounting, auditing and financial reporting standards and practices and disclosure requirements, and less government supervision and regulation; (iii) political, social or economic instability; (iv) imposition of foreign income, withholding or other taxes; and (v) the extension of credit, especially in the case of sovereign debt.
- *Master Fund Structure.* Certain offshore Funds invest through a master-feeder structure. Although a common investment fund structure, the master fund structure presents certain unique risks to investors. As a matter of Cayman Islands law, a master fund is not a legal entity with separate legal personality. Legal proceedings by or against the relevant master fund may be instituted by or against Registrant only. Expenses or liabilities of the master fund (or Registrant) arising from any such suit would be borne by the master fund, and creditors of the master fund may enforce claims against all assets of the master fund.
- *Leverage.* Subject to applicable margin and other limitations, Funds may borrow funds in order to make additional investments and thereby increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of the Funds' portfolios would be amplified. Interest on borrowings will be a portfolio expense for each of the Funds and will affect the operating results of the Funds. Also, the Funds could potentially create leverage via the use of instruments such as options and other derivative instruments.

- *Derivatives.* The Funds may invest in derivative instruments. Derivative instruments, or “derivatives,” include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are “leveraged,” and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the Funds to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts, and to counterparty risk. The counterparty risk lies with each party with whom the Funds contract for the purpose of making derivative investments (the “**Counterparty**”). In the event of the Counterparty’s default, the Funds will only rank as unsecured creditors and risk the loss of all or a portion of the amounts they are contractually entitled to receive.
- *Options.* The Funds may invest in options. Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market’s perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor’s entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (i.e., sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value.
- *Forward Contracts.* Certain Funds may invest in forward contracts. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Funds due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which Registrant would otherwise recommend, to the possible detriment of the Funds. Forward currency through banks is not regulated. In respect of such trading, Funds are subject to the risk of bank failure or the inability or refusal by a bank to perform with respect to such contracts. Market illiquidity or disruption could result in major losses to such Funds.

- *Commodities and Futures.* The Funds may trade on a limited basis in futures, commodity options and swaps. Such trading activity is regulated by the Commodity Futures Trading Commission (the “**CFTC**”). Pursuant to an exemption from registration under CFTC regulations, Registrant is not required to register, and is not registered, with the CFTC or the National Futures Association (“**NFA**”) as a Commodity Pool Operator (a “**CPO**”) or as a Commodity Trading Advisor (“**CTA**”). To comply with the exemption, Registrant is subject to specific limitations on its trading of futures (including financial futures, such as interest rate, currency, index and security futures), commodity options and swaps (excluding security-based swaps, but including interest rate, currency and other financial swaps and swaps on broad-based securities indices) (collectively, “**Commodity Interests**”) that it can trade on behalf of the Funds. Should the Funds’ investments in Commodity Interests exceed the limits provided by the applicable exemption from registration, Registrant would likely be required to register as a CPO or CTA and, if registration or reliance on an alternative exemption were impracticable, cease providing Commodity Interest trading advice to the Funds and liquidate the Funds’ holdings of Commodity Interests, which could result in losses and additional costs to the Funds. In the event that Registrant determines to register with the CFTC as a CPO or CTA or to operate the Funds pursuant to an exemption in connection with pools whose participants are limited to qualified eligible persons, the private offering memorandum of each Fund will not be required to be, and will not be, filed with the CFTC. Consequently, the CFTC will not review or approve any offerings by the Funds or any relevant private offering memorandum.
- *Illiquidity.* The investments made by the Funds may be very illiquid, and consequently the Funds may not be able to sell such investments at prices that reflect Registrant’s assessment of their value or the amount paid for such investments by the Funds. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by the Funds and other factors. The nature of the Funds’ investments may require a long holding period prior to profitability. Furthermore, an investor who redeems shares or withdraws from a Fund will not receive any distribution relating to a special situation investment in which such investor has an interest until such time as a recognition event occurs. Each Fund’s operating agreement authorizes Registrant (or the board of directors, as applicable) to make distributions in kind of securities in lieu of or in addition to cash. In the event Registrant makes distributions of securities in kind, such securities could be illiquid or subject to legal, contractual and other restrictions on transfer.
- *Investment Authority.* All decisions with respect to the management of the Funds will be made exclusively by Registrant. Investors will have no right or power to take part in the management of the Funds. Registrant will make substantially all of the management decisions affecting the Funds. Registrant will also make substantially all of the trading and investment decisions of the Funds. In the event of the withdrawal or bankruptcy of Registrant, the Funds will be liquidated.
- *Broad Discretion.* Registrant has broad discretion over the Funds’ investment program and may choose to allocate substantial portions of the Funds’ assets to a particular security. It is the intention of Registrant to allocate the capital of the Funds in a manner that will provide for some diversification among securities. Concentration of investments may tend to result in more rapid changes in the Funds’ portfolios, upward or downward, than would be the case with greater diversification, with the result that a loss in any such position could have a material adverse impact on the Funds’ capital.
- *Concentration of Investments.* While the Funds will seek to achieve some level of diversification by investing in a number of securities, the Funds may not be diversified among geographic areas, types of securities, industries or issuers. The Funds may be investing in a limited number of issuers in line

with Registrant's investment focus on concentrated investing. As a result, changes in the market value of a single issuer could cause greater fluctuations than would occur if the Funds were more diversified.

- *Performance Allocations.* The performance allocation to be made to Registrant may create an incentive for Registrant to make investments that are riskier or more speculative than would be the case in the absence of such performance allocation.
- *Withdrawal Restrictions.* There are severe restrictions on withdrawals and redemptions of shares from the Funds (which may be settled in securities rather than cash) and on transfers of limited partner interests or shares in the Funds. Because of the restrictions on withdrawals, redemptions and transfers, an investment in the Funds is a relatively illiquid investment and involves a high degree of risk. A subscription for limited partner interests or shares in the Funds should be considered only by persons financially able to maintain their investment and who can accept a loss of all of their investment.
- *No Distributions.* Since the Funds do not generally intend to pay distributions, an investment in the Funds will not be suitable for investors seeking current income.
- *In-Kind Distributions.* There can be no assurance that the Funds will have sufficient cash to satisfy withdrawal requests or will be able to liquidate investments at the time of such withdrawal requests at favorable prices. Under the foregoing circumstances, and under other circumstances deemed appropriate by Registrant, an investor may receive in-kind distributions from a Fund's portfolio.
- *Valuations.* From time to time, certain situations affecting the valuation of the Funds' investments (such as limited liquidity, unavailability or unreliability of third-party pricing information and acts or omissions of service providers to the Funds) could have an impact on the net asset value of the Funds, particularly if prior judgments as to the appropriate valuation of an investment should later prove to be incorrect after a net asset value-related calculation or transaction is completed. The Funds are not required to make retroactive adjustments to prior subscription or redemption transactions, management fees or performance allocations based on subsequent valuation data.
- *Side Letters and Other Agreements with Investors.* The Funds may enter into side letters or other writings with certain investors, including those affiliated with Registrant or those deemed to involve a significant or strategic relationship, to waive certain terms, or allow such investors to invest on different terms including terms more favorable than those specifically described the relevant private offering memorandum, including, without limitation, with respect to fees, reporting, liquidity provisions or depth of information provided to such investors concerning the Funds. The terms of such side letters or other agreements could adversely affect investors.
- *Market Conditions.* Developments in the global financial markets illustrate that the current environment is one of extraordinary and possibly unprecedented uncertainty. In light of market turmoil and the overall weakening of the financial services industry, the Funds, their prime broker(s) and other financial institutions' financial condition may be adversely affected and they may become subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on the Funds' business and operations. Moreover, market conditions have substantially reduced the availability of credit, which may have a material adverse effect on the Funds' ability to

achieve their investment objective with respect to any particular investment and/or the Funds' entire portfolios, which could have a material adverse effect on the Funds' overall return objectives.

- *Regulation.* Regulation of securities markets has undergone substantial change in recent years, and is expected to continue to change. There can be no assurance that Registrant will be able, for financial reasons or otherwise, to comply with future laws and regulations.
- *Absence of Investment Company Act Registration.* While each Fund may be considered similar to an investment company, it is not required and does not intend to register as such under the Investment Company Act of 1940, as amended (the "**1940 Act**"), or the laws of any country or jurisdiction and, accordingly, the provisions of the 1940 Act (which, among other matters, require investment companies to have a majority of disinterested directors, require securities held in custody to be individually segregated at all times from the securities of any other person and to be clearly marked to identify such securities as the property of such investment company and regulate the relationship between the adviser and the investment company) are not applicable. Because assets of each Fund held by custodians or brokers are generally not held in such Fund's name, a failure of any such custodians or brokers is likely to have a greater adverse impact on the Fund than if such assets were registered in the Fund's name.
- *Legal, Tax and Regulatory Changes.* Legal, tax and regulatory changes could occur during the term of the Funds that may adversely affect the Funds. The regulatory environment for hedge funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by the Funds, and the ability of the Funds to obtain the leverage it might otherwise obtain or to pursue its trading strategy. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on the Funds could be substantial and adverse.
- *Cross-Class Liability.* Certain Funds will segregate the assets of each class of shares created and issued in its books, and allocate the liabilities of the Fund among those classes, so that the assets of one class are not available to satisfy the liabilities of another class. This arrangement is binding only as between the shareholders of the Fund amongst themselves, and as between the shareholders and the Fund itself. It is not binding on outside creditors of the Fund, who deal with the Fund as a corporate whole and as one entity. Accordingly, where indebtedness (if any) is incurred for the account of one class, and a creditor obtains judgment against the Fund for that debt, any assets of the Fund, regardless of class, would be available to satisfy that judgment. This will be the case with respect to any outside creditor, unless such outside creditor agrees to limit its recourse to the class concerned.
- *Tax Considerations.* The Funds may take positions with respect to certain tax issues that depend on legal conclusions not yet addressed by the courts. Should any such positions be successfully challenged by the Internal Revenue Service (the "**Service**"), or other applicable taxing authority, there could be a materially adverse effect on the Funds, and an investor might be found to have a different tax liability for that year than that reported on its federal income tax return.

- *Tax Audit.* An audit of the Funds by the Service or another taxing authority could result in adjustments to the tax consequences initially reported by the Funds and may result in an audit of the returns of some or all of the investors, which examination could affect items not related to an investor's investment in the Fund. If audit adjustments result in an increase in an investor's income tax liability for any year, such investor may also be liable for interest and penalties with respect to the amount of underpayment. The legal and accounting costs incurred in connection with any audit of a Fund's tax returns will be borne by such Fund. The cost of any audit of an investor's tax return will be borne solely by such investor.
- *Tax Considerations Taken into Account.* The Funds may take tax considerations into account in determining when investments should be sold or otherwise disposed of and may assume certain market risk and incur certain expenses in this regard to achieve favorable tax treatment of a transaction.

ITEM 9. DISCIPLINARY INFORMATION

None.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Either of Registrant's related persons, Royal Capital Partners, LLC and RoyalCap Partners, LLC (the "**General Partners**"), serve as the general partner for limited partnerships for which Registrant serves as investment manager. RoyalCap LLP, a wholly-owned U.K. subsidiary of Registrant, has in the past provided, but as of December 31, 2010 no longer provides, research to Registrant.

Personnel of the General Partners are considered by Royal Capital as "persons associated with" it (as that term is defined in section 202(a)(17) of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**")). Royal Capital will supervise the rendering of any investment advice or research, as the case may be, that may be provided by the General Partners' personnel. Personnel of the General Partners will be subject to Royal Capital's policies and procedures (including those relating to personal trading). The relevant books and records of the General Partners are the books and records of Registrant for purposes of Section 204 of the Advisers Act.

Registrant manages Funds pursuing various investment strategies, which are described more fully in Item 8. Although Registrant and its employees have procedures in place which seek to mitigate conflicts, there may be certain inherent and potential conflicts of interest between Registrant, its affiliates and their employees and principals, on the one hand, and Funds, on the other hand. These material conflicts are described more fully below.

Conflicts of Interest

The operating agreement of each Fund requires Registrant to act in a manner that it considers fair, reasonable and equitable in allocating investment opportunities to such Fund but does not otherwise impose any specific obligations or requirements concerning the allocation of time, effort or investment opportunities to the Fund or any restrictions on the nature or timing of investments for the account of the Fund and for Registrant's own account or for other investment accounts which Registrant may manage. Registrant is not obligated to devote any specific amount of time to the affairs of a Fund and is not

required to accord exclusivity or priority to a Fund in the event of limited investment opportunities arising from the application of speculative position limits or other factors.

When Registrant determines that it would be appropriate for a Fund and one or more other investment accounts to participate in an investment opportunity, the Investment Manager will seek to execute orders for all of the participating investment accounts on an equitable basis. If Registrant has determined to invest at the same time for more than one of the investment accounts, Registrant will generally place combined orders for all such accounts simultaneously and if all such orders are not filled at the same price, it will generally average the prices paid. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, Registrant will allocate the trade among the different accounts on a basis that it considers equitable. Situations may occur where a Fund could be disadvantaged because of the investment activities conducted by Registrant for other investment accounts.

The principals of Registrant, as well as employees and directors thereof and of organizations affiliated with Registrant (“**Affiliates**”), may buy and sell securities for their own account or the account of others, but may not buy securities from or sell securities to the Funds. The Affiliates may engage for their own accounts, or for the accounts of others, in other business ventures of any nature, and the Funds have no right to participate in or benefit from the other management activities of Registrant and the Affiliates shall not be obligated to account to the Funds for any profits or benefits made or derived therefrom, nor shall they have any obligation to disclose or refer to the Funds any of the investment or service opportunities obtained through such activities.

As described further in Item 12, Registrant’s authority to use and its use in the past of “soft dollar” credits generated by the Funds’ securities transactions to pay for expenses that might otherwise have been borne by Registrant may give Registrant an incentive to select brokers or dealers for Fund transactions, or to negotiate commission rates or other execution terms, in a manner that takes into account the soft dollar benefits received by Registrant rather than giving exclusive consideration to the interests of the Funds. The Funds will generally pay more than the lowest available commissions for execution of these transactions.

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

Description of Registrant’s Code of Ethics

Registrant has adopted a Code of Ethics (the “**Code**”), pursuant to Rule 204A-1 under the Advisers Act, for the purpose of establishing the standards of business conduct and fostering a culture of honesty and accountability and assisting those covered by the Code (“**Covered Persons**”) to comply with the Advisers Act. The Code is applicable to all personnel of the firm.

The Code of Ethics contains policies which address the following situations:

Personal and Insider Trading Policies. To help prevent conflicts of interest arising from personal trading, Covered Persons must comply with Registrant’s policy that restricts the purchase or sale of securities for their personal accounts and the accounts of certain affiliated persons. Among other things, the Code of Ethics requires pre-clearance and regular reporting of all personal securities transactions, except certain exempt transactions (such as investments in shares of U.S. registered open-end mutual funds and U.S. government securities). In addition, Registrant has adopted certain policies and procedures concerning

the misuse of material non-public information and the use of third-party experts that are designed to prevent insider trading by any Covered Person.

Gifts and Entertainment. The Code also has a policy regarding the acceptance and offer of gifts, entertainment, favors and other things of value from and to present or prospective clients and others that may do business with Registrant. The policy includes pre-clearance and/or reporting procedures that must be followed by Covered Persons.

Outside Activities. The Code includes a policy regarding outside activities undertaken by Covered Persons in a personal capacity, including serving as a director of a company, certain fiduciary appointments, the receipt of compensation in connection with outside activities and participation in public affairs. Covered Persons may be obligated to obtain pre-approval for or report certain outside activities to Registrant.

Business Standards and Conduct. The Code also includes various policies that establish guiding principles and standards of conduct, for example, relating to use of e-mails, fulfillment of personal obligations and confidentiality obligations.

A copy of the Code of Ethics is available to any investor or prospective investor upon request.

Interest in Client Transactions

Managing Members and members (together, “**Members**”) and employees of Registrant may personally invest in the same securities that are purchased for Clients, and they may own securities of issuers whose securities are subsequently purchased for Clients. However, Members and employees of Registrant may only purchase a security which Registrant is purchasing or intends to purchase for Clients, after all purchasing programs for Clients have been completed, and Members and employees of Registrant may not sell a security held in a Client account until after the Client completes the sale of such security and no longer holds that security. If the Clients do not sell such security the Members and employees of Registrant must continue to hold the security. Exceptions to this policy may be made on a case by case basis. If an issue is purchased or sold for a Client and for any Member or employee of Registrant on the same day after the Client purchases or sells, either the Client or the Member or employee of Registrant may pay for or receive a more favorable price.

Principal and Agency Cross Transactions

It is Registrant’s policy that it will not affect any principal or agency cross transactions for Client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Rebalancing Trades

Registrant determines on a monthly basis, based primarily on the expected inflows and outflows of capital from the various Client accounts, if position rebalance trades are necessary with respect to any Client accounts. If Registrant determines a rebalance is necessary then Registrant computes the trades to be done for each Client account. A broker executes rebalancing trades in the market. Rebalancing trades are generally performed at the close of day price or opening day price and the trades are performed as soon as administratively practicable after the beginning of each month. Registrant does not charge any specific fee or take any specific compensation in connection with any rebalancing trade.

Receipt of Material Non-Public Information

From time to time, Registrant may come into possession of material, non-public information concerning a company in which a Client has invested, or proposes to invest, and the possession of such information may limit the ability of its Clients to buy or sell securities of such company.

ITEM 12. BROKERAGE PRACTICES

Brokerage Arrangements

Registrant is responsible for the selection of brokers (or other counterparties) in connection with the portfolio transactions of the Clients and the negotiation of any commissions paid on such transactions. Registrant will normally purchase portfolio securities through brokers on securities' exchanges or directly from the issuer or from an underwriter or market maker for the securities. Purchases and sales of portfolio instruments through brokers involve a commission to the broker. Purchases and sales of portfolio securities from dealers serving as market makers include the spread between the bid and the ask price. Securities transactions will be executed by brokers selected by Registrant, in its sole discretion and without the consent of the Clients.

Registrant will seek to obtain the best execution for its Clients in connection with portfolio transactions. As a fiduciary, Registrant has a duty to seek best execution for its Clients' securities transactions. When executing transactions for Registrant, the Members and traders must take reasonable care to determine the best combination of price and execution in the relevant markets at the time. The criteria used for selecting brokers/dealers include any, or all of, the following: the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the firm's risk in positioning a block of securities; the quality, and comprehensiveness and frequency of available research services considered to be of value.

Subject to Registrant's obligations to seek best execution, Registrant may select brokers that are subsidiaries of clients (as discussed further below in "—Brokerage for Client Referrals") and use brokers affiliated with the Prime Brokers or investors in the Funds.

At times, Registrant utilizes a trading agent to provide it with certain services including market trading intelligence, allocation of trades to brokers to pay them for the proprietary research they provide to Registrant and access to research conferences. Registrant may instruct the trading agent to step out commissions for trades executed by the trading agent to certain brokers who have provided Registrant with proprietary research, or may arrange with broker-dealers directly for proprietary research. The trading agent currently charges 2-cents per share. Registrant and the General Partners have determined that the additional 2-cents commission, which it pays to the trading agent, is appropriate for the services provided, some of which involve using client commissions for research and other execution services.

Research and Other Soft Dollar Benefits

Registrant is authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it with investment and research information or to pay higher commissions to such firms if Registrant determines such prices or commissions are reasonable in relation to the overall services provided. Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. Information so received is in addition to and not in lieu of services required to be performed by Registrant, and Registrant's performance-based compensation are not reduced as a consequence of the receipt of such supplemental research information. Research services provided by broker-dealers used by a Client may be utilized by Registrant or its affiliates in connection with its investment services for other accounts and, likewise, research services provided by broker-dealers used for transactions of other Clients may be utilized by Registrant in performing its services for the Client. Since commission rates in the United States are negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

In addition to research services, Registrant may be offered other non-monetary benefits by broker-dealers that it may engage to execute securities transactions on behalf of the Funds. These benefits may take the form of special execution capabilities, clearance, settlement, reputation, financial strength and stability, efficiency of execution and error resolution. They also may take the form of payment of all or a portion of Registrant's costs and expenses of operation such as supplies, salaries, employee benefits, telephone, postage, couriers, transportation, travel, meals and entertainment, office equipment, news wire and data processing charges, legal and accounting fees, tax preparation and legal fees of Registrant and Members of Registrant, office rent and electricity, quotation services and periodical subscription fees, technology consulting, recruiting expenses, insurance, operation recovery expenses, multi-media and administrative fees and all other trading related expenses. These benefits may be available for use by Registrant in connection with transactions in which the Clients will not participate. The availability of these benefits may influence Registrant to select one broker rather than another to perform services for the Clients.

Registrant intends to use, and in the past fiscal year has used, "soft dollars" generated by the Funds to pay for the research and non-research related services described above. The term "soft dollars" refers to the receipt by Registrant of products and services provided by brokers without any cash payment by Registrant, based on revenues generated from brokerage commissions for transactions executed for Clients. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment). Section 28(e) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), provides a "safe harbor" to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to Registrant in the performance of investment decision-making responsibilities. Soft dollars are Client assets. Registrant's use of soft dollars exceeds the safe harbor of Section 28(e). Soft dollars are used for expenses other than investment research and brokerage services. These uses of soft dollars will not always be within the safe harbor afforded by Section 28(e) and will constitute extra compensation to Registrant and its Members. For example, in the event Registrant elects to use its soft dollars for payment of all or a portion of Registrant's costs and expenses of operations such as supplies, salaries, employee benefits, telephone, postage, transportation, travel, meals and entertainment, office equipment, news wire and data processing charges, legal and accounting fees, office

rent and electricity, quotation services and periodical and subscription fees, such uses of soft dollars will not be within the safe harbor afforded by Section 28(e). In 2011, the extra compensation attributable to soft dollar benefits to Registrant amounted to an approximate 8 basis points of a Client's return if the Client had been invested for the full fiscal year.

The soft dollars, services and products are provided by a soft-dollar "converter," ITG, Inc. and/or other broker-dealers. Registrant will attempt to assure either that the execution fees and costs to the Clients for services provided to Registrant, the General Partners and the Clients by brokers offering these benefits are not materially greater than they would be if the services were performed by equally capable brokers not offering such services or that the Clients also will benefit from the services.

The use of brokerage commissions to obtain investment research services and to pay for the administrative costs and expenses of Registrant creates a conflict of interest between Registrant and its Clients, because a Client will pay for such products and services that are not exclusively for the benefit of such Client and that may be primarily or exclusively for the benefit of Registrant. To the extent that Registrant is able to acquire these products and services without expending its own resources (including management fees paid by the Clients), Registrant's use of "soft-dollars" would tend to increase Registrant's profitability. In addition, the availability of these non-monetary benefits may influence Registrant to select one broker rather than another to perform services for its Clients, rather than selecting brokers based on a Client's interest in receiving most favorable execution. Each Fund's operating agreement specifically authorizes these practices to the fullest extent permitted by law.

Registrant has established an advisory committee to oversee its brokerage and best execution practices (the "**Brokerage Committee**"). The members of the Brokerage Committee are Robert W. Medway, Yale M. Fergang, Daniel Mandelbaum and Will Ford. The Brokerage Committee meets periodically.

Brokerage for Client Referrals

Registrant does not consider, in selecting or recommending broker-dealers, whether Registrant or a related person receives client referrals from a broker-dealer or third party.

However, subject to Registrant's obligations to seek best execution, Registrant may select brokers that are subsidiaries of clients. Any such brokerage selection will be negotiated on an arms-length basis. As discussed above, brokerage selection practices are subject to Brokerage Committee oversight and review.

Trade Aggregation Practices

As described in Item 10, when Registrant determines that it would be appropriate for a Fund and one or more other investment accounts to participate in an investment opportunity, the Investment Manager will seek to execute orders for all of the participating investment accounts on an equitable basis. If Registrant has determined to invest at the same time for more than one of the investment accounts, Registrant will generally place combined orders for all such accounts simultaneously and if all such orders are not filled at the same price, it will generally average the prices paid.

ITEM 13. REVIEW OF ACCOUNTS

Review of Client Accounts

Registrant regularly monitors developments that affect both the original investment thesis of the stock and the realization of value. Performance benchmarks related to the investment thesis are determined at the outset of a position in order to maintain an objective standard to monitor its positions. Royal Capital will generally exit an investment if there is a business or environmental factor that has made its original thesis obsolete. Sell decisions are typically based on the current assessment of fundamental value and how a security is priced in relation to that value.

Registrant also monitors the Funds' exposure to broad industry groups, asset classes, macro-economic factors such as interest rates and currency exchange rates, and overall market risk. Registrant may hedge the portfolio against too much concentration relating to these factors or other factors deemed relevant by Registrant:

- *Industry concentration risk.* An industry report is typically created and monitored on a daily basis to insure industry exposures are within pre-determined levels.
- *Position concentration risk.* Position sizes are generally monitored on a daily basis to ensure the short positions remain below a pre-determined level. Short rebate analysis and short supply and demand analysis are generally conducted on a bi-monthly basis.
- *Liquidity risk.* A liquidity report is generally created on a bi-monthly basis and may be created more frequently, as necessary.
- *Market risk.* An annual rolling portfolio beta is generally calculated on a daily basis. This provides the starting point for the monitoring of correlation with the market. More importantly, Registrant's Portfolio Managers rely on their deep knowledge of the portfolio to assess portfolio beta. VAR analysis, scenario stress-testing, currency exposure analysis are also generally monitored on a bi-monthly basis or more frequently as necessary.
- *Position NAV analysis.* Position NAV target analysis is typically conducted on a daily basis.

One of Registrant's two Portfolio Managers (Robert Medway and Yale Fegang) and Head Trader (Will Ford) typically review the portfolio of each Fund on a daily basis.

Reports

Investors in the Funds receive: (i) within 120 days of the end of a Fund's fiscal year, annual written reports containing audited financial statements, (ii) quarterly written reports reviewing performance for the quarter and (iii) monthly capital account statements made available on a monthly basis through Registrant's website or provided by the offshore administrator, as applicable.

In addition, Registrant furnishes investors with a monthly portfolio profile which presents performance measured against certain benchmarks along with certain other information relating to the investments, such as market cap breakdown and position concentration.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

The Funds do not have their own separate employees or office, and do not reimburse Registrant and/or the General Partners for salaries, secretarial services, communication services, utilities, computers, supplies, fixtures, equipment, office rent and other general overhead costs (collectively, “**General Overhead Costs**”). However, a portion of the commissions generated on the Funds’ brokerage transactions may generate “soft dollar” credits that Registrant is authorized to use to pay for research, execution and other non-research and non-execution related services and products used by Registrant (including General Overhead Costs and placement or solicitation fees). Please refer to Item 12 for additional information on Registrant’s soft dollar practices.

Neither Registrant nor any related person directly or indirectly compensates any person who is not a supervised person for client referrals.

ITEM 15. CUSTODY

Registrant has custody of Client assets as such term is defined under Rule 206(4)-2 under the Advisers Act. Registrant has engaged an independent public accountant registered with, and regularly examined by, the Public Company Accounting Oversight Board to conduct annual financial audits of the Funds prepared in accordance with U.S. Generally Accepted Accounting Principles. As discussed in Item 13, each Fund furnishes annual written reports containing the audited financial statements to investors within 120 days of the end of the Fund’s fiscal year as well as tax information.

ITEM 16. INVESTMENT DISCRETION

As of January 31, 2012, Registrant manages Client assets on a discretionary basis in the amount of approximately \$1,600,462,189. Registrant does not manage client assets on a non-discretionary basis. Please see Item 4 for a discussion of the types of investment supervisory services provided by Registrant.

Registrant generally receives discretionary authority from a Client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. Such authority is provided in Registrant’s advisory contract with each Client and/or under the terms of the operating agreement of each Client. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client account. When selecting securities and determining amounts, Registrant seeks to observe the investment policies, limitations and restrictions of the Clients for which it advises.

ITEM 17. VOTING CLIENT SECURITIES

Description of Proxy Voting Policies and Procedures

Registrant has adopted written proxy voting policies and procedures (“**Proxy Policy**”) pursuant to which Registrant is delegated the right to vote, on behalf of the Fund’s proxies received from companies, the securities of which are owned by the Funds. A copy of the Proxy Policy is available to Clients, upon request. Registrant follows the Proxy Policy in an effort to ensure that proxies Registrant votes on behalf of each Client are voted to increase the long term net asset value of its investors capital and to seek to further their best interests. The Proxy Policy establishes a mechanism to address certain conflicts of interest between Registrant and Clients. Potential conflicts include but are not limited to: (a) if Registrant were to manage a portfolio for a proxy issuer or its senior officers or directors or if such person(s) were to

invest in a Client, and Registrant were to also own that company's securities in Client account portfolios; or (b) if any of Registrant's employees has a familial or personal relationship with a senior executive or board member of a proxy issuer or with persons or entities making a shareholder proposal requiring a vote of a company whose security is owned in Client account portfolios; or (c) if Registrant has a representative on the board of directors of the issuer to which the proxy relates. Clients may obtain information on how the proxies have been voted for their account by contacting Daniel Mandelbaum.

Registrant retains a third party proxy voting service, Broadridge Financial Solutions, Inc. ("**Broadridge**"), to provide third party proxy voting services for the Funds. Broadridge is responsible for notifying Registrant of all upcoming meetings, providing a proxy analysis and vote recommendations for each proposal, verifying that all proxies are received, and contacting custodian banks to request missing proxies. Broadridge provides proxy analysis and vote recommendations to Registrant based on the analysis and recommendations of Glass, Lewis & Co., a third party proxy analysis and voting service. Broadridge sends the proxy vote instructions to the appropriate tabulator. Registrant has adopted Broadridge's detailed proxy policies. The Managing Members and members of Registrant (together, "**Members**") reviewed Broadridge's policies and determined them to be in line with Registrant's objectives. However, the Members of Registrant have final authority on how to vote proxies and will instruct Broadridge as such. Under certain circumstances, where it is determined to be in the best interest of Clients, the Members may vote in a manner that is contrary to the Broadridge recommendation or abstain from voting.

Broadridge will maintain on behalf of Registrant records of (i) all proxy statements and materials Registrant receives; (ii) all proxy votes that are made on behalf of Clients; and (iii) documentation of the reasons when Registrant determines not to vote in accordance with Broadridge policies.

ITEM 18. FINANCIAL INFORMATION

Registrant does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Registrant is not aware of having any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients. Registrant has not been subject to a bankruptcy petition within the last ten years.