

# **Reef Road Capital, LLC**

## **Part 2A of Form ADV The Brochure**

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**April 1, 2013**

This Brochure provides information about the qualifications and business practices of Reef Road Capital, LLC (“Reef Road” or the “Adviser”). If you have any questions about the contents of this Brochure, please contact John DiRocco, Chief Compliance Officer, at (212) 257-4480 or email [john.dirocco@reefroadcap.com](mailto:john.dirocco@reefroadcap.com). The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

## Item 2: Material Changes

On April 1, 2013, Reef Road filed its initial application to register as an investment adviser with the SEC. Accordingly, pursuant to disclosure rules under the Investment Advisers Act of 1940 (“Advisers Act”), this is the first Brochure compiled by Reef Road to provide new and prospective clients and investors with clearly written, meaningful, current disclosure of its business practices and conflicts of interest. We encourage all recipients of this Brochure to read it carefully and in its entirety.

In the future, this Item will identify and discuss material changes that have occurred since the last annual update of the Brochure.

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## Item 4: Advisory Business

Reef Road is a Delaware limited liability company formed in October 2012. The Adviser is principally owned by Eric Rosen, Chief Investment Officer (“CIO”) and Managing Member.

Reef Road intends to serve as the investment manager and provide discretionary advisory services to related private funds organized in a “master-feeder” structure, including private investment partnerships and foreign investment companies, and a separate account (the “Separate Account”). Each of the funds will be overseen by either a General Partner or Board of Directors, depending upon each fund’s structure and organization. The Adviser intends to provide investment advice to the following funds:

- Reef Road Master Fund, LTD. (the “Master Fund”), a Cayman Islands exempted company;

- Reef Road Investors, LP (the “Domestic Fund”), a Delaware limited partnership that will invest substantially all of its assets in the Master Fund; and
- Reef Road Fund, LTD. (the “Offshore Fund”), a Cayman Islands exempted company that will invest substantially all of its assets in the Master Fund.

The Master Fund, Domestic Fund, and Offshore Fund are collectively referred to herein as the “Funds” or each a “Fund.” Shares or limited partnership interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended; nor are the Funds registered under the Investment Company Act of 1940, as amended. Accordingly, interests or shares in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements, either in private transactions within the U.S. or in offshore transactions.

The investment objective of the Funds is to generate superior risk-adjusted returns primarily through investments in credit instruments, including, among others, corporate credit products, distressed products, and event driven and special situations. The Funds will take long and short positions primarily in credit opportunities with a focus on U.S. and European domiciled companies and their related investment instruments.

Reef Road will also serve as the investment manager to the Separate Account which will be managed pari-passu with the Funds, subject to certain risk parameters and other limitations specified in the investment management agreement with the Separate Account. The Funds and the Separate Account are collectively referred to herein as the “Clients” or each a “Client”

In providing services to the Funds, Reef Road formulates each Fund’s investment objectives and directs and manages the investment and reinvestment of each Fund’s assets. Investment advice is provided directly to the Funds and not individually to the limited partners or shareholders of the Funds (the “Investors” or each an “Investor”). Reef Road manages Client assets in accordance with the terms of each Funds’ confidential offering and/or private placement memoranda and other governing documents applicable to the Funds and the investment management agreement for the Separate Account (the “Governing Documents” or each a “Governing Document”). The Funds issue several classes or series of interests or shares, of which each class or series is subject to different investment terms, “lock-up” periods and/or ongoing redemption restrictions. Additional information regarding these terms, restrictions, or limitations is provided in the Governing Documents.

As of the date of this filing, Reef Road does not have any discretionary or non-discretionary assets under management. However, Reef Road has registered with the SEC in reliance on Rule 203A-2(c) under the Advisers Act because the Adviser expects to be eligible for SEC registration within 120 days of the filing date due to the investment advisory services it shall provide to Clients.

## **Item 5: Fees and Compensation**

### **Fees and Compensation Related to the Funds**

## *General*

Compensation received by Reef Road will generally be comprised of fees based on a percentage of assets under management and performance-based amounts. The fees charged by the Adviser or related entities to the Funds are deducted directly from the Investor's account.

The Funds issue several classes or series of interests or shares, of which each class or series is subject to different lock-ups, investment management fee rates, and performance-based fee rates. The Funds also offer reduced management and performance-based fees to early stage Investors. The Governing Documents set forth in detail the fee structure relevant to each Fund. Investors should review all fees charged by Reef Road and related entities to fully understand the total amount of fees to be paid by a Fund and, indirectly, by Investors.

In the sole discretion of Reef Road, management fee and performance-based fee amounts may be waived, reduced, or calculated differently with respect to certain Investors, including, without limitation, Investors that are officers, directors, members, partners, or employees (collectively the "Employees") of Reef Road, members of the immediate families of such persons, and trusts or other entities for their benefit.

## *Management Fees*

Depending on the series or class and time of investment, management fees for the Funds range from 1.25% to 2.00% and are paid quarterly in advance based on the net asset value of the Fund as of the first business day of each calendar quarter.

## *Performance-Based Fees*

Depending on the series or class and time of investment, performance-based fees for the Funds range from 10.00% to 20.00% and are paid to the General Partner of the Master Fund at the end of each fiscal year. The performance-based fee is calculated based on the net profits attributable to the relevant class and includes unrealized gains and losses.

## *Other Fees and Expenses*

In addition to management fees and performance-based fees, the Funds will be responsible for the operating and administrative fees and expenses described in the Governing Documents. The types and amounts of fees may vary, but typically will include the following: compliance, audit and accounting expenses (including third party accounting services); administrator expenses; regulatory filing fees and expenses made in connection with managing the Fund's portfolio (e.g., Section 13 filings, Section 16 filings, and Form PF); organizational expenses; investment expenses such as brokerage commissions and trading costs, research fees and expenses (including research-related travel); interest on margin accounts and indebtedness; borrowing charges on securities sold short; custodial fees; bank service fees; director fees; and insurance costs (including D&O and E&O insurance). Investors should refer to Item 12 for additional

information about the Adviser's brokerage practices. Investors in certain classes may also be subject to a redemption fee in the event they redeem prior to the end of the lock-up period.

#### Fees and Compensation Related to the Separate Account

Reef Road is compensated for its investment advisory services based on a fixed investment management fee and a performance-based fee. On a monthly basis, the Adviser sends an invoice to the Separate Account to collect the management fee. The Adviser also receives an annual performance-based fee from the Separate Account that is calculated in accordance with the Governing Document. The Separate Account is also generally responsible for its pro-rata portion of research related expenses and brokerage and transaction costs.

### **Item 6: Performance Based Fees and Side-by-Side Management**

As described above, Reef Road or its affiliates intend to receive performance-based fees. Because this fee is calculated on a basis which includes unrealized appreciation of the Client's portfolio, it may be greater than if such compensation were based solely on realized gains. The fact that a portion of Reef Roads' or its affiliates' compensation is directly computed on the basis of profits generated by the sale or disposition of Client assets may create an incentive for Reef Road to make investments on behalf of the Clients that are riskier or more speculative than would be the case in the absence of such compensation.

### **Item 7: Types of Clients**

Reef Road's Clients will be private funds that operate as pooled investment vehicles and a separately managed account. The Adviser intends to provide discretionary management and advisory services to the Funds and the Separate Account directly, subject to the direction and control of the General Partner or Board of Directors, depending upon the Client, and not individually to any Investors. Investors in the Funds may include, but are not limited to, high net worth individuals, pension plans (corporate, state, and foreign), sovereign wealth funds, endowments, foundations, banks, pooled investment vehicles (e.g., funds-of-funds), trusts, estates or charitable organizations, and corporate or business entities.

Reef Road has established a minimum dollar amount to invest in each of the Funds. The Fund's initial and additional subscription minimums are disclosed in the applicable Governing Documents for such Fund. As described in each Fund's applicable Governing Documents the minimum subscription amounts may be waived or altered.

The Company has entered into an arrangement with an initial Investor (the "Initial Investor"), whereby the Initial Investor agreed to provide a significant capital contribution to certain of the Funds as well as the Separate Account. In consideration for such capital contribution, the Initial Investor is entitled to receive a percentage of the management fees and performance-based fees incurred by the relevant Fund.

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

## Methods of Analysis and Investment Strategies

Reef Road is a long-short credit opportunities manager primarily focused on U.S. and European domiciled companies and their related investment instruments. The investment strategy spans the credit spectrum, consisting of performing credit, distressed credit, event driven and special situations opportunities, and portfolio hedging. Reef Road seeks to consistently generate superior risk adjusted returns by identifying and capitalizing on dislocated markets and mispriced assets through each phase of the credit cycle. Appropriate investment strategies during each credit cycle include, but are not limited to, the following:

- Expansion Phase – relative value, capital structure arbitrage, event driven and special situations, and late stage distressed;
- Downturn Phase – short directional, relative value, capital structure arbitrage, and isolated distressed;
- Repair Phase – short directional, relative value, capital structure arbitrage, and long distressed investments ; and
- Recovery Phase – long directional, distressed, capital structure arbitrage, and event driven and special situations.

The Adviser intends to employ an actively managed approach to generate alpha while reducing portfolio volatility in comparison to the broader market. This approach will leverage the management team's historical process by: (i) identifying value-oriented, catalyst-driven investment opportunities, (ii) performing rigorous fundamental analysis, (iii) acquiring and disposing of assets with disciplined focus, and (iv) systematically risk managing the portfolio.

The investment process is characterized by the following five steps which occur in contiguous and parallel fashion: (i) idea generation, (ii) fundamental analysis, (iii) portfolio positioning, (iv) risk management, and (v) realization. The investment process is iterative and information is aggregated, assessed, and incorporated in a collaborative and regimented process conducted by the investment team. The process is brought to a decision point which is made by the CIO, and then the cycle continues. The investment decision process follows a framework that begins with (i) efficient resource allocation, followed by (ii) rigorous evaluation, and consummates in (iii) portfolio and risk management decisions.

In order to establish a new portfolio position, either the CIO or the Director of Research and Strategy must approve the investment in conjunction with a majority of the members of the Investment Committee. The CIO maintains the discretion to determine the size of a new position within the overall portfolio.

Reef Road intends to take positions in approximately 40-60 issuers across the credit spectrum. Reef Road will typically trade the following financial products, all of which could be either performing or non-performing instruments: bank debt (loans), bonds, credit default swaps, bankruptcy claims (including trade claims), post-reorg instruments (including equities),

structured credit products, preferred stock, common stock, and listed equity options. At times, the Adviser will also trade corporate indices, mezzanine debt, convertible debt, commercial paper, receivables, private equities and debt, credit linked notes, over-the-counter and private options, rates, equity derivatives and warrants, and other corporate credit related instruments. From time to time for the purposes of hedging, Reef Road will also trade U.S. Treasury securities, commodities, currencies, swaps, futures, sovereign bonds, and forwards.

The Adviser intends to employ shorting as a strategy designed to both hedge the portfolio and augment returns, while attempting to reduce portfolio volatility in comparison to the broader market. Reef Road also engages in shorting as a part of various investment strategies during different points of the credit cycle. Hedging may either be employed on a position level basis or at the portfolio level, with the intention of either reducing systematic risk exposure at a position level or orienting the overall portfolio consistent with the Adviser's current macro views. Reef Road employs various degrees of position level hedges at different points in the credit cycle. At the portfolio level, the Adviser deploys both directional hedges as well as a tail risk hedge.

### General Risk Information

Investing in securities involves the risk of loss that Clients and Investors should be prepared to bear. An investment involves significant risks and is suitable only for those persons who can bear the economic risk of the loss of their entire investment and who have limited need for liquidity in their investment. There can be no assurance that a Client will achieve its investment objective. An investment carries with it the inherent risks associated with investments primarily in credit instruments and the use of leverage and short sales. Reef Road is a newly formed entity and has no operating history upon which prospective Clients and Investors can evaluate its likely performance. Following is a summary of material risks related to a Client investment. Please refer to the relevant Governing Document for a full description of risks.

### Risks Related to Specific Investments

#### *Lack of Liquidity of Investments*

Client assets may, at any given time, include securities and other financial instruments or obligations that are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to accurately value any such investments.

#### *Corporate Debt-Obligations*

Clients may invest in corporate debt obligations (both performing and nonperforming), including, but not limited to, bank loans, high yield, high grade, commercial paper and convertible securities, which are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations (credit risk).

### *Credit Derivatives*

Clients may invest in credit derivatives. The market for credit derivatives is somewhat illiquid and there are considerable risks that it may be difficult to either buy or sell the contracts as needed or at reasonable prices. There are also risks with respect to credit derivatives in determining whether an event will trigger payment under the derivative and whether such payment will offset the loss or payment due under another instrument.

### *Distressed Investments*

Clients may invest in distressed securities, claims and obligations of domestic and foreign entities which are experiencing significant financial or business difficulties. Clients may lose a substantial portion or all of their investment in a distressed environment or may be required to accept cash or securities with a value less than the Client's investment. Among the risks inherent in investments in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers.

### *Special Situations*

Clients may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Client of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, Clients may be required to sell an investment at a loss.

### *Credit Default Swap Agreements*

Credit default swaps involve greater risks than if a Client had invested in the reference obligation directly. In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk. A buyer also may lose its investment and recover nothing should no credit event occur. If a credit event were to occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to the Client.

### *High Yield Securities*

Clients may invest in high yield bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominately speculative with respect to the issuer's capacity to pay interest and repay principal.

## *Non-U.S. Securities*

Investing in securities of non-U.S. governments and companies that are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the U.S. government or U.S. companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the U.S., higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

## Risks Related to Investment Strategies

### *Relative Value Strategy Risk*

Clients will pursue relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. In the event that the perceived mispricings underlying the trading positions were to fail to converge toward, or were to diverge further from, the Adviser's expectations, Clients may incur a loss.

### *Event Driven Strategy Risk*

The results of Client's operations may be expected to fluctuate from month to month and from period to period because of the inherently speculative nature of risk arbitrage transactions. In this activity, if and when the Adviser determines that it is probable that a proposed transaction will be consummated, Clients will purchase securities at prices often only slightly below the anticipated value to be paid or exchanged for the securities in the proposed merger, exchange offer, cash tender offer or other similar transaction. The purchase price to the Client may be substantially above the prices at which such securities traded immediately prior to the announcement of such merger, exchange offer, cash tender offer or other similar transaction. If the proposed merger, exchange offer, cash tender offer or other similar transaction appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the security to be tendered or exchanged may, and likely will, decline sharply by an amount greater than the difference between the Client's purchase price and the anticipated consideration to be paid.

### *Arbitrage Transaction Risks*

Reef Road may employ any one or more arbitrage strategies. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur which can be magnified to the extent the Client is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable spreads, which can also be identified, reduced or eliminated by other market participants.

### *Hedging Transactions*

Although Clients may utilize a variety of financial instruments, such as derivatives, options, interest rate swaps, swaptions, government bonds, equity indices, caps and floors, futures and forward contracts generally for risk management purposes (Clients may also utilize them for speculative purposes), there can be no assurances that a particular hedge is appropriate, or that a certain risk is measured properly.

### *Short Sales*

Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on a Client's portfolio. There can be no assurance that securities necessary to cover a short position will be available for purchase.

### *Use of Leverage*

Leverage increases Client returns if the Client earns a greater return on investments purchased with borrowed funds than the Client's cost of borrowing such funds. However, the use of leverage exposes Clients to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the Client not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions, and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Client's cost of borrowing such funds.

## **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client or investor's evaluation of the adviser or the integrity of the adviser's management. Neither Reef Road nor any of its Employees have been involved in any legal or disciplinary events in the past 10 years that would require disclosure in response to this Item.

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

Reef Road and its Employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

Reef Road provides discretionary investment advice to the Funds. An affiliate, Reef Road GP, LLC, is the General Partner of certain Funds. While the General Partner is not separately registered as an investment adviser with the SEC, all of its investment advisory activities are subject to the Advisers Act and the rules thereunder. In addition, Employees and persons acting on behalf of the General Partner, if any, are subject to the supervision and control of Reef Road.

The Adviser shall rely on exemptions available to it under Commodities Futures Trading Commission rules to avoid registering as a commodity pool operator and commodity trading

advisor. Similarly, the Funds, and any relevant general partner entity, shall rely on exemptions to avoid registering as a commodity pool operator.

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

Pursuant to Rule 204A-1 under the Advisers Act, Reef Road has adopted a written Code of Ethics (the “Code”) predicated on the principle that Reef Road owes a fiduciary duty to its Clients. The Code is designed to address and avoid potential conflicts of interest and is applicable to all Employees. A summary of the Code is provided below. However, Clients may obtain a copy of the full Code and prospective Clients may review the full Code, by contacting John DiRocco by telephone at (212) 257-4480 or email at [john.dirocco@reefroadcap.com](mailto:john.dirocco@reefroadcap.com).

The Code places restrictions on personal trades by Employees, including that they disclose their personal securities holdings and transactions to Reef Road on a periodic basis, that Employees pre-clear certain types of personal securities transactions, and that Employees’ must hold positions for a minimum amount of time. Reef Road, its affiliates, and its Employees may invest on behalf of themselves in securities that would be appropriate for, held by, or may fall within the investment guidelines of Clients, subject to a pre-clearance process.

Subject to applicable regulatory restrictions, Employees of Reef Road may choose to personally invest, directly and/or indirectly, in the Funds. Such Investors will be in possession of information relating to the Funds and the portfolio not available to other Investors and prospective Investors. As a result, as part of the Code, and other compliance policies and procedures of Reef Road, Employees will be subject to certain restrictions concerning these investments. The Adviser does not believe this arrangement presents any material conflicts of interest since the interests of its Employees and Reef Road are aligned with the interest of Investors in the Funds.

## **Item 12: Brokerage Practices**

### General

Reef Road has complete discretion in deciding which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid.

The Adviser maintains an approved counterparty list detailed by both counterparty and corresponding instrument type and conducts significant due diligence before adding a counterparty to this list. Client’s portfolio transactions will be allocated to brokers and dealers on the approved counterparty list on the basis of various factors, including both qualitative and quantitative factors. In selecting brokers to effect portfolio transactions for Clients, Reef Road considers such factors as the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution;

liquidity; speed; the financial strength, integrity and stability of the broker; the risk in positioning a block of securities; the quality, comprehensiveness, and frequency of related services considered to be of value, such as access to management and meetings, research, and capital-introduction programs; and the competitiveness of commission rates in comparison with other brokers or dealers satisfying the Adviser's selection criteria.

Accordingly, the commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to Clients by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers that may not offer such services. The Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread.

Reef Road's investment personnel shall meet quarterly to review, among other things, commissions paid, new counterparties, quality of execution, new issue allocations, research provided, and access to capital introduction programs, management, and meetings through brokers or dealers.

#### Soft Dollars

Reef Road does not participate in any formal soft dollar arrangements outside of receiving research available to other institutional investors. However, Reef Road might execute securities transactions with brokers or dealers that provide it with access to proprietary research reports (such as standard investment research and credit reports). To the best of Reef Road's knowledge, these services are generally made available to all similar institutional investors doing business with such brokers or dealers. Reef Road does not separately compensate such broker or dealers for the research and does not believe that it "pays-up" for such brokers' or dealers' services. The Adviser's acceptance of research from brokers or dealers is done in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended.

If Reef Road determines in good faith that the amount of commissions charged by a broker or dealer is reasonable in relation to the value of the brokerage and products or services provided by such broker, Clients may pay commissions to such broker in an amount greater than the amount another broker might charge for effecting the same transaction.

#### Trade Aggregation and Allocation

The Master Fund conducts substantially all of the investment and trading activities on behalf of the Funds. The Separate Account is managed pari-passu to the Funds, subject to any limitations in the Separate Account's Governing Documents. Trades on behalf of Clients are carried out on an aggregated (or block) trade basis and then allocated between Client accounts pro-rata based on the net asset value of each account as of the beginning of the month. However, allocation exceptions are permitted for the following reasons:

- Tax considerations;

- Portfolio considerations driven by, among other things, concentrations, liquidity limitations and ramp-up periods; and
- Restrictions on the types of securities the Separate Account can invest in as well as issues the Separate Account is restricted in, may cause some positions to not be allocated to the Separate Account.

In the event of a partial fill, allocations may be modified on a basis that Reef Road deems to be appropriate, including, for example, in order to avoid odd lots or de minimis allocations.

### Rebalancing Transactions

Reef Road may effect cross transactions between Client accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of Clients remain substantially similar. The Adviser has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Should an occasion arise where a cross trade between the Fund and a Separate Account is desirable, the Adviser will obtain market quotes on the position. For actively traded listed positions, the rebalancing trade will be done at the closing price. For other positions, Reef Road will generally obtain three market quotes and cross the trade at the mid.

### Trade Errors

Reef Road may on occasion experience errors with respect to trades made on behalf of Clients. Trade errors may include, for example, (i) the placement of orders (either purchases or sales) in excess of the amount of securities the Adviser intended to trade; (ii) the sale of a security when it should have been purchased; (iii) the purchase of a security when it should have been sold; (iv) the purchase or sale of the wrong security; (v) the purchase or sale of a security contrary to restrictions found in Governing Documents; (vi) incorrect allocations of trades; (vii) keystroke errors that occur when entering trades into an electronic trading system; and (viii) typographical or drafting errors related to derivatives contracts or similar agreements. Trade errors may result in losses or gains.

Reef Road generally will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a counterparty, such as a broker or dealer, Reef Road will seek to recover any losses associated with such error from the counterparty. Pursuant to the exculpation and indemnification provided by Clients to Reef Road and its related persons, Reef Road and its related persons will generally not be liable for any loss except if such loss resulted from gross negligence, willful misconduct, fraud, or violation of applicable laws by the Adviser or its related persons.

As a result of these provisions, Clients (and not Reef Road) will benefit from any gains resulting from trade errors and will be responsible for any losses (including additional trading costs) resulting from trade errors and similar human errors, absent gross negligence, willful misconduct, fraud, or violation of applicable laws. Reef Road will offset any such net gains and net losses resulting from trade errors and, in the case of net losses for which Reef Road is

responsible under the exculpation provisions, Reef Road will reimburse Clients for such net losses.

### **Item 13: Review of Accounts**

The Investment Committee meets on a weekly, monthly, and quarterly basis to discuss items such as: existing investment positions, investment ideas, economic developments, industry outlook, and other issues related to current portfolio holdings and potential investment opportunities. The Investment Committee is comprised of the CIO, Director of Research and Strategy, the Director of Trading, and the Director of Business Development (non-voting).

Reef Road intends to provide Investors with a monthly return estimate and monthly letter, including general market commentary, portfolio commentary, and portfolio statistics. The Fund's administrator will provide Investors with monthly statements including final month-to-date and year-to-date returns, as well as the Fund's net asset value and the Investor's account balance. Investors will also receive copies of audited financial statements for the relevant Funds on an annual basis and Investors in the Domestic Fund will receive Schedule K-1s on an annual basis.

The Separate Account receives reports from its independent administrator on a periodic basis. In addition, the Adviser shall generally send the Separate Account certain performance reports on a quarterly basis.

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

Reef Road does not utilize any solicitors or placement agents to attract Clients or Investors. From time to time, brokers (including the Fund's prime brokers) may assist the Funds in raising additional funds from Investors. Additionally, brokers may provide capital introduction and marketing assistance services, and representatives of the Adviser may speak at conferences and programs sponsored by the brokers, for Investors interested in investing in private investment funds. Although neither Reef Road nor the Funds compensates brokers for such assistance, events or services, or for any investments ultimately made by prospective Investors attending such events, such activities may influence the Adviser in deciding whether to use such broker in connection with brokerage, financing, and other activities.

### **Item 15: Custody**

Reef Road will have direction and management of all assets of the Funds. The Funds will be subject to an annual audit by an independent public accountant and the audited financial statements will be distributed to each Investor. The audited financial statements will be prepared in accordance with GAAP and distributed within 120 days of each Fund's fiscal year end.

### **Item 16: Investment Discretion**

In accordance with the terms and conditions of the Governing Documents, Reef Road will generally have discretionary authority to determine, without obtaining specific consent from

Clients or Investors, the securities and the amounts to be bought or sold on behalf of the Funds, and to perform the day-to-day investment operations for Clients.

Reef Road may agree with certain Investors, including the Initial Investor, to most favored nation provisions. In addition, certain government-related Investors (e.g., pensions), as a condition of their investment, may require that Reef Road agree to certain notifications or to comply with the Investor's state specific requirements. Any such waiver or modification to a Fund's Governing Documents is documented by a "side letter" or other agreement.

### **Item 17: Voting Client Securities**

In accordance with its fiduciary duty to Clients and Rule 206(4)-6 under the Advisers Act, Reef Road has adopted and implemented written policies and procedures governing the voting of Client securities. Unless Reef Road receives written instructions from the Separate Account not to vote, Reef Road shall exercise proxy voting authority over each Client's account. The general policy is to vote proxy proposals, amendments, consents, or resolutions in a prudent and diligent manner that will serve Clients' best interest and is in line with Clients' investment objectives.

Reef Road may take into account all relevant factors, as determined by Reef Road in its discretion, including, without limitation: (i) the impact on the value of the securities or instruments and the returns on those securities; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices. In limited circumstances, Reef Road may refrain from voting where Reef Road believes that voting would be inappropriate, taking into consideration the cost of voting and the anticipated benefit to Clients. Generally, Investors in the Funds may not direct Reef Road's vote in a particular solicitation.

Conflicts of interest may arise between the interests of Clients on the one hand and Reef Road or its affiliates on the other hand. If Reef Road determines that it may have, or is perceived to have, a conflict of interest, Reef Road will vote in accordance with its proxy voting policies and procedures. Clients may obtain a copy of Reef Road's proxy voting policies and procedures and/or its proxy voting record by contacting John DiRocco by telephone at (212) 257-4480 or email [john.dirocco@reefroadcap.com](mailto:john.dirocco@reefroadcap.com).

### **Item 18: Financial Information**

A balance sheet is not required to be provided as Reef Road does not solicit fees more than six months in advance. Reef Road has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage Client accounts.