

## **REFORMATION**

December 31, 2013

### **Item 1: Cover Page**

---

This Brochure provides information about the qualifications and business practices of Reformation Services, Inc. If you have any questions about the contents of this Brochure, please contact Jennifer Cuccaro at (203) 975-5972 or [jcuccaro@reformationgroup.com](mailto:jcuccaro@reformationgroup.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Registration of an investment adviser does not imply that Reformation or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

**REFORMATION SERVICES, INC.**  
100 First Stamford Place  
Suite 326  
Stamford, CT 06902  
Tel: (203) 975-5972  
Fax: (203) 975-5980  
[www.reformationgroup.com](http://www.reformationgroup.com)

**Item 2: Material Changes**

---

There are no material changes from prior filings to report.

**Item 3: Table of Contents**

---

Item 1: Cover Page .....	1
Item 2: Material Changes .....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business .....	4
Item 5: Fees and Compensation .....	4
Item 6: Performance-Based Fees and Side-By-Side Management .....	5
Item 7: Types of Clients .....	5
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	5
Item 9: Disciplinary Information .....	6
Item 10: Other Financial Industry Activities and Affiliations .....	6
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	7
Item 12: Brokerage Practices .....	7
Item 13: Review of Accounts .....	7
Item 14: Client Referrals and Other Compensation .....	8
Item 15: Custody .....	8
Item 16: Investment Discretion .....	8
Item 17: Voting Client Securities .....	8
Item 18: Financial Information .....	8

---

**Item 4: Advisory Business**

---

Reformation Services, Inc. ("**Reformation**" or the "**Firm**"), a Delaware corporation, is a private investment adviser with its principal place of business in Stamford, CT. The Firm commenced operations in May 2005.

The Firm is an investment adviser that provides credit and structured credit advisory services as well as investment management services, indirectly, to privately pooled investment vehicles and reinsurance companies (each a "**Client**") on a sub-advisory basis. The Firm may in the future provide investment management services to other entities.

The Firm is led by John R. Kelly. The key principals of the firm are John R. Kelly, Jennifer Cuccaro and Robert Clement.

As of December, 2013, Reformation is a sub-advisor to at least US \$100 million of assets on a non-discretionary basis.

---

**Item 5: Fees and Compensation**

---

As compensation for its investment management services, Reformation typically receives a "Transaction Fee", "Asset Management Fee" and an "Incentive Fee" (defined below).

***Transaction Fee***

Reformation typically receives an upfront Transaction Fee (the "**Transaction Fee**") which varies by Client, but is generally equal to 30 bps for each transaction it is sub-advising. The Transaction Fee is designed to cover expenses related to setting up a transaction or a pool or transactions.

***Asset Management Fee***

Reformation typically receives an annual asset management fee (the "**Asset Management Fee**") which varies by Client, but is generally equal to 40 bps for each transaction it is sub-advising.

Typically, the Client that the Firm is advising will pay the Firm a quarterly asset-based payment in arrears ranging from 30 – 75 bps per annum based on the notional value of each transaction that the Client invests in as of the last day of each quarter. The Asset Management Fee is prorated for any period that is less than a full quarter.

***Incentive Fee***

For the Clients that we advise, we typically receive an incentive distribution from each transaction based on performance ("**Incentive Fee**") which is based on the annual compounded return earned by the Client. Reformation's Incentive Fee is typically 10% over an agreed upon hurdle and will be determined by negotiation.

***Expenses***

The Firm bears all expenses related to its operations, including travel costs, fees and other out-of-pocket expenses directly related to the investigation of investment opportunities (whether or not consummated), the acquisition, ownership, financing, hedging or sale of its investments, taxes, fees of auditors and counsel, expenses of any advisory board or investment committee, insurance, litigation expenses, expenses associated with the accounting, preparation and distribution of reports to investors and any extraordinary expenses. However, where appropriate, expenses directly attributable to the Client, will be paid by the Client.

---

**Item 6: Performance-Based Fees and Side-By-Side Management**

---

As described above, Reformation typically receives performance-based compensation in the form of Incentive Fees from the Clients it advises. For a discussion of our Incentive Fees and performance-based compensation received, please refer to Item 5 above.

---

**Item 7: Types of Clients**

---

The Firm primarily provides advisory services to pooled investment vehicles and reinsurance companies.

---

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

---

***Methods of Analysis and Investment Strategies***

Reformation primarily offers advice on loan assets and structured credit transactions.

Reformation's team members have multifaceted expertise in the structured and alternative credit markets, and a shared investment philosophy focused on sound fundamental analysis, active portfolio management and risk monitoring.

In general, Reformation will assess credit opportunities by employing a three ways out credit analysis paradigm (including but not limited to the borrower, industry, cashflow and collateral components) for its underwriting strategy. The quantitative analysis is designed to measure risk and risk adjusted returns through both scenario analysis and probabilistic simulations to evaluate correlation effects across assets. Additionally, Reformation may include full cash flow runs using various default, prepayment and recovery assumptions analysis of the asset and/or portfolio. Reformation subscribes to various research and data services specific to structured and alternative credit assets to support its efforts.

***Risk of Loss Factors***

In general there is a risk of loss on the investments that the Firm is advising Clients to invest in and Clients should be prepared to bear such risk of loss. Generally, however, Reformation typically advises its Clients on investments that tend to have the following risks:

***Credit Risk***

Investments in loans have risk with respect to the issuer's continuing ability to meet principal and interest payments. Analysis of the creditworthiness of issuers/issues of lower-rated or un-rated loans may be more complex than for issuers/issues of higher quality debt securities.

***Prepayment Risk***

Most high-yield securities and structured credit investments may be fully or partially prepaid by the issuer prior to final maturity. Clients may experience reduced income when an issuer prepays an instrument held by the client earlier than expected. This may happen during a period of declining interest rates.

*Price Volatility Risk*

The market value of the assets may decline unexpectedly with changes in market rates of interest, default risk, general economic or political conditions, industry or investment specific developments, or the condition of financial markets.

*Foreign Investment Risk*

Investments in assets based outside the US face the risks inherent in foreign investing. Adverse political, economic or social developments could undermine the value of the investments or prevent them from realizing their full value. Financial reporting standards for companies based in foreign markets differ from those in the US. Additionally, foreign securities markets generally are smaller and less liquid than US markets. With respect to investments in non-US dollar denominated foreign securities, changes in currency exchange rates may affect the US dollar value of foreign securities or the income or gain received on these securities. Foreign governments may restrict investment by foreigners, limit withdrawal of trading profit or currency from the country, restrict currency exchange or seize foreign investments. Investments may also be subject to foreign withholding taxes. Foreign transactions and custody of assets may involve delays in payment, delivery or recovery of money or investments.

*Nature of Investments — Other Risks*

Investments in structured or alternative credit products may be subject to a variety of risks not generally associated with other debt obligations, including but not limited to structural risk, lender liability and certain other risks.

**Item 9: Disciplinary Information**

---

This item is not applicable.

Neither Reformation nor its affiliates have been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of Reformation have been subject to such action.

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

---

This item is not applicable.

The Firm has no outside Financial Industry Activities or Affiliations.

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

---

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

Reformation employees will have a financial interest in each transaction for which they advise through Incentive Fees or direct investment interests. As such, Reformation could be considered to have recommended to Clients that they buy or sell securities or investments in which the applicant or a related person has some financial interest though employee compensation is directly linked to Incentive Fee performance on each transaction.

***Code of Ethics and Personal Trading***

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a Code of Ethics and Employee Investment Policy (the “**Code**”) that establishes various procedures with respect to investment transactions in accounts (a “**Covered Account**”) in which any of our employees has any beneficial interest or exercises effective influence or control. The spirit of the Code is to discourage frequent trading in employee personal accounts and restrict trading in debt securities and loans.

All Covered Account transactions in certain types of securities (“Reportable Securities”) must be approved in advance by the CCO. Employees must also obtain pre-approval from the CCO before engaging in any outside business activities or private placements.

Trade confirmations and brokerage statements for all Covered Accounts are subject to review by Reformation’s CCO. These records are used to monitor compliance with the foregoing policies.

Our Code of General Business Conduct is available to investors and qualified prospective investors upon request.

**Item 12: Brokerage Practices**

---

As we primarily make investments in long dated illiquid assets, Reformation does not engage in the trading of exchange-listed securities and so our investments are not generally made through brokerage firms.

**Item 13: Review of Accounts**

---

***Review of Accounts***

The Client Accounts to be managed by the Firm will be reviewed on a continual basis to assure conformity with investment objectives and guidelines.

***Reporting***

In addition to preparing periodic and quarterly financial reports, the Firm prepares annual financial statements within 120 days of such Firm’s fiscal year end.

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

---

***Compensation for Client Referrals***

This item is not applicable.

The Firm does not employ third parties to provide Client referrals.

**Item 15: Custody**

---

This item is not applicable.

The Firm does not provide Custody services for its Clients.

**Item 16: Investment Discretion**

---

The Firm provides investment advisory services on a non-discretionary basis to the Clients.

**Item 17: Voting Client Securities**

---

This item is not applicable.

**Item 18: Financial Information**

---

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about its financial condition. We have no financial commitment that impairs our ability to meet our contractual and fiduciary commitments to Clients, and have not been the subject of a bankruptcy proceeding.