

Part 2A of Form ADV: Firm Brochure

Shrewsbury River Capital LP

March 28, 2019

---

This brochure provides information about the qualifications and business practices of Shrewsbury River Capital LP (the “Adviser”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at [info@shrewsburyrivercapital.com](mailto:info@shrewsburyrivercapital.com). This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Shrewsbury River Capital LP  
322 Route 35 South  
Red Bank, New Jersey 07701  
Tel: (732) 945-4321  
Website: [www.shrewsburyrivercapital.com](http://www.shrewsburyrivercapital.com)

**TABLE OF CONTENTS**

Item 1. Cover Page .....	1
Item 3. Table of Contents.....	2
Item 4. Advisory Business.....	3
Item 5. Fees and Compensation.....	4
Item 6. Performance-Based Fees and Side-by-Side Management .....	5
Item 7. Types of Clients .....	6
Item 8. Methods of Analysis, Investment Strategies, and Risk of Loss .....	7
Item 9. Disciplinary Information.....	16
Item 10. Other Financial Industry Activities and Affiliations .....	17
Item 11. Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading .....	18
Item 12. Brokerage Practices.....	19
Item 13. Review of Accounts.....	21
Item 14. Client Referrals and Other Compensation .....	22
Item 15. Custody .....	23
Item 16. Investment Discretion.....	24
Item 17. Voting Client Securities .....	25
Item 18. Financial Information.....	26
Appendix: Item 2. Material Changes.....	27

---

#### **Item 4. Advisory Business**

The Adviser is an investment adviser with its principal place of business in Red Bank, New Jersey. The Adviser commenced operations as an investment adviser on June 1, 2017. The general partner of the Adviser is Shrewsbury River Capital GP LLC. Jamie S. Kelner is the managing member of the general partner of the Adviser and the principal owner of the Adviser.

The Adviser provides advisory services on a discretionary basis to private investment funds intended for sophisticated investors and institutional investors. In particular, the Adviser acts as an investment adviser to Shrewsbury River Capital CMBS Event-Driven Fund LP (the "Onshore Fund"), Shrewsbury River Capital CMBS Event-Driven Fund Ltd. (the "Offshore Fund"), and Shrewsbury River Capital CMBS Event-Driven Master Fund LP (the "Master Fund" and collectively, with the Onshore Fund and the Offshore Fund, the "Funds"). The Adviser's advisory services focus on investing through an event-driven, deep value credit approach primarily in Commercial Mortgage Backed Securities ("CMBS"), as well as Commercial Real Estate Collateralized Debt Obligations ("CRE CDOs"), CMBS-based derivatives, loans, and other instruments related to the commercial real estate capital markets.

The Adviser provides advice to the Funds based on specific investment objectives and strategies. The Adviser does not tailor advisory services to the individual needs of the investors in the Funds. There are generally no restrictions on the types of securities or financial instruments in which the Adviser can invest.

As of December 31, 2018, the Adviser had approximately \$364,333,081 in regulatory assets under management, all of which is managed on a discretionary basis.

---

## Item 5. Fees and Compensation

The Adviser charges the Funds an investment management fee of 1.5% per annum based on the value of the Funds' assets under management. Investment management fees are charged each quarter in advance based on the total market value of the assets in the Funds (including net unrealized appreciation or depreciation of investments and cash, cash equivalents, and accrued interest) on the first calendar day of each calendar quarter. The Adviser, in its sole discretion, may waive or modify the management fee for investors that are members, principals, employees, or affiliates of the Adviser or an affiliate of the Adviser, relatives of such persons, and for certain large or strategic investors.

The Adviser or an affiliate of the Adviser will also be paid performance-based compensation, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of the Funds. The performance-based fee is 20% per annum and is charged at the end of each fiscal year, provided that the Incentive Fee may be charged on withdrawal or redemption amounts that are not withdrawn or redeemed at the end of a fiscal year. The Adviser or an affiliate of the Adviser, in its sole discretion, may waive or modify the Incentive Allocation for investors that are members, principals, employees, or affiliates of the Adviser or an affiliate of the Adviser, relatives of such persons, and for certain large or strategic investors.

The management fees are paid at the Onshore Fund or the Offshore Fund level, as applicable.

The Adviser will refund the unearned portion of any pre-paid management fees if a withdrawal or redemption is made before the end of the applicable period, and such refund will be calculated based on the value of the assets on the first day of the applicable period and pro-rated based upon the portion of the relevant period during which the Adviser provided its services.

In addition to paying investment management fees and performance-based compensation, the Funds will also be subject to other investment expenses such as legal, compliance (including consultants' fees), risk management expenses (including software licensing and consultants' fees), administrator, audit, and accounting expenses (including third party accounting services); organizational expenses; investment expenses such as commissions, research fees, and expenses (including Bloomberg and similar subscriptions and data services and third party consultants and research-related travel); interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; bank service fees; Fund-related insurance costs (including D&O and E&O insurance for the Adviser and the general partner of the Onshore Fund and the Master Fund and members of the Review Committee); independent review committee members' fees and expenses; expenses of regulatory compliance (including compliance with AIFMD), filings, and reporting (including but not limited to Section 13, Section 16, and Form PF filings); risk management expenses (including software); portfolio management systems (including software); and any other expenses related to the purchase, sale, or transmittal of Fund assets. Fund assets are invested in a master-feeder structure. Feeder funds bear a pro rata share of the expenses associated with the related master fund. In addition, Fund accounts will incur brokerage and other transaction costs. Please refer to Item 12 of this brochure for a discussion of the Adviser's brokerage practices.

The allocation of expenses by the Adviser between it and any Fund and among Funds represents a conflict of interest for the Adviser. The Adviser has adopted an expense allocation policy that is designed to address this conflict. The Adviser allocates expenses to each Fund in accordance with the Fund's arrangements with the Adviser (including applicable Fund disclosures). To the extent not covered in the Fund's arrangements, the Adviser seeks to allocate shared expenses for products and services benefitting the Adviser and the Fund in a fair and reasonable manner. The Adviser may use various methods to allocate particular expenses among the Funds depending on the circumstances (e.g., pro rata based on assets under management, relative participation in the transaction related to the expense, general amount of trading activity, etc.). The determination as to the method or methods used may be based on relative use of the product or service, the nature or source of the product or service, the relative benefits derived by the Funds from the product or service, or other relevant factors.

---

**Item 6. Performance-Based Fees and Side-by-Side Management**

The Adviser (or an affiliate of the Adviser) is entitled to be paid performance-based compensation by the Funds. Such performance-based compensation may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. In addition, the Adviser's investment personnel are typically compensated on a basis that includes a performance-based component. The allocation of a percentage of each Fund's net profits to the Adviser or an affiliate of the Adviser may create an incentive for the Adviser or such affiliate to cause the clients to make investments that are riskier or more speculative than would be the case if this allocation were not made.

---

**Item 7. Types of Clients**

The Adviser's clients consist of private investment funds intended for sophisticated investors and institutional investors. Any initial and additional subscription minimums are disclosed in the offering memorandum for such funds.

---

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

The Adviser's investment objective on behalf of the Funds is to provide an attractive current coupon while attaining high absolute returns via capital appreciation over market cycles. The Adviser's aim is to invest through an event-driven, deep value credit approach primarily in Commercial Mortgage Backed Securities ("CMBS"), as well as Commercial Real Estate Collateralized Debt Obligations ("CRE CDOs"), CMBS-based derivatives, loans, and other instruments related to the commercial real estate capital markets.

The following summary identifies the material risks related to the Adviser's significant investment strategies and should be carefully evaluated before making an investment with the Adviser; however, the following does not intend to identify all possible risks of an investment with the Adviser or provide a full description of the identified risks.

### **Commercial Mortgage-Backed Securities**

The Funds will invest in tranches of CMBS transactions, ranging from the most senior tranches to the most subordinated tranches, any of which may be unrated. The collateral underlying CMBS generally consists of mortgage loans secured by income-producing property. Performance of a commercial mortgage loan and the market value of a commercial property both depend primarily on the net income generated by the underlying mortgaged property. As a result, income generation will affect both the likelihood of default and the severity of losses with respect to a commercial mortgage loan. Successful management and operation of the related business (including property management decisions, such as pricing, maintenance, and capital improvements) will have a significant impact on the performance of commercial mortgage loans. Issues such as tenant mix, success of tenant business, property location and condition, competition, increases in interest rates, real estate taxes and other operational expenses, general or local economic conditions and/or specific industry segments, declines in real estate values, declines in rental or occupancy rates and civil disturbances, changes in governmental rules, regulations and fiscal policies, acts of God, social unrest, and insurance coverage are among the factors that may impact both performance and market value. The value of commercial real estate is also subject to limitations on remedies imposed by bankruptcy laws and state laws regarding foreclosures and rights of redemption.

Mortgage loans on commercial properties often are structured so that a substantial portion of the loan principal is not amortized over the loan term but is payable at maturity, and repayment of the loan principal thus often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value and salability of the real estate. Therefore, the unavailability of real estate financing may lead to default. Most commercial mortgage loans underlying CMBS are effectively nonrecourse obligations of the borrower, meaning that there is no recourse against the borrower's assets other than the collateral except in the case of borrowers acting fraudulently or otherwise illegally. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the CMBS are likely to be adversely affected to some degree depending upon the seniority of the notes within a securitization's capital structure.

The ultimate extent of the loss, if any, to the subordinated classes of CMBS may only be determined after a negotiated discounted settlement, restructuring, or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property. Foreclosure can be costly and delayed by litigation and/or bankruptcy. Factors such as the property's location, the legal status of title to the property, its physical condition and financial performance, environmental risks, and governmental disclosure requirements with respect to the condition of the property may make a third party unwilling to purchase the property at a foreclosure sale or to pay a price sufficient to satisfy the obligations with respect to the related CMBS. Revenues from the assets underlying such CMBS may be retained by the borrower and the return on investment may be used to make payments to others, maintain insurance coverage, pay taxes, or pay maintenance costs.

Such diverted revenue is generally not recoverable without a court-appointed receiver to control collateral cash flow.

### **Real Estate Industry Risks**

**Cyclical Risk in Real Estate Markets.** Real estate historically has experienced significant fluctuations and cycles in performance that may adversely impact the value of the Funds' CMBS and related investments. The performance of its investments once acquired may depend upon many factors beyond the Funds' control. The ultimate performance and value of Funds' investments is subject on an indirect basis to the varying degrees of risk generally incident to the ownership and operation of the properties which collateralize or support its investments. The ultimate performance and value of the Funds' loans and other investments will depend upon, in large part, the property owner's ability to operate the property so that it produces sufficient cash flows necessary to pay the interest and principal due to the Funds on their loans and other investments. Revenues and cash flows may be adversely affected by a number of factors, including:

- changes in national economic conditions;
- changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics;
- competition from other properties offering the same or similar services;
- changes in interest rates and in the state of the debt and equity capital markets;
- the ongoing need for capital improvements, particularly in older building structures;
- changes in real estate tax rates and other operating expenses;
- adverse changes in governmental rules and fiscal policies, civil unrest, acts of God, including earthquakes, hurricanes, and other natural disasters, and acts of war or terrorism, which may decrease the availability of or increase the cost of insurance or result in uninsured losses;
- adverse changes in zoning laws;
- the impact of present or future environmental legislation and compliance with environmental laws;
- the impact of environmental claims arising in respect of properties with undisclosed or unknown environmental problems or as to which inadequate reserves had been established;
- the impact of lawsuits which could cause property owners to incur significant legal expenses and divert management's time and attention from the day-to-day operations of the Funds; and
- other factors that are beyond the Funds' control and the control of the property owners.

In the event that any properties underlying the Funds' investments experience any of the foregoing events or occurrences, the value of, and return on, those investments would be negatively impacted.

**Risk of Decline in Value of Real Estate Collateral.** The value of the real estate which underlies mortgage loans that make up the Funds' CMBS investments is subject to market conditions. Changes in the real estate market may adversely affect the value of the collateral and thereby lower the value to be derived from a liquidation. In addition, adverse changes in the real estate market increase the probability of default, as the incentive of the borrower to retain equity in the property declines. Furthermore, many of the properties which will secure loans that make up the Funds' CMBS investments in which the Funds have an interest may be suffering varying degrees of financial distress or may be located in economically distressed areas. Loans in which the Funds have an indirect interest may become non-performing for a wide variety of reasons, including, without limitation, because the mortgaged property is too highly leveraged (and, therefore, the property is unable to generate sufficient income to meet its debt service payments), the property is poorly managed, or because the mortgaged property has a high vacancy rate, has not been fully completed, or is in need of rehabilitation. These non-performing loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate, capitalization of interest payments, and a substantial write-down of the principal of the loan, which could all negatively affect the Funds' relevant CMBS investment.

**Investment in Real Estate and Real Estate Related Securities.** Investments in REITs, other real estate related securities, or indices and/or derivatives upon these instruments are subject to the risks incident to



the ownership and operation of real estate generally. Some of the risks associated with investments in real estate and/or related derivatives are declines in the value of real estate, risks related to general and local economic conditions, dependency on management skill, heavy cash flow dependency, possible lack of availability of mortgage funds, overbuilding, extended vacancies of properties, increased taxes and operating expenses, changes in zoning laws, losses due to costs resulting from the clean-up of environmental problems, liability to third parties for damages resulting from environmental problems, casualty or condemnation losses, limitations on rents, changes in neighborhood values and the appeal of properties to tenants, and changes in interest rates.

### **Nonrecourse Financing Risk**

Most of the underlying mortgage loans are nonrecourse to the borrower and investors should assume that each of the underlying mortgage loans is a nonrecourse obligation of the related borrower. This means that, in the event of a default, recourse will generally be limited to the related mortgaged real property or properties securing the defaulted loan and other assets that have been pledged to secure that underlying mortgage loan. Consequently, full and timely payment on each underlying mortgage loan will depend on one or more of the following:

- the sufficiency of the net operating income of the applicable mortgaged real property to pay debt service;
- the market value of the applicable mortgaged real property at or prior to maturity; and
- the ability of the related borrower to refinance or sell the applicable mortgaged real property at maturity.

In general, the value of any multifamily property, will depend on its ability to generate net operating income. The ability of an owner to finance a multifamily property will depend, in large part, on the property's value and ability to generate net operating income.

None of the underlying mortgage loans will be insured or guaranteed by any governmental entity or private mortgage insurer.

The underlying mortgage loans may contain, subject to certain exceptions, "due-on-sale" and "due-on-encumbrance" clauses. These clauses permit the holder of an underlying mortgage loan to accelerate the maturity of the underlying mortgage loan if the related borrower sells or otherwise transfers or encumbers the related mortgaged real property or its interest in the mortgaged real property in violation of the terms of the mortgage. The underlying mortgage loans may also include a debt-acceleration clause that permits the related lender to accelerate the debt upon specified monetary or non-monetary defaults of the borrower.

The courts of all states will enforce clauses providing for acceleration in the event of a material payment default. The equity courts of a state, however, may refuse the foreclosure or other sale of a mortgaged real property or refuse to permit the acceleration of the indebtedness as a result of a default deemed to be immaterial or if the exercise of these remedies would be inequitable or unjust.

The related borrower generally may collect rents for so long as there is no default. As a result, the issuing entity's rights to these rents will be limited because:

- the issuing entity may not have a perfected security interest in the rent payments until the master servicer, the special servicer, or the applicable sub-servicer collects them;
- the master servicer, the special servicer, or the applicable sub-servicer may not be entitled to collect the rent payments without court action; and
- the bankruptcy of the related borrower could limit the ability of the master servicer, the special servicer, or the applicable sub-servicer to collect the rents.

### **Balloon Payment Risk**

Some of the underlying mortgage loans that provide for amortization may have amortization schedules that are significantly longer than their respective terms, and some of the underlying mortgage loans require only payments of interest for part or all of their respective terms. A longer amortization schedule or an interest-only provision in an underlying mortgage loan will result in a higher amount of principal outstanding on the underlying mortgage loan at any particular time, including at the maturity date of the underlying mortgage loan, than would have otherwise been the case had a shorter amortization schedule been used or had the underlying mortgage loan had a shorter interest-only period or not included an interest-only period at all. That higher principal amount outstanding could both (i) make it more difficult for the related borrower to make the required balloon payment at maturity and (ii) lead to increased losses for the issuing entity either during the loan term or at maturity if the underlying mortgage loan becomes a defaulted loan. The borrower under a mortgage loan of these types is required to make a substantial payment of principal and interest, which is commonly called a balloon payment, on the maturity date of the loan. The ability of the borrower to make a balloon payment depends upon the borrower's ability to refinance or sell the mortgaged real property securing the loan. The ability of the borrower to refinance or sell the mortgaged real property will be affected by a number of factors, including—

- the fair market value and condition of the mortgaged real property;
- the level of interest rates;
- the borrower's equity in the mortgaged real property;
- the borrower's financial condition;
- the operating history of the mortgaged real property;
- changes in zoning and tax laws;
- changes in competition in the relevant area;
- changes in rental rates in the relevant area;
- changes in governmental regulation and fiscal policy;
- prevailing general and regional economic conditions;
- the state of the fixed income and mortgage markets;
- the availability of credit for mortgage loans secured by multifamily rental properties; and
- the requirements (including loan-to-value ratios and debt service coverage ratios) of lenders for mortgage loans secured by multifamily rental properties.

Compliance with legal requirements, such as the credit risk retention regulations under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), could cause commercial real estate lenders to tighten their lending standards and reduce the availability of debt financing for commercial real estate borrowers. This, in turn, may adversely affect the ability to refinance the related underlying mortgage loans or sell the related mortgaged real properties on the maturity date. The Adviser cannot assure investors that each borrower under a Balloon Loan will have the ability to repay the outstanding principal balance of such underlying mortgage loan on the related maturity date.

### **Changes in Mortgage Pool Composition**

The underlying mortgage loans will amortize at different rates and mature on different dates. In addition, some of those mortgage loans may be prepaid or liquidated. As a result, the relative composition of the mortgage pool as a whole will change over time and may become very non-diversified. In addition, as payments and other collections of principal are received with respect to the underlying mortgage loans, the remaining mortgage pool backing the certificates may exhibit an increased concentration with respect to number and affiliation of borrowers and geographic location.

### **Lower Credit Quality Securities**

There are no restrictions on the credit quality of the investments of the Funds. Securities in which the Funds may invest may be deemed by rating companies to have substantial vulnerability to default in payment of interest and/or principal. Other securities may have the lowest quality ratings or may be unrated. Lower rated and unrated securities in which the Funds may invest have large uncertainties or

major risk exposures to adverse conditions, and are considered to be predominantly speculative. Generally, such securities offer a higher return potential than higher rated securities, but involve greater volatility of price and greater risk of loss of income and principal.

The market values of certain of these securities (such as subordinated securities) also tend to be more sensitive to changes in economic conditions than higher rated securities. Declining real estate values, in particular, will increase the risk of loss upon default, and may lead to a downgrading of the securities by rating agencies. The value of such ABS and MBS may also be affected by changes in the market's perception of the entity issuing or guaranteeing them, or by changes in government regulations and tax policies.

In general, the ratings of nationally recognized rating organizations represent the opinions of these agencies as to the quality of securities that they rate. These ratings may be used by the Adviser as initial criteria for the selection of portfolio securities. Such ratings, however, are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of the securities. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events.

### **Subordinated Securities**

The Funds may invest in subordinated or residual ("first loss securities" or "equity tranches") securities of certain CMBS, CDOs, and CLOs. These instruments, while offering significant return potential, involve greater credit risk of default than the senior classes of the issue or series. Certain subordinated securities ("first loss securities") absorb all losses from default before any other class of securities is at risk, particularly if such securities have been issued with little or no credit enhancement or equity. Such securities therefore possess some of the attributes typically associated with equity investments and can add greater volatility to the Funds' returns than if the Funds did not invest in such instruments.

### **CMOs and Mortgage Derivatives**

CMOs reallocate the various risks inherent in mortgages across various tranches. The Funds' use of CMOs and other mortgage derivatives may magnify the prepayment risks and interest rate risks associated with CMBS.

### **Loans**

The Funds may invest in loans, including corporate secured and unsecured loans acquired through purchase agreements with originators, assignments, or Participations. In purchasing Participations, the Funds will usually have a contractual relationship only with the selling institution, and not the borrower. The Funds generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to the loan agreement agreed to by the selling institution. The Funds may not directly benefit from the collateral supporting the related secured loan and may not be subject to any rights of set-off the borrower has against the selling institution.

The loans acquired by the Funds may be unsecured or undersecured. In addition, in the event of the insolvency of the selling institution, under the U.S. laws, the Funds may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, a secured loan. Consequently, the Funds may be subject to the credit risk of the selling institution as well as of the borrower. Certain of the secured loans or loan participations may be governed by the law of a jurisdiction other than the United States which may present additional risks as regards the characterization under such laws of such participation in the event of the insolvency of the selling institution or the borrower.

## **Credit Derivatives**

Credit derivatives are contracts that transfer price, spread, and/or default risks of debt and other instruments from one party to another. Such instruments may include one or more debtors. Payments under credit derivatives may be made during the exercise period of the contracts. Payments under many credit derivatives are triggered by credit events such as bankruptcy, default, restructuring, failure to pay, cross default, or acceleration, etc. Such payments may be for notional amounts, actual losses, or amounts determined by formula.

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. Sellers of credit derivatives carry the inherent price, spread, and default risks of the debt instruments covered by the derivative instruments. Buyers of credit derivatives carry the risk of non-performance by the seller due to inability to pay. 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. In the past, buyers and sellers of credit derivatives have found that a trigger event in one contract may not match the trigger event in another contract, exposing the buyer or the seller to further risk.

## **Credit Default Swap Agreements**

The buyer of a credit default contract is obligated to pay the seller either a lump sum payment or a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation or entity. Generally, a credit event means bankruptcy, failure to pay, cross default/acceleration, obligation acceleration, repudiation/moratorium, restructuring, or rating decline. The Funds may be either the buyer or seller in a transaction. If the Funds are a buyer and no credit event occurs, the Funds will have made fixed payments and received nothing. However, if a credit event occurs, the Funds, as a buyer, typically will receive full notional value for a reference obligation that may have little or no value although the Funds also assume the risk of non-performance by the seller of the credit default swap. In certain circumstances, the buyer can receive the notional value of a credit default swap only by delivering a physical security to the seller, and is at risk if the deliverable security is unavailable or illiquid. As a seller, the Funds receive a fixed rate of income throughout the term of the contract, provided that no credit event occurs. If a credit event occurs, the Funds will be obligated to pay the buyer the full notional value of the reference obligation, which may have little or no value and result in a loss for the Funds.

In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk by counterparties. Many swap contracts are not currently traded on exchanges and are not comprehensively regulated, and as a consequence investors in such contracts do not benefit from regulatory protections. The selling of credit default swaps involves greater risks than if the Funds had invested in the reference obligation directly.

## **Interest Rate Risk**

The Funds are subject to interest rate risk. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. The Funds may attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate swaps, interest rate futures, and/or interest rate options. However, there can be no guarantee that such hedges will be implemented and, if implemented, will be successful in mitigating the impact of interest rate changes on the portfolios.

## **High Yield Securities**

The Funds may invest in "high yield" bonds and preferred securities that 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 predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

## **Short Sales**

Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Funds' portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

## **Derivatives**

To the extent that the Funds invest in swaps, derivative, or synthetic instruments, or enter into repurchase agreements or other over-the-counter transactions, the Funds may take a credit risk with regard to parties with whom they trade and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organization guarantees, more frequent mark-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets (directly or indirectly) of the Funds, and hence the Funds should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this segregation, and there may be practical or time problems associated with enforcing rights to its assets in the case of an insolvency of any such party.

## **Use of Leverage**

The Funds utilizes leverage. This results in the Funds controlling substantially more assets than the Funds have equity. Leverage increases the Funds' returns if the Funds earn a greater return on investments purchased with borrowed funds than the Funds' cost of borrowing such funds. However, the use of leverage exposes the Funds to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the Funds 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 Funds' cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to repay their borrowings, further magnifying their losses.

In an unsettled credit environment, the Adviser may find it difficult or impossible to obtain leverage for the Funds. In such event, the Funds could find it difficult to implement their strategies. In addition, any leverage obtained, if terminated on short notice by the lender, could result in the Adviser being forced to

unwind the Funds' positions quickly and at prices below what the Adviser deems to be fair value for such positions.

### **Hedging Transactions**

The Funds may utilize a variety of financial instruments such as derivatives, options, swaps, caps and floors, and forward contracts for both risk management and general investment and speculation purposes. With respect to the Funds' risk management and hedging transactions, there can be no assurances that a particular hedge is appropriate, or that a certain risk is measured properly. Further, while the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Funds than if they did not engage in any such hedging transactions. In addition, the Funds may choose not to enter into hedging transactions with respect to some or all of its positions.

### **Portfolio Turnover**

Although currently not anticipated by the Adviser, the investment strategy of the Funds may require the Adviser to actively trade the Funds' portfolios, and as a result, turnover and brokerage commission expenses of the Funds may significantly exceed those of other investment entities of comparable size.

### **Lack of Liquidity of Fund Investments**

While the Adviser expects the majority of the Funds' portfolios to be liquid, the Funds' 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.

### **Additional Risks Relating to the Adviser**

#### **Cybersecurity Risks**

The Adviser's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages, and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes. Although the Adviser has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time, or cease to function properly, the Adviser and the Funds may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Adviser's and/or the Funds' operations and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the Adviser's and/or the Funds' reputations, subject any such entity and their respective affiliates to legal claims, and otherwise affect their business and financial performance.

#### **Reliance on Mr. Kelner**

The Funds rely heavily on the services of the managing member of the general partner of the Adviser, Jamie S. Kelner. Mr. Kelner is solely responsible for the investment decisions made with respect to the Funds. Should Mr. Kelner determine to discontinue managing the affairs of, or withdraw from, the Adviser or should Mr. Kelner die, be incapacitated, or, for some other reason, be unable to effectively manage the affairs of the Adviser, the business and results of the operations of the Funds may be adversely affected and an investor's withdrawal terms may be altered.

### **Risk Management Failures**

Although the Adviser attempts to identify, monitor, and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by the Adviser, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of clients may be incomplete or altogether ineffective. Similarly, the Adviser may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to clients.

### **Systems and Operational Risk**

The Adviser relies on certain financial, accounting, data processing, and other operational systems and services that are employed by the Adviser and/or by third party service providers, including prime brokers, the third party administrator, market counterparties, and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures, or interruptions. For example, the Adviser and the Funds could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated, or accounted for or related to other similar disruptions in the clients' operations. In addition, despite certain measures established by the Adviser and third party service providers to safeguard information in these systems, the Adviser, the Funds, and their third party service providers are subject to risks associated with a breach in cybersecurity which may result in damage and disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, the disruption of the Funds' trading activities, liability under applicable law, regulatory intervention, or reputational damage.

---

**Item 9. Disciplinary Information**

This Item is not applicable.



---

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

Each of the Funds for which the Adviser or an affiliate of the Adviser serves as general partner or investment manager has and may in the future enter into additional agreements, or “side letters,” with certain prospective or existing limited partners or shareholders whereby such limited partners or shareholders including such persons that may be affiliated with the Adviser or an affiliate of the Adviser may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the respective Fund. For example, such terms and conditions may provide for special rights to make future investments in the Fund, other investment vehicles or managed accounts; special redemption rights, including those relating to frequency or notice; a waiver or rebate in fees or redemption penalties to be paid by the limited partner or shareholder and/or other terms; rights to receive reports from the Fund on a more frequent basis or that include information not provided to other limited partners or shareholders (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the Fund and such limited partners or shareholders. The modifications are solely at the discretion of the Fund and may, among other things, be based on the size of the limited partner’s or shareholder’s investment in the Fund or affiliated investment entity, an agreement by a limited partner or shareholder to maintain such investment in the Fund for a significant period of time, or other similar commitment by a limited partner or shareholder to the Fund.

---

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

The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser and its personnel to put the interests of the Adviser's clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. In addition to compliance with the Adviser's policies and procedures, all of the Adviser's personnel are required to comply with applicable federal securities laws. Investors or prospective investors in the Funds may obtain a copy of the Code by contacting John Ferguson (Chief Compliance Officer) by email at [jferguson@shrewsburyrivercapital.com](mailto:jferguson@shrewsburyrivercapital.com), or by telephone at (732) 945-4321.

The Adviser and its employees (and their family members) may give and/or receive gifts, services, or other items to/from any person or entity that does business with or potentially could conduct business with or on behalf of the Adviser. The Adviser has adopted policies and procedures governing gifts and business entertainment, which includes disclosure of gifts and business entertainment in excess of certain de minimis thresholds to the Chief Compliance Officer.

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of the Funds. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to its clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell, or hold a security, but the Adviser will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, the Adviser will have no responsibility or liability to a client for not disclosing such information to a client (or the fact that the Adviser possesses such information), or not using such information for a client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

---

## Item 12. Brokerage Practices

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include, but are not limited to, reputation, financial strength and stability, the commission, research (including economic forecasts, fundamental and technical advice on securities, valuation advice on market analysis); custodial and other services provided for the enhancement of the Adviser's portfolio management capabilities. In selecting a broker-dealer to execute transactions (or a series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a Fund may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate.

The Adviser may receive research or other products or services other than execution from a broker-dealer in connection with Fund securities transactions. This is known as a "soft dollar" relationship. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended ("Section 28(e)").

Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

When the Adviser uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser's Chief Compliance Officer reviews and evaluates its soft dollar practices and determines in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

The Adviser may cause the Funds to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for the Funds.

Research and brokerage services obtained by the use of commissions arising from a Fund's portfolio transactions may be used by the Adviser in its other investment activities, including, for the benefit of

other Funds. The Adviser does not seek to allocate soft dollar benefits to Funds proportionately to the soft dollar credits the accounts generate.

The Adviser participates in a capital introduction program arranged by the prime broker to the Funds. The Adviser does not currently but may place the Funds' portfolio transactions with the prime broker that provided capital introduction opportunities, if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer as a means of remuneration for affording the Adviser with the opportunity to participate in capital introduction programs.

---

**Item 13. Review of Accounts**

Each client account is reviewed by the portfolio manager of the Adviser, on an ongoing basis to determine whether the positions should be maintained in light of current market conditions.

Investors in the Funds receive reports pursuant to the terms of the applicable offering memoranda of the Funds. These reports may be delivered electronically.

---

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

The Adviser does not currently but may in the future receive certain research or other products or services from broker-dealers through “soft-dollar” arrangements. These “soft-dollar” arrangements create an incentive for the Adviser to select or recommend broker-dealers based on the Adviser’s interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of its clients. Please see Item 12 of this brochure for further information on the Adviser’s “soft-dollar” practices, including the Adviser’s procedures for addressing conflicts of interest that arise from such practices.

Additionally the Adviser has entered into an agreement with respect to a capital introduction program arranged by the prime broker to the Funds. See Item 12 above.

---

**Item 15. Custody**

The Adviser and its affiliate are deemed to have custody of the assets of the Funds and, where applicable, intend to comply with Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended, by meeting the conditions of the pooled vehicle annual audit provision.

---

**Item 16. Investment Discretion**

The Adviser provides investment advisory services on a discretionary basis to the Funds. Please see Item 4 of this brochure for a description of any limitations the Funds may place on the Adviser's discretionary authority.

The Adviser has entered into an investment management agreement with the Funds that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary client, the Adviser has the authority to determine (i) the instruments to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), and (ii) the amount of instruments to be purchased or sold for the client account. The Adviser may consider the following factors, among others, in allocating investments among clients: (i) a client's investment objectives and strategies; (ii) risk profiles; (iii) tax status and restrictions placed on a client's portfolio by the client or by applicable law; (iv) size of the client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity, and timing of cash flows.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. The Adviser endeavors to detect trade errors prior to settlement and correct them in an expeditious manner. To the extent that trade errors occur, the Adviser's error correction procedure seeks to resolve the error on a fair and equitable basis. The Adviser has discretion to resolve a particular error in any manner that it deems appropriate and consistent with the above stated policy. In the event that a client account incurs a trade error as a result of the Adviser's fraud, gross negligence, willful misconduct or violation of the standard of care that is applicable to the client account, the Adviser will reimburse the client. Trade errors that do not result from the Adviser's fraud, gross negligence, willful misconduct, or other standard of care applicable to the client account are borne by the client account. When a trade error is clearly caused by a counterparty, such as a broker-dealer, the Adviser will strive to recover from the counterparty any losses associated with such error.



---

**Item 17. Voting Client Securities**

To the extent the Adviser has been delegated proxy voting authority on behalf of the Funds, the Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to a Fund's securities, such proxies are voted in the best interests of the Fund.

In limited circumstances, the Adviser may refrain from voting proxies where it believes that voting would be inappropriate, taking into consideration the cost of voting the proxies and the anticipated benefit to the Funds.

If a material conflict of interest between the Adviser and the Funds exists, the Adviser will determine whether voting in accordance with the guidelines set forth in its proxy voting policies and procedures is in the best interests of the Fund or take some other appropriate action.

Investors in the Funds may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted an investor's proxies by contacting John Ferguson (Chief Compliance Officer) by email at [jferguson@shrewsburyrivercapital.com](mailto:jferguson@shrewsburyrivercapital.com), or by telephone at (732) 945-4321.

---

**Item 18. Financial Information**

No financial conditions are reasonably likely to impair the Adviser's ability to meet contractual commitments to the Funds.

This item is not applicable.

SK 29411 0004 7894042 v2