

## **Brochure**

### **Waterfront Capital Partners LLC**

**March 17, 2021**

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**This brochure provides information about the qualifications and business practices of Waterfront Capital Partners LLC (“Waterfront” or 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 (212) 554-4099. 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 Waterfront Capital Partners LLC is also 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.

### **Waterfront Capital Partners LLC**

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**Item 2. Material Changes**

This is Waterfront's Annual Updating Amendment to Form ADV for the fiscal year ending December 31, 2020. There are no material changes to disclose since the most recent Annual Amendment filed on February 24, 2020.

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

Waterfront is an investment adviser with its principal place of business in New York, New York. Eduardo Abush is the owner of the Adviser (the Adviser's "**Principal**").

The Adviser serves as an investment manager and provides investment advisory services on a discretionary basis to privately offered pooled investment vehicles, including Waterfront CP Master Fund, Ltd., Waterfront CP Partners, LP, and Waterfront CP Offshore Fund, Ltd. (collectively, the "**Flagship Fund**") and Waterfront CP Enhanced Master Fund, Ltd., Waterfront CP Enhanced Partners, LP, and Waterfront CP Enhanced Offshore Fund Ltd., (collectively, the "**Enhanced Fund**"). The Flagship Fund and the Enhanced Fund are collectively referred to herein as the "**Funds**." Waterfront also acts as a sub-adviser to pooled investment vehicles ("**Sub-advised Accounts**") which, together with the Funds, are referred to herein as the "**Clients**."

The Adviser's investment advisory services generally focus on advice related to investments, both long and short, primarily in publicly traded equity securities with select credit and derivative exposures in three focus industries: the real estate, consumer, and industrials sectors. The Adviser may tailor advisory services to the individual needs of Clients in the event it provides services to separately managed accounts on a case by case basis and may allow such Clients to impose restrictions on investing in certain securities. The Adviser will provide investment advice directly to the Clients and not individually to investors in the Clients. The Adviser will not tailor advisory services to the individual needs of any Client's underlying investors.

As of December 31, 2020, the Adviser manages approximately \$1,487,333,214 in regulatory assets under management on a discretionary basis. The Adviser does not manage any Client assets on a non-discretionary basis.

#### **Item 5. Fees and Compensation**

##### Asset Based Compensation

Fees applicable to the Sub-advised Accounts and the Funds will be set forth in detail in the applicable private placement memorandum of the applicable Fund and the investment management agreement applicable to the Sub-advised Account. A brief summary of those fees is provided below.

The Adviser is generally paid a fixed management fee (the "**Management Fee**"), quarterly in advance, in an amount equal to 1.5% per annum of the net assets of the Flagship Fund and 3% per annum of the net assets of the Enhanced Fund. The Management Fee will be prorated for any period that is less than a full quarter and will be adjusted for subscriptions and redemptions/withdrawals occurring during the quarter. The Funds will pay the Management Fee in U.S. dollars within ten days after the first business day of each calendar quarter.

The Adviser, in its sole discretion, may, in effect, waive or reduce the Management Fee for investors that are members, employees, or affiliates of the General Partner (as defined below) or the Adviser, relatives of such persons, and for certain large or strategic investors.

Management fees with respect to any Sub-advised Account will be calculated in accordance with such Sub-advised Account's investment advisory agreement.

### Incentive Allocation

An affiliate of the Adviser that serves as general partner of certain of the Funds (the "**General Partner**") will receive an annual performance-based allocation generally equal to 20% of net profits (including unrealized gains) allocated to the Funds (the "**Incentive Allocation**"). Certain early investors in the Flagship Fund were offered a founders class of shares (the "**Founders Class**"). The Founders Class is no longer offered. With respect to the net profits attributable to the Founders Class, the Incentive Allocation will be charged at a rate of 17.5%. The Incentive Allocation will be subject to a "loss carryforward" provision.

The General Partner, in its sole discretion, may waive or modify the Incentive Allocation for investors that are members, employees, or affiliates of the General Partner (as defined below) or the Adviser, relatives of such persons, and for certain large or strategic investors.

Performance-based compensation with respect to any Sub-advised Accounts will be calculated in accordance with such Sub-advised Account's investment advisory agreement.

### Other Fees Earned and Expenses allocated by the Adviser

The Adviser will render its services to the Funds at its own expense and will be responsible for its overhead expenses including: office rent; utilities; furniture and fixtures; stationery; secretarial/internal administrative services; salaries and bonuses; entertainment expenses; employee insurance; and payroll taxes.

All other expenses will be paid by the Funds and will include: the Management Fee; Fund legal, administrator, audit, and accounting expenses (including third party accounting services); Fund compliance expenses (including expenses related to various filings (or portions thereof) made in managing the portfolio of the Funds, including Form PF); shareholder proxy voting services; organizational expenses; investment expenses such as commissions, research fees, and expenses (including research related travel, meals, and lodging, and market data and similar services); 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, and, if applicable, outside directorship liability); directors' fees and expenses; and any other expenses reasonably related to the purchase, sale, or transmittal of the assets of the Funds.

Expenses paid to the Adviser by any Sub-advised Account will be set forth in such Sub-advised Account's investment advisory agreement.

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

As described in Item 5 above, the General Partner will receive performance-based compensation, which constitutes an allocation of net profits (including unrealized gains) allocated to the Funds. In addition, the Adviser will be entitled to be paid performance-based compensation from Sub-advised Accounts, which will constitute a fee on a share of net profits (including unrealized gains) allocated to such Clients. Performance-based compensation may vary with respect to Clients, which may create an incentive to favor Clients that pay higher performance-based compensation in the allocation of investment opportunities. Performance-based compensation to be received by the Adviser and the General Partner, as applicable, will be calculated on the basis of net profits, including unrealized gains that may never materialize.

The Adviser has adopted and implemented policies and procedures intended to address conflicts

of interest relating to the management of multiple Client accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser will review investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts will also be regularly compared to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities pro rata based on asset size, exposure levels, tax consequences, and stage of capital deployment. The procedures require that, to the extent orders are aggregated, the Client orders are price-averaged. Finally, the Adviser's procedures also require the objective allocation for limited opportunities (such as initial public offerings and private placements) to ensure fair and equitable allocation among accounts. These areas will be monitored by the Adviser's Chief Compliance Officer.

#### **Item 7. Types of Clients**

The Adviser's Clients consist of privately offered pooled investment vehicles, which includes the Sub-advised Accounts.

The minimum investment required to invest in each of the Funds is described in the offering materials of the applicable Fund. The Adviser, in its sole discretion, may waive or reduce any minimum investment amount in certain circumstances.

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

The Adviser will utilize a variety of methods and strategies to make investment decisions and recommendations. The methods of analysis will include fundamental research as well as use of quantitative tools and investment approaches.

The Adviser may employ the following investment strategies:

*Buy and Hold.* The Adviser will engage in a buy and hold investment strategy wherein the Adviser will buy securities and hold them for a relatively longer period of time, regardless of short-term factors such as fluctuations in the market or volatility of the stock price.

*Fundamental Value.* The Adviser will engage in a fundamental value investment strategy wherein the Adviser will attempt to invest in asset-oriented securities the Adviser believes are undervalued by the market.

*Relative Value.* The Adviser will pursue relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued.

*Growth.* The Adviser will engage in a capital growth investment strategy wherein the Adviser will attempt to select securities of a company whose earnings the Adviser expects to grow at an above-average rate compared to the company's specific industry or the overall market.

*Hedging.* The Adviser will utilize a variety of financial instruments such as derivatives, options, interest rate swaps, futures, and forward contracts for risk management purposes.

*Leverage.* The Adviser's investment program will utilize a significant amount of leverage which will involve the borrowing of funds from brokerage firms, banks, and other institutions in order to be able to increase the amount of capital available for marketable securities investments.

*Option and Swap Trading.* The Adviser will engage in option and/or swap trading investment strategies. Options and swaps are investments whose ultimate value is determined from the value of the underlying investment.

*Short Selling.* The Adviser will engage in short selling strategies. In a short sale transaction, the Adviser sells a security it does not own in anticipation that the market price of that security will decline. The Adviser will make short sales (i) as a form of hedging to offset potential declines in long positions in similar securities, (ii) in order to maintain flexibility, and (iii) for profit.

These methods, strategies, and investments involve risk of loss to Clients and Clients must be prepared to bear the loss of their entire investment. The material risks associated with the Adviser's investment strategies are set forth below.

*Issuer-Specific Changes.* Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

*Relative Value Risk.* In the event that the perceived mispricing's underlying the Adviser's relative value trading positions were to fail to converge toward, or were to diverge further from, relationships expected by the Adviser, Client accounts may incur a loss.

*Leverage.* Performance may be more volatile if a Client's account employs leverage.

*Short Selling Risk.* The Adviser's investment program may include a significant amount of short selling. Short selling transactions expose Clients to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Adviser in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

*Lack of Diversification.* Client accounts will not be diversified among a wide range of types of securities, countries, or industry sectors. Accordingly, Client portfolios will be subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments.

*Hedging.* There can be no assurances that a particular hedge will be appropriate, or that certain risk will be measured properly. Further, while the Adviser 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 Adviser's investment portfolios than if the Adviser did not engage in any such hedging transactions.

*Interest Rate Risks.* Generally, the value of fixed-income securities changes 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 is greater for long-term securities than for short-term securities.

*Risks Associated with Types of Securities that are Primarily Recommended (Including Significant or Unusual Risks):*

*Equity Securities.* The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

*REITs.* REITs are affected by underlying real estate values, which may have an exaggerated effect to the extent that REITs in which the Adviser invests concentrate investments in particular geographic regions or property types. Investments in REITs are also subject to the risk of interest rate volatility. Further, rising interest rates will cause investors in REITs to demand a higher annual yield from future distributions, which will in turn decrease market prices for equity securities issued by REITs. REITs are subject to risks inherent in operating and financing a limited number of projects because they are dependent upon specialized management skills, and have limited diversification. REITs depend generally on their ability to generate cash flow to make distributions to investors.

*Derivatives.* Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by Clients or the Adviser. Further, transactions in derivative instruments are not undertaken on recognized exchanges, and will expose a Client's account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

*Fixed-Income and Debt Securities.* Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject a Client's portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

*Non-U.S. Securities.* Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or



regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholdings or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

*Commodity Futures and Options.* Commodity futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events, and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, a high degree of leverage may be typical of a pooled investment vehicle engaging in commodity futures trading. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses to such a pooled investment vehicle. Commodity options, like commodity futures contracts, are speculative and their use involves risk. Specific market movements of the cash commodity or futures contract underlying an option cannot be predicted, and no assurance can be given that a liquid offset market will exist for any particular futures option at any particular time.

*Security Futures and Options.* In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options in the Client's account. In addition, the Adviser's investments in security futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.

#### **Item 9. Disciplinary Information**

This Adviser does not have any disciplinary information to disclose at this time.

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

The General Partner is affiliated with the Adviser by common ownership.

The Funds have entered and may in the future enter into agreements, or "side letters," with certain prospective or existing limited partners or shareholders whereby such limited partners or shareholders may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the applicable Fund. For example, such terms and conditions may provide for special rights to make future investments in the applicable Fund, other investment vehicles, or managed accounts; special redemption rights, relating to frequency or notice; a waiver or rebate of fees or redemption penalties to be paid by the limited partner or shareholder and/or other terms; rights to receive reports from the partnership 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 applicable Fund and such limited partners or shareholders. The modifications are solely at the discretion of the applicable Fund and may, among other things, be based on the size of the limited partner's or shareholder's investment in the applicable Fund, an agreement by a limited partner or shareholder to maintain such investment in such Fund for a significant period of time, or other similar commitment by a limited partner or shareholder to the applicable 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 will obligate the Adviser and its related persons to put the interests of the Clients before their own interests and to act honestly and fairly

in all respects in their dealings with Clients. All of the Adviser's personnel will also be required to comply with applicable federal securities laws. Clients or prospective Clients may obtain a copy of the Code by contacting Andrew Katz (the "**Chief Compliance Officer**") by email at akatz@waterfrontcp.com, or by telephone at (212) 554-4089. See below for further provisions of the Code as they relate to the pre-clearing and reporting of securities transactions by related persons.

The Adviser, in the course of its investment management and other activities (e.g., board or creditor committee service), 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 Clients. 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 will maintain and enforce 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 will be meeting its obligations to Clients and remains in compliance with applicable law. In certain circumstances, the Adviser may come into possession of 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 the Client for not disclosing such information to the Client (or the fact that the Adviser possesses such information), or not using such information for the 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.

As a general matter, the Adviser's personnel are not permitted to engage in securities transactions for their personal accounts that involve a company classified within the Global Industry Classification Standard ("**GICS**") in the real estate, industrials, or consumer discretionary sectors, nor are personnel permitted to participate in initial public offerings ("**IPOs**") or private offerings, such as a hedge fund or private equity fund. While other personal securities transactions are permitted, such transactions are reviewed on at least a quarterly basis, in accordance with the Code. The Chief Compliance Officer may make an exception to this general policy under certain circumstances.

## **Item 12. Brokerage Practices**

The Adviser will consider 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 will include net price, reputation, financial strength and stability, efficiency of execution and error resolution, and offering the Adviser online access to computerized data regarding a Client's accounts. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser will not need to solicit competitive bids and will not have an obligation to seek the lowest available commission cost. It will not be the Adviser's practice to negotiate "execution only" commission rates, thus a Client 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 Chief Compliance Officer and the Adviser's portfolio managers and traders will meet periodically to evaluate the broker-dealers used by the Adviser to execute Client trades using the foregoing factors.

The Adviser may receive research or other products or services other than execution from broker-dealers in connection with Client 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 ("**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 Chief Compliance Officer, traders, and portfolio managers, among others, will meet periodically to review and evaluate its soft dollar practices and to determine 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 Clients 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 Clients.

Research and brokerage services obtained by the use of commissions arising from a Client's portfolio transactions may be used by the Adviser in its other investment activities, including, for the benefit of other Client accounts. The Adviser will seek to allocate soft dollar benefits to Client accounts proportionately to the soft dollar credits the accounts generate.

From time to time the Adviser may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a private fund managed by the Adviser or recommend these private funds as an investment to Clients. The Adviser may place Client portfolio transactions with firms who have made such recommendations or 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 recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

The Adviser may purchase or sell the same security for multiple Clients contemporaneously at or near the same time. It will be the Adviser's practice, where possible, to aggregate Client orders for the purchase or sale of the same security submitted at or near the same time. Such aggregation may enable the Adviser to obtain for Clients a more favorable price or a better commission rate based upon the volume of

a particular transaction. When an aggregated order is completely filled, the Adviser will allocate the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, the Adviser's procedures will provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to Clients. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating Clients.

### **Item 13. Review of Accounts**

Each Client account will be reviewed by the Principal on a monthly basis to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines, and the performance of each Client account.

Significant market events affecting the prices of one or more securities in Client accounts, changes in the investment objectives or guidelines of a particular Client, or specific arrangements with particular Clients may trigger reviews of Client accounts on other than a periodic basis.

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

The Adviser will 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 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.

The Adviser may make cash payments to third-party solicitors for client referrals, provided that, to the extent required, each such solicitor has entered into a written agreement with the Adviser pursuant to which the solicitor will provide each prospective client with a copy of the Adviser's Form ADV Part 2, and a disclosure document setting forth the terms of the solicitation arrangement, including the nature of the relationship between the solicitor and Adviser and any fees to be paid to the solicitor. Where applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act and related SEC staff interpretations.

### **Item 15. Custody**

Waterfront acts as investment adviser to the Funds and has an affiliated party that acts as General Partner of the same, therefore, Waterfront is deemed to have custody of certain client assets under current applicable regulatory interpretations. As such, and as is required by the safekeeping requirement in Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, all assets in the accounts of Clients are held by a qualified custodian, as required. On an annual basis, the Administrator delivers the audited financial statements to the investors in the respective Fund within 120 days of fiscal year-end.

In addition, each investor in the respective Fund receives written monthly statements from the Administrator with respect to the activities of the relevant Fund.

## **Item 16. Investment Discretion**

The Adviser will provide investment advisory services on a discretionary basis to Clients. Please see Item 4 for a description of any limitations Clients may place on the Adviser's discretionary authority.

Prior to assuming discretion in managing a Client's assets, the Adviser will enter into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary Client, the Adviser will have the authority to determine (i) the securities 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 securities to be purchased or sold for the Client account. Because of the differences in Client investment objectives and strategies, risk tolerances, tax status, and other criteria, there may be differences among Clients in invested positions and securities held. The Adviser's portfolio managers will submit an allocation statement to the Adviser's trading desk describing the allocation of securities to (or from) Client accounts for each trade/order submitted. The portfolio managers may consider the following factors, among others, in allocating securities among Clients: (i) Client investment objectives and strategies; (ii) Client 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's 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. Although it is the Adviser's policy to allocate investment opportunities to eligible Client accounts on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead a portfolio manager to allocate securities to Client accounts in varying amounts. Even Client accounts that will be typically managed on a pari passu basis may, from time to time, receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

Allocations will be made among Client accounts eligible to participate in IPOs and secondary offerings on a pro rata basis, except when the Adviser determines in its discretion that a pro rata allocation is not appropriate, which may include a Client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and a Client's status as a "restricted person" under applicable regulations.

The Adviser may effect cross transactions between discretionary Client accounts, except as otherwise noted below. Cross transactions enable the Adviser to effect a trade between two Clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. Cross transactions include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. The Adviser has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Cross transactions between Client accounts will not be permitted if they would constitute principal trades or trades for which the Adviser or its affiliates are compensated as a broker unless Client consent has been obtained based upon written disclosure to the Client of the capacity in which the Adviser or its affiliates will act. In addition, cross transactions will not be permitted for benefit plan or other similar accounts that are subject to ERISA.

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. To the extent that trade errors and breaches of investment guidelines and restrictions occur, the Adviser's error correction procedure is to ensure that Clients are treated fairly and, following error correction, are in the same position they would have been if the error had not occurred. The Adviser will have discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. In the event that a Client account incurs a trade error as a result of the Adviser's gross negligence, willful misconduct, or fraud, trade errors will be corrected by the Adviser as soon as practicable, in a manner such that the Client incurs no loss. Trade errors that result other than by breach of the standard of care above are borne by the Client account.

#### **Item 17. Voting Client Securities**

To the extent the Adviser has been delegated proxy voting authority on behalf of its Clients, the Adviser will comply with its proxy voting policies and procedures that will be designed to ensure that in cases where the Adviser votes proxies with respect to Client securities, such proxies are voted in the best interests of its Clients.

The Adviser's Clients will not be permitted to direct their votes in a particular situation.

If a material conflict of interest between the Adviser and a Client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Client or take some other appropriate action. The Adviser will not make any qualitative judgment regarding its Client's investments.

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a Client's proxies, by contacting the Chief Compliance Officer by email at [akatz@waterfrontcp.com](mailto:akatz@waterfrontcp.com) or by telephone at (212) 554-4089.

If the Adviser receives proxies related to a Client's securities and the Adviser is not responsible for voting such proxies, the Adviser shall make arrangements with the Client's custodian or take such other steps to ensure that the Client timely receives such proxies. Unless the power to vote proxies for a Client is reserved to that Client (or in the case of an employee benefit plan, the plan's trustee or other fiduciaries), the Adviser will be responsible for voting the proxies related to that account. With respect to any questions about a particular situation, Clients can contact the Chief Compliance Officer by email at [akatz@waterfrontcp.com](mailto:akatz@waterfrontcp.com) or by telephone at (212) 554-4089.

#### **Item 18. Financial Information**

The Adviser has not been the subject of a bankruptcy petition at any time during the past two years, nor does it require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.