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# CastleRock Management

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101 Park Avenue, 23<sup>rd</sup> Floor

New York, NY 10178-2399

(212) 251-3300

[www.castlerockpartners.com](http://www.castlerockpartners.com)

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**This Brochure provides information about the qualifications and business practices of CastleRock Asset Management, Inc. (“CastleRock”). If you have any questions about the contents of this Brochure, please contact us at (212) 251-3300. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**CastleRock is an investment adviser registered with the SEC. Registration with the SEC does not imply any level of skill or training.**

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

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## **ITEM 2 – MATERIAL CHANGES**

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This is CastleRock's initial narrative Brochure prepared in accordance with Part 2A of Form ADV. There are no material changes to report.

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#### **ITEM 4 – ADVISORY BUSINESS**

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CastleRock was incorporated in New York on April 23, 1993, and has been registered as an investment adviser with the SEC since January 2006. CastleRock is owned by Paul P. Tanico and Ellen H. Adams.

CastleRock provides discretionary investment management services regarding predominantly U.S. securities to U.S. and non-U.S. institutional clients (“Clients”) consisting principally of private investment funds (“Private Funds”). CastleRock Management, LLC, a related person of CastleRock, serves as the general partner of the domestic Private Funds that CastleRock advises. Information about each Private Fund, including information about investment strategies, fees, risks and other material information, is contained in its offering memorandum or offering circular (each, a “Memorandum”).

As of March 1, 2011, CastleRock managed approximately \$689 of assets on a discretionary basis.

CastleRock provides advisory services to its Clients based on their respective investment objectives and guidelines. The investment objectives and guidelines for each Private Fund are set forth in its Memorandum.

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#### **ITEM 5 – FEES AND COMPENSATION**

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CastleRock does not have a standardized fee schedule for its discretionary investment management services. CastleRock generally receives a management fee of up to 1.5% per annum of assets under management, which is charged quarterly either in advance or in arrears. CastleRock also may receive performance-based compensation of up to 25% of the increase in net asset value of a Client’s account above a “high water mark” (*i.e.*, the previous highest net asset value at which performance-based compensation was paid). Performance-based compensation generally is charged annually in arrears and upon an intra-year withdrawal of capital from a Client’s account or a redemption by an investor in a Private Fund. CastleRock’s performance-based compensation is calculated taking into account both realized and unrealized gains. CastleRock Management, LLC, a related person of CastleRock, holds a general partner interest in, and class of shares of, certain of the Private Funds managed by CastleRock and is allocated net profits from such Private Funds in respect of such interest and shares on the same terms as the performance-based compensation described above. CastleRock does not receive performance-based compensation from a Private Fund that makes a performance allocation of net profits to CastleRock Management, LLC. Fees and other material terms regarding an investment in a particular Private Fund are set forth in such Private Fund’s Memorandum.

Fees charged in arrears will be prorated for any partial period and fees charged in advance will be refunded for partial periods. Fees may be reduced or waived in certain circumstances or with respect to certain investors (*e.g.*, principals and employees of CastleRock). Fees charged with respect to an investment in a Private Fund advised by CastleRock are set forth in such Private Fund’s Memorandum.

Clients may terminate CastleRock's advisory services at any time without penalty generally upon thirty days' prior written notice. Withdrawals or redemptions by investors in a Private Fund can be made on the terms described in the Private Fund's Memorandum. Upon termination of any Client account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable.

CastleRock's fees do not include brokerage and transaction fees, costs and charges, and other related costs and expenses that will be incurred by Clients regarding the trading and maintenance of Client accounts. Clients may incur certain charges imposed by custodians, brokers and other third parties such as commissions, custodial fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to CastleRock's fees, and CastleRock does not receive any portion of these commissions, fees, and costs.

Item 12 describes the factors that CastleRock considers in selecting broker-dealers for Client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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#### **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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As set forth in Item 5 above, CastleRock may receive performance-based compensation of up to 25% of the increase in net asset value of a Client's account above a "high water mark" (*i.e.*, the previous highest net asset value at which performance-based compensation was paid). Performance-based compensation generally is charged annually in arrears and upon the intra-year withdrawal of capital from a Client's account or a redemption by an investor in a Private Fund. CastleRock's performance-based compensation is calculated taking into account both realized and unrealized gains. Performance-based compensation will be in conformity with Rule 205-3 under the Investment Advisers Act of 1940 (the "Advisers Act"), as applicable. Please see Item 5 for more information.

Performance-based fee arrangements may create an incentive for CastleRock to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

CastleRock has procedures designed and implemented so that all Clients are treated fairly and equally, and to prevent this potential conflict from influencing the allocation of investment opportunities among Clients.

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#### **ITEM 7 – TYPES OF CLIENTS**

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CastleRock provides investment advice to U.S. and non-U.S. institutional clients consisting primarily of private investment funds. CastleRock does not have a standard minimum account size.

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## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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CastleRock utilizes a multi-disciplined investment approach that relies on both fundamental analysis (*i.e.*, rigorous company-specific analysis) and technical security analysis. CastleRock's main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared internally and by others, corporate rating services, annual reports, prospectuses, filings with the SEC, and company press releases. CastleRock also may meet with management of companies in which it invests and attend industry conferences.

CastleRock pursues principally a long-biased investment strategy with a primary focus on the U.S. equity markets. Its strategy emphasizes long-term investing, rather than short-term trading, and invests predominantly in large and mid capitalization stocks. Although CastleRock generally adheres to principles of diversification in structuring Client portfolios, for one of its Clients that follows a different strategy, CastleRock may make concentrated investments in 1 to 20 securities, with a gross long exposure that can be up to 150% or greater.

CastleRock utilizes fundamental research across multiple industry sectors in order to generate an edge of insight or factual information. Once such information is obtained, CastleRock will determine, using financial statement analysis, industry analysis, and qualitative research, among other factors, if the information will put a company or an industry in a position to achieve success or will lead to a failure. Companies showing strong attributes may be included as long investments while poorly performing enterprises may be sold short. This hedged investment approach is intended to dampen downside volatility and lead to strong risk adjusted returns. Depending on the market environment, Client portfolios may be hedged at times using short sales of stocks, options, futures, equity swap baskets, and other derivative securities.

There can be no assurances that a Client will achieve its investment objective or that the strategies pursued and methods utilized by CastleRock will be successful under all or any market conditions.

### **Certain Risk Factors**

Investing in securities involves risk of loss that Clients should be prepared to bear. A brief explanation of the material risks associated with CastleRock's principal investment strategy and methods of analysis follows. Additional risk factors are set forth in the Memorandum of each Private Fund.

- Equity Securities. Client portfolios will include positions in common stocks, including preferred stocks and convertible securities of predominantly U.S. issuers. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete and industry market conditions and general economic environments.
- Concentration of Investments. Certain Private Funds maintain concentrated portfolios and do not limit the amount of capital that may be committed to any one investment. These Private

Funds may hold a few (or even one), relatively large (in relation to their capital) securities positions, with the result that a loss in any one position could have a more material adverse impact on the Private Fund than would a loss position in a more diversified portfolio.

- Small Companies. Client assets may be invested in small and/or less well-established companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they lack the management experience, financial resources, product diversification, and competitive strength of larger corporations. In addition, in many instances, the frequency and volume of their trading is substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. When making large sales, CastleRock may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of smaller company securities.
- Purchases of Securities and other Obligations of Financially Distressed Companies. CastleRock may purchase securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy, or other reorganization and liquidation proceedings. Although such purchases may result in significant returns, they involve a substantial degree of risk and may not show any return for a considerable period of time. In fact, many of these securities and investments ordinarily remain unpaid unless and until the company reorganizes and/or emerges from bankruptcy proceedings, and as a result may have to be held for an extended period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial distress is unusually high. There is no assurance that CastleRock will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which a Client invests, the Client may lose its entire investment or may be required to accept cash or securities with a value less than the original investment. Under such circumstances, the returns generated from the investment may not compensate the Client adequately for the risks assumed.
- Derivative Transactions Generally. CastleRock may engage in a variety of derivative transactions as an alternative to direct investments in the underlying securities. The risks associated with derivative transactions are potentially greater than those associated with the direct purchase or sale of the underlying securities because of the additional complexity and potential for leverage. In addition, derivatives may create credit risk (the risk that a counterparty on a derivative transaction will not fulfill its contractual obligations), as well as legal, operational, reputational and other risks beyond those associated with the direct purchase or sale of the underlying securities to which their values are related.
- Trading in Options. CastleRock may engage from time to time in various types of options transactions. An option gives the purchaser the right, but not the obligation, upon exercise of the option, either (i) to buy or sell a specific amount of the underlying security or commodity interest at a specific price (the “strike” price or “exercise” price), or (ii) in the case of a stock index option, to receive a specified cash settlement. To purchase an option, the purchaser

must pay a “premium,” which consists of a single, nonrefundable payment. Unless the price of the securities or commodity interest underlying the option changes and it becomes profitable to exercise or offset the option before it expires, the Client may lose the entire amount of the premium. The purchaser of an option runs the risk of losing the entire investment. Thus, the Client may incur significant losses in a relatively short period of time. The ability to trade in or exercise options also may be restricted in the event that trading in the underlying security or commodity interest becomes restricted. Options trading may also be illiquid in the event that the Client’s assets are invested in contracts with extended expirations. CastleRock may purchase and write put and call options on specific securities or commodity interests, on stock indexes or on other financial instruments and, to close out its positions in options, may make a closing purchase transaction or closing sale transaction.

- Index-Based Trading. Trading in index-based investment trusts and exchange-traded funds generally involves risks similar to other securities trading. Additionally, these instruments may not move in tandem with the indices upon which they are based.
- Fixed-Income Investments. The value of fixed-income securities generally will change as the general levels of interest rates fluctuate. Generally, when interest rates decline, the value of a long fixed-income portfolio can be expected to rise while that of short fixed-income portfolio can be expected to decline. Conversely, when interest rates rise, the value of a long fixed-income portfolio can be expected to decline while that of a short fixed-income portfolio can be expected to rise.
- Illiquid Securities. CastleRock may from time to time invest a portion of a Client’s assets in securities and other financial instruments or obligations for which no market exists and/or which are restricted as to their transferability under federal or state securities laws. Due to the absence of any trading market for these investments, it may take longer to liquidate these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized on these sales could be less than those originally paid. Further, companies issuing securities that are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.
- Leverage. Leverage is the use of borrowed funds for investment. To the extent a Client purchases securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. If the interest expense on borrowings were to exceed the net return on the portfolio securities purchased with borrowed funds, the use of leverage would result in a lower rate of return than if the Client was not leveraged. If the amount of a Client’s borrowings outstanding at any one time is large in relation to its capital, fluctuations in the market value of the Client’s portfolio will have a disproportionately large effect in relation to its capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the value of the Client’s assets to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies fails to cover their cost, the value of the Client’s assets will generally decline faster than would otherwise be the case. If, due to market fluctuations or other reasons, the value of the Client’s assets



should fall below required regulatory levels, the Client will be required to reduce its debt by selling securities in its long portfolio.

- Short Selling. Short selling involves the sale of a security that the Client does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price.

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

If CastleRock "shorts" securities of companies that are not deteriorating to the extent CastleRock believes them to be, or if the market advances or continues to advance generally, the Client is likely to experience losses from such short sales that can increase rapidly and without effective limit. Moreover, short selling is limited to securities which can be borrowed, and it may be necessary to cover short positions at an undesirable time and at high prices because stocks which were shorted can no longer be borrowed.

Recent market turmoil, combined with the perception that short selling is one of the potential causes of market fragility, has led to regulations restricting the use of short sales. The U.S. and certain other jurisdictions recently have promulgated such regulations. As a result, CastleRock may be prohibited from using short sales to hedge certain positions. In addition, these regulations may lead to crowded shorts and increased borrowing costs. The specific regulations in effect at any given time vary with regulators' perceptions of market risk and it is not possible to gauge what, if any, regulations will be in effect in the future.

- Futures Trading. A principal risk in trading futures contracts is the traditional volatility (rapid fluctuation) in market prices. Due to the low margin deposits typically required in futures contract trading, a relatively small movement in the market price of a futures contract may result in a disproportionately large profit or loss. Futures trading may also be illiquid. Certain commodity exchanges do not permit trading in particular futures beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits – which conditions have in the past sometimes lasted for several days in certain contracts – CastleRock could be prevented from promptly liquidating unfavorable positions and Clients could thus be subject to substantial losses.
- Hedging Transactions. CastleRock may use a variety of financial instruments, such as derivatives including options, futures and forward contracts, and equity swap baskets, both for investment purposes and for risk management purposes. However, CastleRock is not obligated to, and may elect not to, hedge against risks. When CastleRock does enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Client than if it had not engaged in any such hedging transactions. Moreover, investment portfolios will always be exposed to certain risks that cannot be hedged, such as credit risk of certain issuers (relating both to particular securities and

counterparties), as well as risks to which CastleRock chooses to expose the Client as part of its investment strategies.

- Effectiveness of Risk Reduction Techniques. CastleRock may employ various risk reduction strategies designed to reduce the risk of the investments it makes for a Client. A substantial risk remains, nonetheless, that such strategies will not always be possible to implement and when possible will not always be effective in limiting losses. If CastleRock analyzes market conditions incorrectly, or employs a risk reduction strategy that does not correlate well with the investments made, such risk reduction techniques could result in a loss, regardless of whether the intent was to reduce risk rather than to increase return. These risk reduction techniques may also increase the volatility of the Client's account and/or result in a loss if the counterparty to the transaction does not perform as promised.

The foregoing does not purport to be a complete explanation of the risks involved in trading securities or with respect to any investment strategy.

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#### **ITEM 9 – DISCIPLINARY INFORMATION**

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CastleRock does not have any disciplinary or legal events to report.

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#### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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CastleRock is a related person of CastleRock Asset Management II, LLC, which is a newly formed investment adviser pending registration with the SEC. CastleRock is also a related person of CastleRock Management, LLC, the general partner to certain of CastleRock's Private Fund Clients. See Item 4.

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#### **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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CastleRock has adopted a Code of Ethics (the "Code") which sets forth the ethical and fiduciary principles and related compliance requirements under which CastleRock operates and the procedures for implementing those principles. The Code includes provisions that govern fiduciary duty, client opportunities, insider trading, personal trading, gifts and entertainment, political contributions, outside business activities and confidentiality.

The principals and employees of CastleRock and their related accounts (collectively, "Employees") are permitted to maintain personal securities accounts provided that such accounts are disclosed to CastleRock and that any personal trading is consistent with applicable law and with the Code. Subject to compliance with the Code, Employees may buy, sell or hold, for their own personal accounts, securities that CastleRock also may buy, sell or hold for Clients, although it is not expected that Employees will generally do so to any great extent, which will help to mitigate any potential conflict of interest.

The Code contains policies and procedures that, among other things:

- prohibit Employees from taking personal advantage of opportunities belonging to Clients;
- prohibit trading on the basis of material nonpublic information;
- place limitations on personal trading by Employees and impose preclearance (in certain cases) and reporting obligations with respect to trading; and
- require initial and annual reports of securities holdings and quarterly transaction reports by Employees.

CastleRock's Code is available to any Client or prospective client upon request by contacting Maria Lamari-Burden, CastleRock's Chief Compliance Officer, at (212) 251-3300.

CastleRock, consistent with Clients' investment objectives and in accordance with applicable law, may cause accounts it manages to effect, and will recommend to Clients or prospective clients, the purchase or sale of securities in which CastleRock, directly or indirectly, has a position or interest. CastleRock may recommend to Clients an investment in a Private Fund that it advises or for which a related person serves as the general partner or investment adviser. The potential conflict of interest regarding such relationship is disclosed to investors and prospective investors in a Private Fund prior to their making an investment in a Private Fund. See also Items 4 and 10.

From time to time, it may be appropriate for more than one of the accounts managed by CastleRock to trade in the same securities at the same time. As a general rule, such orders are combined (or bunched) and allocations among CastleRock's Clients acquiring the same securities on the same day are effected on a pro rata basis, based on the relative value of the accounts, or otherwise based on an allocation amount determined at the time of the order. If the orders are combined (or bunched), each of the accounts will have its same day orders filled on an average price basis (such that each receives the same price). While CastleRock's goal is to be fundamentally fair on an overall basis with respect to all Clients, there can be no assurance that on an overall or trade-by-trade basis that any particular Client will not be treated more favorably than another.

CastleRock does not engage in principal transactions with Client accounts and before it could do so it would have to secure applicable Client consent. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated private investment fund and another client account.

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## **ITEM 12 – BROKERAGE PRACTICES**

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Client portfolio transactions generally are allocated to brokers on the basis of best execution and in consideration of such brokers' provision of, or payment of the costs of, certain services and products that may be of benefit to the Private Funds, CastleRock and other Client accounts.

These services may take the form of research services, special execution capabilities, clearance, settlement, reputation, net price, on-line pricing, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, on-line access to computerized data regarding Clients' accounts, performance measurement data, consultations, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, supplies, financial strength and stability, efficiency of execution and error resolution, telephone lines, news and quotation equipment, electronic office equipment, on-line financial information, publications, legal and accounting services, data processing, the availability of stocks to borrow for short trades, referral of prospective investors to the Private Funds, custody, recordkeeping and similar services.

In addition, the prime brokers and other brokers used by the Private Funds and other Clients may pay all or a portion of the following costs and expenses of the Private Funds or CastleRock: office rent, data processing charges, news and quotation equipment and services, publications and periodical subscription fees, electronic office equipment, telephone lines and charges, account recordkeeping, on-line financial information, consulting, marketing, and accounting and legal services. Any of the above services and products provided by the prime brokers and other brokers used by the Private Funds and other Clients will take into account the level of assets that are maintained with such brokers. The Private Funds and other Clients therefore may be deemed to be paying for research and the other services and products described above with "soft" or commission dollars. Although CastleRock believes that Clients will benefit from many of the services and products obtained with "soft" dollars generated by Client trades, Clients do not benefit from all of these "soft" dollar services and products. CastleRock, its affiliates and other accounts and entities may also derive substantial direct or indirect benefits from these services and products, particularly to the extent that CastleRock is using "soft" or commission dollars to pay for expenses CastleRock would otherwise be required to pay itself.

CastleRock intends generally to consider the amount and nature of research, execution and other services and products provided by brokers as well as the extent to which such services and products are relied on, and will attempt to allocate a portion of the brokerage business of the Private Funds and any other Client accounts on the basis of such considerations. The investment information received from brokers, however, may be used by CastleRock, its affiliates and principals in servicing some or all of such other Client accounts (including the Private Funds), but not all such information may be used by CastleRock in connection with all Client accounts. CastleRock believes that such an allocation of brokerage business will help Clients to obtain research and execution capabilities and provides other benefits to Clients.

The relationship with brokerage firms that provide soft dollar services to CastleRock influences CastleRock's judgment in allocating brokerage business. CastleRock has an incentive to select a broker-dealer based on its interest in receiving research or other products or services, rather than on a Client's interest in receiving the most favorable execution and thereby creates a conflict of interest in using the services of those broker-dealers to execute a Client's brokerage transactions. It is anticipated that the brokerage commissions Clients pay to firms that provide soft dollar services to CastleRock should not differ materially from and are not materially higher than the commissions that they pay to other firms for comparable services. CastleRock believes that

these relationships will be beneficial to both CastleRock and Clients, but Client trades executed through these firms or any other brokerage firm may or may not be at the best price otherwise available. Prospective investors who consider such “soft” dollar practices material to their investment decision should inquire with CastleRock to obtain the most recent information on “soft” dollar practices.

CastleRock may receive incidental economic benefits from the brokers it uses, including free attendance at conferences or seminars sponsored by such brokers and related travel and meal accommodations. Although the commission rates charged by such brokers are represented as not reflecting any such additional benefits, the commission rates charged by such brokers may be higher or lower than other brokers. CastleRock may have a potential conflict of interest between its duty to obtain best execution for a Client and its interest in receiving such economic benefits in the future.

CastleRock’s selection of brokers is guided and/or limited by (i) its responsibility to act as a fiduciary when handling Clients’ accounts, (ii) its obligation, to the extent applicable and subject to the conditions hereinabove specified, to select brokers who offer overall best execution on Clients’ trades, and (iii) with respect to a Private Fund, the Private Fund’s Memorandum.

From time to time, it may be appropriate for more than one of the accounts managed by CastleRock to trade in the same securities at the same time. As a general rule, such orders are combined (or bunched) and allocations among CastleRock’s Clients acquiring the same securities on the same day are effected on a pro rata basis, based on the relative value of the accounts, or otherwise in an amount determined at the time of the order. If the orders are combined (or bunched), each of the accounts will have its same day orders filled on an average price basis (such that each receives the same price). While CastleRock’s goal is to be fundamentally fair on an overall basis with respect to all Clients, there can be no assurance that on an overall or trade-by-trade basis that any particular Client will not be treated more favorably than another.

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### **ITEM 13 – REVIEW OF ACCOUNTS**

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Client accounts are reviewed on a daily basis by portfolio managers and risk manager to ensure that investment objectives are adhered to. As part of this review, CastleRock’s risk manager generates internally developed risk reports that assist in ascertaining whether the position sizes and levels of exposures of the Client accounts’ portfolios are consistent with the investment objectives of such accounts. In addition, various rules are input into CastleRock’s order management system to assist in monitoring and ensuring compliance with the investment guidelines of the various Client accounts.

Investors in the Private Funds generally are provided with a quarterly letter which contains information regarding such Private Fund’s performance, portfolio composition and the current balance of the investor’s investment in such Private Fund, and annually receive audited fiscal year-end financial information.

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#### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

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CastleRock may compensate third parties, including registered broker-dealers, for referring prospective advisory clients (or investors in a Private Fund) to it, at no additional cost to the Client (or investor). Such referral fees generally will be a percentage of the annual management fees and/or performance-based compensation earned by CastleRock. Such referral arrangements will conform to Rule 206(4)-3 under the Investment Advisers Act of 1940, as applicable. See also Item 10.

Other than the soft-dollar benefits described in Item 12 above, CastleRock does not receive any economic benefit for providing advice to its Clients from anyone other than its Clients.

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#### **ITEM 15 – CUSTODY**

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CastleRock does not have actual custody of any Client assets. CastleRock's related person, CastleRock Management, LLC, as general partner to certain Private Fund Clients, is deemed to have custody of the assets of those Private Fund Clients. In accordance with Rule 206(4)-2, audited financial statements are furnished annually to all investors in the Private Funds.

Clients are urged to carefully review all statements and contact CastleRock if they have any questions.

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#### **ITEM 16 – INVESTMENT DISCRETION**

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Consistent with a Client's investment objectives and in accordance with the applicable investment management agreement, CastleRock has authority, without obtaining specific Client consent, to determine the types and amounts of securities to be bought and sold, pursuant to discretion granted to it by its Clients. Limitations on CastleRock's authority are guided by, among other things, (i) its responsibility to act as a fiduciary when handling Clients' accounts, (ii) the investment strategies and objectives of its Clients, and (iii) with respect to a Private Fund, the Private Fund's Memorandum.

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#### **ITEM 17 – VOTING CLIENT SECURITIES**

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CastleRock exercises discretion to vote proxies for Clients' securities in accordance with its proxy voting policies and procedures. CastleRock's proxy voting policy is to vote all Client proxies in the Client's best interest, considering such facts as it deems material. Proxies are reviewed by CastleRock's Controller. Generally, CastleRock's objective is to vote proxies, in its judgment, in a manner that is most likely to maximize the value of its Clients' investments.

CastleRock must act as a fiduciary when voting proxies on behalf of its Clients. In that regard, CastleRock will seek to avoid possible conflicts of interest in connection with proxy voting as follows:

Where CastleRock identifies a potential conflict of interest (such as if CastleRock or an Employee is affiliated or associated with an issuer or CastleRock holds the issuer's securities on a proprietary basis), CastleRock will initially determine whether such potential conflict is material. Where CastleRock determines there is a potential for a material conflict of interest regarding a proxy, CastleRock will take one or some of the following steps: (i) inform the Client of the material conflict and CastleRock's voting decision; (ii) discuss the proxy vote with the Client; (iii) fully disclose the material facts regarding the conflict and seek the Client's consent to vote the proxy as intended; and/or (iv) seek the recommendations of an independent third party. Any Employee who has a direct or indirect pecuniary interest in any issue presented for voting, or any relationship with the issuer, must so inform CastleRock's Chief Compliance Officer and recuse himself or herself from decisions on how proxies with respect to that issuer are voted.

CastleRock's Chief Compliance Officer oversees and manages the process by which it votes proxies. CastleRock's proxy voting policy and procedures are available upon request. A Client may obtain CastleRock's proxy voting policy and procedures or a record of CastleRock's proxy voting for such Client by contacting Maria Lamari-Burden, CastleRock's Chief Compliance Officer, at (212) 251-3300.

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#### **ITEM 18 – FINANCIAL INFORMATION**

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CastleRock has no financial condition that impairs its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy proceeding.