

Solid Rock Management Limited  
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31<sup>st</sup> March 2012

This Brochure provides information about the qualifications and business practices of Solid Rock Management Limited (the “**Adviser**”). If you have any questions about the contents of this Brochure, please contact us by telephone: + 1 281 494 8790 or by email: [simon.filmer@nerinebvi.com](mailto:simon.filmer@nerinebvi.com)

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Solid Rock Management Limited is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Solid Rock Management Limited is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Brochure has been updated from the Adviser's Brochure dated 31<sup>st</sup> March 2011 to include the sister company "Eden Rock Partners Limited" which has a 49% holding interest in "Edex Recovery Solutions, LLC", to include Jeremy Joseph De Melo as a Partner of the Parent LLP and also to update the firm's client list.

Currently, our Brochure may be requested by contacting Simon Filmer, the Adviser's Compliance Officer, at +1 284 494 8790 or [simon.filmer@nerinebvi.com](mailto:simon.filmer@nerinebvi.com).

Additional information about Solid Rock Management Limited is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with the Adviser who are registered, or are required to be registered, as investment adviser representatives of the Adviser.

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#### **Item 4 – Advisory Business**

The Adviser was founded in 2002 as an independent specialist alternative investment manager.

The Directors of the Adviser are:

##### **Kevin Michael McAuliffe.**

Mr. Kevin McAuliffe, born 1957, is a Director of the Applicant. Kevin has twenty five years of experience in the offshore banking and trust environment and has held posts as Finance Director of an offshore banking group and Director, Executive and Chief Executive of a number of banks and trust companies in most major offshore centers. Kevin has been a personal trustee of a number of occupational pension schemes, is a director of offshore funds and regulated investment management companies and is a member of the Society of Trust and Estate Practitioners.

##### **Graham Harvey Sedgwick.**

Mr. Graham Sedgwick, born 1945, is a Director of the Applicant. Graham also has considerable experience in the offshore financial services field and has worked for KPMG Peat Marwick in the UK and Coopers & Lybrand in South Africa. He is a Fellow of the Institute of Chartered Accountants of England and Wales and is currently a partner in Vigilante Financial Services Ltd., a firm of Chartered Accountants in Tortola. Graham was appointed as a director of Nerine Trust Company (BVI) Limited on 17th November 1999.

The Adviser is 100% owned by Eden Rock Capital Management LLP (“ERCM”) (“the Parent LLP”). ERCM is 100% owned by the Partners who are, or have been engaged in the investment advisory business of ERCM. James Matthews holds an ownership interest of more than 25% of the ERCM.

The Partners of ERCM are listed below:

##### **James Spencer Matthews.**

Mr. James Matthews, born 1975, is a Partner of the Adviser. He has traded on Eurex, OMLX and is qualified to trade on the International Securities Exchange (ISE) of New York. He joined Spear, Leeds & Kellogg in September 1995 and worked on the London International Financial Futures Exchange. In 1997, he moved to Nordic Options Ltd, which demerged from Spear, Leeds & Kellogg, where he became one of the senior equity options traders. James left Nordic and founded Eden Rock Securities in 2000 and the Parent LLP in 2001.

**Mr. Edward Marcus Horner.**

Mr. Edward Horner, born 1976, is a Partner of the Adviser. Edward Horner first gained experience of the financial markets at the age of 18 while working on the London International Financial Futures Exchange for Alpha Financial Futures Ltd. After graduating from Newcastle University with an honours degree, he joined Merrill Lynch International Bank Ltd. He became a Financial Consultant in the London office of the International Private Client Group and was made a partner of the largest team in Europe, where he advised clients with combined assets in excess of \$2 billion on their global investment portfolios, comprised both traditional and alternative asset classes. Edward resigned from Merrill Lynch in 2001 to establish the Parent LLP.

**Mr. Michael Kenneth Staveley.**

Mr. Michael Staveley, born 1964, is a Partner of the Adviser. Michael has over 20 years experience in the financial markets and has run a variety of businesses involving the trading and structuring of credit risk. Most recently, Michael spent five years at Commerzbank, where he was global head of credit markets. Prior to that, he spent three years at General Re Financial Products as Managing Director and global head of credit trading. Michael also spent six years with SBC Warburg in London and New York, where he was global head of structured credit trading and four years at Citicorp in fixed income derivatives. Michael joined the Parent LLP as CIO in April 2006.

**Miss. Nicola Jayne Corrin.**

Miss. Nicola Corrin, born 1971, is a Partner of the Adviser. Nicola Corrin has over 20 years investment experience, most recently working with Fortis Prime Fund Solutions (Isle of Man) Limited as Client Support Manager where she oversaw client liaison and problem solving for all operational areas of Fund Administration. Prior to joining the Parent LLP in July 2005, Nicola worked as Investor Services Manager with Fortis where she focused on the custody, investment trading and hedging for Fund of Fund Structures. Nicola completed her ACIS studies and became a graduate in December 2000 gaining her Associateship in 2001. During her studies Nicola was awarded the Sir Ernest Clark prize for the best world wide Business Law paper in June 1996.

**Mr. Fabio Morandi.**

Mr. Fabio Morandi, born 1974, is a Partner of the Adviser. Fabio Morandi qualified as a Chartered Accountant with PricewaterhouseCoopers in 2000, having specialised in the asset management industry. In 2001, he joined HSBC's internal audit team responsible for reviewing the group's investment banking operations. In 2004, he moved across to the

equity research department as an analyst, where he covered the banking sector. Fabio is a Chartered Financial Analyst charterholder and holds a BSc (Hons) in Economics from the University of Bath. Fabio joined the investment team at the Parent LLP in October 2006.

**Mr. David Higgins.**

Mr. David Higgins, born 1978, is a Partner of the Adviser. David Higgins first joined the financial markets in 1999 working in the back office department of Nordic Options. David soon began trading M&A arbitrage strategies before moving onto market-making in Scandinavian equity derivatives. Further to this he was primary market maker in LIFFE equity options on selected single stocks in the FTSE along with assisting to trade and maintain the Scandinavian market-making book. After Nordic options closed its London office, David began working for Eden Rock Securities as a senior trader dealing mainly in equity index products and was charged with overall risk management. David joined the investment team of the Parent LLP in November 2005.

**Mr. David Gervais.**

Mr David Gervais, born 1974, is a Partner of the Adviser. David Gervais first gained financial experience in Paris, working for both Natexis and then for General Electric Capital in 1998 in the area of leasing finance. On moving to London in 2002 he started work at REFCO as a credit analyst where he assisted in the development and implementation of their credit-risk database. He moved on to participate in their Credit committee and monitored both client and counterparty risk on a daily basis. In 2004 he joined Bank of America's Asset Based Lending arm, Bank of America Business Capital, where he advised clients on legal, financial and structuring issues relating to potential ABL deals across continental Europe. David joined the investment team of the Parent LLP in May 2007.

**Mr. Jeremy Joseph De Melo.**

Mr. Jerry De Melo, born 1960, is a Partner of the Adviser. Jerry is a solicitor and Chartered Accountant with over 20 years of professional experience. He holds a Bachelor of Laws degree from Queen's University in Canada and a Bachelor of Commerce degree from the University of Toronto. He qualified as a Chartered Accountant with Coopers & Lybrand in Toronto and is a former partner of the Toronto law firm of Davies, Ward & Beck and the London office of Cadwalader, Wickersham & Taft LLP. Jerry has extensive experience in structured finance and investment management. He has held legal and financial roles with alternative investment managers including Cheyne Capital, Solent Capital and Aladdin Capital, where he was General Counsel and oversaw legal and regulatory matters across several investment platforms. Jerry joined the Parent LLP as General Counsel in January 2012.

Additionally, Mr. George O'Dowd, Mr. Huan Ke and Mr. Andrew Kinsey-Quick are former Executive Partners who are no longer employed by ERCM but continue to hold a minority equity interest in the ownership of ERCM.

The Adviser provides investment management services to pooled investment vehicles, each of which is offered to qualified investors exclusively on a "private placement" basis. The pooled investment vehicles described below are referred to individually as a "**Fund**" and collectively as the "**Funds**."

The Adviser is a British Virgin Islands ("**BVI**") company and is regulated in the British Virgin Islands by the Financial Services Commission.

The Adviser is the managing member, or fund manager of the Funds, with the exception of Eden Rock Finance Fund LP (see below). **Solid Rock Management** is the parent company of Solid Rock General Partner Limited ("**Solid Rock General Partner**") that is a company domiciled in the British Virgin Islands, and who is the Co-General Partner of Eden Rock Finance Fund LP, a Delaware limited partnership.

The Adviser is a sister company of Eden Rock Partners Limited ("**Eden Rock Partners**") that is a company domiciled in England and Wales and who is the member of Edex Recovery Solutions, LLC ("**Edex Recovery Solutions**"), whose primary purpose is to service and manage a portfolio of hedge funds that are currently winding down and/or where the major investors desire to replace the incumbent manager.

As at 31 March 2012 Edex Recovery Solutions did not manage client assets on either a discretionary or non-discretionary basis as it had not commenced operations on that date.

The Funds are listed below:

**Eden Rock Direct Lending Master Ltd**

Eden Rock Direct Lending Master Ltd. ("**Eden Rock Direct Lending Master**") is a BVI company. Eden Rock Direct Lending Master serves as the master fund for Eden Rock Direct Lending Fund Ltd.

The Adviser is the fund manager for Eden Rock Direct Lending Master and Eden Rock Direct Lending Fund Ltd. The Adviser has appointed ERCM to provide the Adviser with

investment advisory services in respect of Eden Rock Direct Lending Master and Eden Rock Direct Lending Fund Ltd.

Investors generally may not invest directly in Eden Rock Direct Lending Master.

### **Eden Rock Direct Lending Fund Ltd**

Eden Rock Direct Lending Fund Ltd. is a BVI company ("**Eden Rock Direct Lending Fund**"). Eden Rock Direct Lending Fund is a feeder fund for Eden Rock Direct Lending Master in that it invests virtually all of its assets in Eden Rock Direct Lending Master.

The Adviser is the fund manager of Eden Rock Direct Lending Fund and Eden Rock Direct Lending Master. The Adviser has appointed ERCM to provide the Adviser with investment advisory services in respect of Eden Rock Direct Lending Master and Eden Rock Direct Lending Fund Ltd.

Eligible investors may purchase the participating shares of the Fund on the 1<sup>st</sup> day of each calendar month, subject to a minimum investment amount of US\$ 1,000,000 (subject to the sole and absolute discretion of the Directors to accept a lesser amount).

Subject to the Redemption Restriction described below and to the Memorandum and Articles of Association of the Fund and laws of the British Virgin Islands, a holder of Participating Shares may request that the Fund redeem all or any of the Participating Shares registered in the name of such holder for a Redemption Date by giving the Fund no less than 90 calendar days prior written notice, or any other such notice period as the Directors of the Fund in their absolute discretion may decide, provided that the holder of Participating Shares may not request any redemption in respect of Participating Shares during the same calendar year in which such Participating Shares were purchased ("Redemption Restriction"). For the avoidance of doubt, should a person purchase additional Participating Shares (including purchases through re-investment), the Redemption Restriction on redemptions within the same calendar year shall apply from the date such additional Participating Shares were purchased but shall not apply to Participating Shares which are purchased in previous calendar years.

On a Redemption Date, any of the Participating Shares in respect of which a valid redemption request has been placed will be converted to or exchanged for shares in a liquidating share class ("Liquidating Class Shares") issued by the Fund. Redemptions on a Redemption Date in a subsequent period shall generally be converted to or exchanged for a class of Liquidating Class Shares separate to those created in previous period.



The Liquidating Class Shares created at each annual Redemption Date will be allocated a portion of the Fund's Assets which have a Net Asset Value (as calculated at the last Valuation Date prior to the relevant Redemption Date) equal to the Net Asset Value of the interest in the Fund represented by the Participating Shares being redeemed. In so far as reasonably practicable, the Fund will seek to allocate a pro-rata split of the Fund's portfolio investments to the Liquidating Class Shares (although an exact pro-rata split cannot be guaranteed).

Whilst the Liquidating Class Shares shall remain Participating Shares in the Fund (including for the purposes of paying the Management Fee, Performance Fee and other fees attributable to such Liquidating Class Shares), a given class of Liquidating Class Shares will solely be entitled to the pro-rata split of assets allocated to such class of Liquidating Class Shares for a given Redemption (including any Performance Fee reserve where applicable). In addition, the holders of one class of Liquidating Class Shares shall not be entitled by virtue of holding such Liquidating Class Shares to the assets (or exercise any rights or claim) attributable to another class of Liquidating Class Shares, nor the assets or rights attributable to other Classes issued by the Fund (including the Class of Participating Shares from which the relevant class of Liquidating Class Shares were exchanged for or converted from).

The Directors, upon the advice of Fund Manager, may in their sole and absolute discretion for any or no reason meet any Redemption request in full at a Redemption Date without creating a Liquidating Class Shares in the event such Redemption is a partial redemption of an investor's holding of Participating Shares and the amount paid to satisfy such Redemption would not materially impact the remaining holders of Participating Shares.

Upon creation, a given class of Liquidating Class Shares will be managed purely for the purposes of returning capital to holders of such Liquidating Class Shares in an orderly fashion as follows:

- (a) the Liquidating Class Shares will not have a defined timeframe for achieving the return of capital - rather each series of Liquidating Class Shares will distribute capital to its holders as net cash is generated from the assets attributable to such class of Liquidating Class Shares. The distributions of capital will generally occur monthly subject to net cash being available for distribution;
- (b) the usual Net Asset Value reporting and calculation procedures applicable to Participating Shares will continue to apply to the assets attributable to Liquidating Class Shares;
- (c) any exchange traded instruments (other than such exchange traded instruments purchased specifically as a hedge for other less liquid assets attributable to the relevant Liquidating Class Shares) will be liquidated as soon as reasonably practicable;

- (d) the Fund will attempt to sell any non-listed securities, non-exchange traded or over the counter contracts where the secondary market liquidity allows for a transaction at (or close to) fair value, as determined by the Fund Directors on the recommendation of the Fund Manager as advised by the Investment Advisor in accordance with its pricing policy. In consideration of a sale of any illiquid securities or contracts, the Fund Manager must consider whether the prevailing secondary market bid represents fair value by taking into account the following factors; underlying credit quality of the obligor, value of any collateral backing the transaction, likely timeframe for recovery, comparable market transactions/assets, expected cashflow over time.
- (e) the proceeds from realised investments attributable to the Liquidating Class Shares will not be re-invested and will generally be repaid to holders of such Liquidating Class Shares, provided that, there may be cases where monies generated by the realised investments are needed for the purpose of realising the fair or higher value for the assets attributable to the same Liquidating Class Shares ("Protective Advances"), in which case the Fund may in good faith utilise such Protective Advances measures for the benefit of the holders of the relevant Liquidating Class Shares. It should be noted that whilst the Fund will seek to utilise the Protective Advance measures in good faith, it cannot be guaranteed that such Protective Advances will be successful or generate a higher return to holders of the relevant Liquidating Class Shares had such Protective Advance measures not been used;
- (f) collect and distribute cash flow proceeds from illiquid or private loans where no secondary market readily exists. These illiquid or private loans may be held until maturity at which point, provided the loan repays in a timely manner, the proceeds will be distributed to the holders of the relevant Liquidating Class Shares;
- (g) monies available for distribution will generally be paid within 15 days of the Net Asset Value of the relevant class of Liquidating Class Shares being finalised and published. As monies are paid out, the Net Asset Value of outstanding Liquidating Class Shares will be reduced by the amount repaid;
- (h) the holders of Liquidating Class Shares will continue to be subject to the performance of the assets attributable to such Liquidating Class Shares;
- (i) a holder of Liquidating Class Shares will have rights solely in respect of such class of Liquidating Class Shares;
- (j) the Liquidating Class Shares will continue to be liable for the pro-rata share of any of the Fund's operating and administrative expenses attributable to such Liquidating Class Shares;
- (k) the Liquidating Class Shares will continue to be subject to the Management Fee and Performance Fee as applicable to Participating Shares;
- (l) the Fund and the Master Company (together with any investment vehicle which the Fund or Master Company utilises for investment purposes) may invest, but shall not be obliged to invest, up to 25% of any new capital invested in the Fund to purchase assets attributable to any class of Liquidating Class Shares for the benefit of holders of Participating Shares where such assets meet the investment requirements of the Fund or Master Company and subject to the consent of a majority (by value) of the holders of such class of Liquidating Class Shares;

- (m) no interest will accrue in respect of monies attributable to the Liquidating Class Shares or the holders of such Liquidating Class Shares other than such interest which is as a result of the investment performance of the assets attributable solely to such Liquidating Class Shares;
- (n) it is intended that the majority of the Fund's investments will have a short to medium term duration, and in most circumstances it is expected that the majority of the capital in respect to a given class of Liquidating Class Shares would be returned within a two year period, although there can be no assurance or guarantee that this timeframe can be achieved and the realisation of the assets could take significantly longer. In addition, the time necessary to liquidate the assets belonging to different class of Liquidating Class Shares may vary.

Redemption requests may not be rescinded once placed without the consent of the Directors (such consent to be at their sole and absolute discretion). Should a holder of Liquidating Class Shares wish to reinvest the proceeds generated by such Liquidating Class Shares, the proceeds may at the discretion of the Fund's Directors be re-invested in the Fund in exchange for new Participating Shares at the Net Asset Value at such time of reinvestment.

Cash proceeds and distributions from Participating Shares (including Liquidating Class Shares) will generally be paid in the currency of a particular Class, although the Directors reserve the right in their absolute discretion to pay by "in specie" distributions of the assets attributable to such Liquidating Class Shares or Participating Shares.

#### **Eden Rock Finance Master Ltd.**

Eden Rock Finance Master Fund Ltd. ("**Eden Rock Finance Master Fund**") is a BVI company. Eden Rock Finance Master Fund historically served as the master fund for Eden Rock Structured Finance Fund Ltd (in liquidation) and Eden Rock Structured Finance Institutional Fund Ltd (in liquidation) (together "**the Feeders**").

The Adviser is the fund manager for Eden Rock Finance Master Fund, and also the fund manager for the Feeders. The Adviser has appointed ERCM to provide the Adviser with investment advisory services in respect of Eden Rock Finance Master Fund and the Feeders.

Under the liquidation process investors and creditors of the Feeders have been provided with direct interests in Eden Rock Finance Master Fund.

Eden Rock Finance Master Fund is currently winding down and is not open to new investments.

### **Eden Rock Unleveraged Finance Master Ltd.**

Eden Rock Unleveraged Finance Master Fund Ltd. ("**Eden Rock Unleveraged Finance Master Fund**") is a BVI company.

The Adviser is the fund manager for Eden Rock Unleveraged Finance Master Fund. The Adviser has appointed ERCM to provide the Adviser with investment advisory services in respect of Eden Rock Unleveraged Finance Master Ltd.

Eden Rock Unleveraged Finance Master Fund is currently winding down and is not open to new investments.

### **Eden Rock Finance Fund LP**

Eden Rock Finance Fund LP ("**Eden Rock Finance Fund**") is a Delaware limited partnership. The general partners of Eden Rock Finance Fund are Sky Bell Asset Management, LLC, a Delaware limited liability company ("**Sky Bell**"), and Solid Rock General Partner Limited (the "**General Partners**"). The Adviser is the parent company of Solid Rock General Partner.

Investors generally will be permitted to make withdrawals as of the close of business on the last day of each calendar quarter on at least 95 days written notice to Eden Rock Finance Fund. The General Partners, in their sole discretion, may waive such notice provisions and permit withdrawals at other times.

The Fund generally will pay a withdrawing investor at least 90% of the estimated withdrawal proceeds within 10 business days after the effective date of the withdrawal. The General Partners may withhold up to 10% of a withdrawing investor's estimated withdrawal proceeds if that investor withdraws all or substantially all of a Capital Account. Such withheld amounts shall be paid to the withdrawing investor promptly after the completion of the Fund's annual audit for the year in which such withdrawal was effective and subject to approval from the Fund's leverage providers.

If Eden Rock Finance Fund LP receives withdrawal requests for any particular calendar quarter end in excess of 15% of the Fund's NAV, the Fund may defer a portion of each withdrawal request on a pro rata basis to the next regular withdrawal date (generally, the end of the following calendar quarter) such that the aggregate withdrawal amount for any quarter end does not exceed 15% of the Fund's NAV. Any withdrawal requests that have

been deferred to a subsequent withdrawal date shall have priority over any withdrawal requests initiated after such deferred withdrawal request was submitted to the Administrator.

The General Partners reserve the right, in their sole discretion, to compel the withdrawal of any investor's interest in Eden Rock Finance Fund, in whole or in part, on not less than 30 days written notice (or not less than 5 days written notice if the General Partners determine that the investor's continued participation in the Fund may cause the Fund or the General Partners to violate any applicable law). Settlements in the case of a compulsory withdrawal are made in the same manner as voluntary withdrawals.

Eden Rock Finance Fund is currently not open to new investments and withdrawals are being processed under the wind down process of the Fund.

#### **Eden Rock Asset Based Lending Master Ltd.**

Eden Rock Asset Based Lending Master Fund Ltd. ("**Eden Rock Asset Based Lending Master Fund**") is a BVI business company. Eden Rock Asset Based Lending Master Fund serves as the master fund for Eden Rock Asset Based Lending Fund Ltd. (described below).

The Adviser is the fund manager for Eden Rock Asset Based Lending Master Fund and Eden Rock Asset Based Lending Fund Ltd. The Adviser has appointed ERCM to provide the Adviser with investment advisory services in respect of Eden Rock Asset Based Lending Master and Eden Rock Asset Based Lending Fund Ltd.

Investors generally may not invest directly in Eden Rock Asset Based Lending Master Fund.

Eden Rock Asset Based Lending Master Fund is currently winding down.

#### **Eden Rock Asset Based Lending Fund Ltd.**

Eden Rock Asset Based Lending Fund Ltd. is a BVI company ("**Eden Rock Asset Based Lending Fund**"). Eden Rock Asset Based Lending Fund is a feeder fund for Eden Rock Asset Based Lending Master Fund in that it invests virtually all of its assets in Eden Rock Asset Based Lending Master Fund.

The Adviser is the fund manager of Eden Rock Asset Based Lending Fund. The Adviser has appointed ERCM to provide the Adviser with investment advisory services in respect of Eden Rock Asset Based Lending Master and Eden Rock Asset Based Lending Fund Ltd.

The NAV calculation and subscriptions and redemptions for the Eden Rock Asset Based Lending Fund's shares are currently suspended and the Fund is winding down.

### **Solid Rock Special Situations 2 Ltd**

Solid Rock Special Situations 2 Ltd is an Isle of Man company ("**Solid Rock Special Situations 2**"). The Adviser is the fund manager of Solid Rock Special Situations 2. The Adviser has appointed ERCM to provide the Adviser with investment advisory services in respect of Solid Rock Special Situations 2.

Solid Rock Special Situations 2 is an Isle of Man Exempt Scheme and as such is only available for investment on a private basis and its shares may not be offered for sale to the general public.

#### **Advisory Services:**

The Adviser has specialist knowledge in the strategies on which it provides investment management services.

The Adviser has a strong institutional framework, with proprietary systems and databases built up over eight years. Streamlined operational processes are also important, in order to provide clients with a high standard of reporting.

The Adviser provides investment management services for each client Fund in accordance with the investment parameters and restrictions of each specific client Fund.

The Adviser does not participate in wrap fee programs.

The Adviser provides management services to US\$ 142,653,731.73 of net client assets on a discretionary basis. Assets under management are calculated on an estimated basis as at 31<sup>st</sup> December 2011.

### **Item 5 – Fees and Compensation**

The Adviser's remuneration in respect of the Funds are as follows:

#### **Eden Rock Direct Lending Master Fund**

Eden Rock Direct Lending Master Fund will not pay management or incentive compensation to the Adviser.

### **Eden Rock Direct Lending Fund**

Investors will not owe any sales charges to the Adviser ("Fund Manager") or Eden Rock Direct Lending Fund in connection with the purchase of Participating Shares, and Eden Rock Direct Lending Fund will not expend its own funds for the purpose of compensating any Placement Agent.

However, an Initial Charge of not more than 5% of total subscriptions for Participating Shares may be deducted by the Fund Manager where Participating Shares have been purchased by an investor through a Placement Agent. Where this is applicable the Initial Charge will be paid in full to the introducing Placement Agent and neither the Fund Manager nor Eden Rock Asset Based Lending Fund shall retain any part of the Initial Charge.

In order for an Initial Charge to be deducted in respect of an investment, the percentage Initial Charge must be marked on the investor's duly signed Application for Participating Shares.

The Fund Manager may however enter into agreements with one or more Placement Agents and agree to compensate them at the Fund Manager's expense. In addition, an investor that has engaged its own agent to identify potential investments for such investor may owe a sales charge to that agent in connection with such investor's purchase of Participating Shares.

No Initial Charge may be deducted and paid in respect of eligible US investors unless the Placement Agent is a FINRA member and a Registered Broker-Dealer. Additionally if the Fund Manager enters into an agreement to compensate any Placement Agent in respect of an eligible US investor then the basis of such compensation will be fully disclosed to affected investors.

There are no redemption fees levied on Participating Shares being redeemed.

Eden Rock Direct Lending Fund pays the Fund Manager a monthly Management Fee, in arrears, equal to 0.083% of the NAV of each class of Participating Shares as of the last business day of each month (approximately 1% annually).

The Fund will also reimburse the Fund Manager for any costs, fees and expenses incurred in connection with the statutory, administrative, legal or other costs or disbursements borne by the Fund Manager.

The Fund also pays the Fund Manager a Performance Fee in an amount equal to 15% of the Net New Profit, subject to the High Water Mark, for each Participating Share in each class, payable as of the last business day of the Fund's Fiscal Year End, or upon redemption.

The Performance Fee in respect of each Performance Fee Period will be calculated by reference to the Net Asset Value of each active Class before deduction of any accrued Performance Fees relating to a Class.

The Performance Fee is calculated on a share-by-share basis so that each Share is charged a Performance Fee that equates with that Share's performance. This method of calculation ensures that (i) the Performance Fee is charged only to those Participating Shares that have appreciated in value, (ii) all shareholders have the same amount per Share of the relevant Class at risk in the Fund, and (iii) all Participating Shares of the same Class have the same Net Asset Value per Share.

The first Performance Fee Period of each Class will be the period commencing as at the first business day following the close of the initial offering period, of each Class respectively, and ending on the last business day of the same Performance Fee Period.

The Performance Fee is subject to a high water mark ("High Water Mark") whereby for each Performance Fee Period, the Performance Fee will only be payable where the appreciation in the Net Asset Value per Participating Share during the Performance Fee Period is above the Net Asset Value per Participating Share at the time of issue of that Participating Share or, if issued in a previous Performance Fee Period, above the greater of (i) the highest Net Asset Value per Participating Share achieved as of the end of any previous Performance Fee Period following such date of issue or (ii) the Net Asset Value per Participating Share at which the Participating Share was issued.

For the avoidance of doubt, any shares created within a given class of Liquidating Class Shares pursuant to the Redemption mechanism described in the "Redemptions" section below shall be considered Participating Shares and the Management Fee and Performance Fee shall apply equally to such Liquidating Class Shares and the High Water Mark of any Participating Shares to be exchanged for Liquidating Class Shares shall continue to apply to such Liquidating Class Shares (i.e. the High Water Mark will not be reset).

#### *Equalisation Adjustments*

If an investor subscribes for Participating Shares at a time when the Net Asset Value per Participating Share is below or above its High Water Mark, certain adjustments will be made to reduce inequities that could otherwise result to the subscriber or beneficiary of the Performance Fee.



If Participating Shares are subscribed for at a time when the Net Asset Value per Participating Share is below the High Water Mark of the relevant Class, the investor will be required to pay a Performance Fee with respect to any subsequent appreciation in the value of those Participating Shares. With respect to any appreciation in the value of those Participating Shares from the Net Asset Value per Participating Share at the date of subscription up to the High Water Mark, the Performance Fee will be charged at the end of the Performance Fee Period by redeeming such number of the investor's Participating Shares as have an aggregate Net Asset Value (after accrual of any Performance Fee) equal to the applicable percentage of any such appreciation (a "Performance Fee Redemption"). The aggregate Net Asset Value of the Participating Shares so redeemed will be paid to the Fund Manager as a Performance Fee. Performance Fee Redemptions are employed to ensure that the Fund maintains a uniform Net Asset Value per Participating Share for each Class. As regards the investor's remaining Participating Shares, any appreciation in the Net Asset Value per Participating Share of those Participating Shares above the High Water Mark will be charged a Performance Fee in the normal manner described above.

#### *Performance Fee Holdback and Rebate*

The Performance Fee for each Class of Participating Shares shall be accrued as an expense of the Fund during a given Performance Fee Period and shall become payable by the Fund to the Fund Manager at the Fund's Fiscal Year End subject to the following withholding: any Performance Fee accrued during the Performance Fee Period shall initially be subject to a performance fee reserve calculation ("Performance Fee Reserve"). At the Fund's Fiscal Year End the Administrator shall determine whether a portion of the Performance Fee Reserve shall be available to be rebated for the benefit of investors in the Fund ("Clawback Amount") using the following clawback methodology: where the Net Asset Value of a Class at the Fiscal Year End is below its High Water Mark, the Fund Manager has agreed to rebate such portion of the Performance Fee Reserve attributable to the loss below the High Water Mark for the benefit of the holders of the Class to which such loss has occurred.

If the Performance Fee Reserve is not sufficient to cover the Clawback Amount then the remaining reserve shall be allocated pro rata to each affected Class in proportion to its loss below the High Water Mark. If the Performance Fee Reserve is zero then the Clawback Amount shall also be zero. For the avoidance of doubt, once the Performance Fee Reserve has reduced to zero, the Clawback provisions will not apply until the Class exceeds its High Water Mark.

At the end of each Fiscal Year and once all Clawback Amounts have been settled, the Administrator will authorise payment of a portion of the remaining Performance Fee

Reserve to the Fund Manager equal to 15% of Realised Gains (as defined below) achieved by Fund in that Fiscal Year ("Realised Performance Fee"). The proportion of the Realised Gains of the Fund shall be calculated pro rata to the Realised Gains of the Master Company. "Realised Gains" shall include: Cash received from interest payments, plus fees received net of interest paid, less fees paid, plus; for any asset sold or disposed of (in whole or in part), the difference between the sale proceeds from that asset and the original purchase price of that asset (or portion of) that asset.

Should any portion of the Performance Fee Reserve not be determined to be a Clawback Amount or a Realised Performance Fee in a given Fiscal Year, such portion of the Performance Fee Reserve shall remain accrued in the Performance Fee Reserve until the following Fiscal Year End.

Should the Administrator be unable to determine whether a gain is realised for the purposes of calculating Realised Performance Fees, the Directors may make such determination in their sole and absolute discretion.

The Performance Fee Reserve shall operate on a Class by Class basis and the Performance Fee Reserve of a given Class will not apply to another Class except where such Performance Fee Reserve is a pro rata transfer of assets from a Class to its corresponding Liquidating Class as part of the Fund's usual redemption process (as described in the "Redemptions" section below"). Upon the redemption of all Shares in a given Liquidating Class, all fees in the Performance Fee Reserve attributable to same Liquidating Class shall become automatically payable to the Fund Manager. In addition, upon the liquidation, administration or winding-up of the Fund, or the termination of the Fund Manager as the investment manager of the Fund, all fees accrued in any Performance Fee Reserve shall become automatically payable to the Fund Manager.

### **Eden Rock Finance Master Fund**

Effective 1<sup>st</sup> January 2012 Eden Rock Finance Master Fund will pay the Manager a monthly management fee of US\$ 116,666.66

### **Eden Rock Unleveraged Finance Master Fund**

Eden Rock Unleveraged Finance Master Fund pays the Manager a monthly Management Fee, in arrears, equal to 0.05% of the NAV of each class of Participating Shares as of the last business day of each calendar month (approximately 0.60% annually).

### **Eden Rock Finance Fund**

The General Partners of Eden Rock Finance Fund are paid a monthly Management Fee, in arrears, in an amount equal to 0.083% per month (approximately 1.0% annually) of the NAV of each Capital Account. The General Partners of the Fund are also entitled to a monthly Incentive Allocation equal to 20% of the Fund's Net New Profits.

### **Eden Rock Asset Based Lending Master Fund**

Eden Rock Asset Based Lending Master Fund will not pay management or incentive compensation to the Adviser.

### **Eden Rock Asset Based Lending Fund**

Investors will not owe any sales charges to the Adviser or Eden Rock Asset Based Lending Fund in connection with the purchase of Participating Shares, and Eden Rock Asset Based Lending Fund will not expend its own funds for the purpose of compensating any Placement Agent.

However, an Initial Charge of not more than 5% of total subscriptions for Participating Shares may be deducted by the Fund Manager where Participating Shares have been purchased by an investor through a Placement Agent. Where this is applicable the Initial Charge will be paid in full to the introducing Placement Agent and neither the Fund Manager nor Eden Rock Asset Based Lending Fund shall retain any part of the Initial Charge.

In order for an Initial Charge to be deducted in respect of an investment, the percentage Initial Charge must be marked on the investor's duly signed Application for Participating Shares.

The Fund Manager may however enter into agreements with one or more Placement Agents and agree to compensate them at the Fund Manager's expense. In addition, an investor that has engaged its own agent to identify potential investments for such investor may owe a sales charge to that agent in connection with such investor's purchase of Participating Shares.

No Initial Charge may be deducted and paid in respect of eligible US investors unless the Placement Agent is an NASD Registered Broker-Dealer. Additionally if the Fund Manager enters into an agreement to compensate any Placement Agent in respect of an eligible US investor then the basis of such compensation will be fully disclosed to affected investors.

Eden Rock Asset Based Lending Fund pays the Fund Manager a monthly Management Fee, in arrears, equal to 0.083% of the NAV of each class of Participating Shares as of the last business day of each month (approximately 1% annually). The Fund also pays the Fund Manager a Performance Fee in an amount equal to 10% of the Net New Profit for each Participating Share in each class, payable as of the last business day of each month or upon redemption.

### **Solid Rock Special Situations 2 Ltd**

Investors will not owe any sales charges to the Adviser (the Fund Manager) or Solid Rock Special Situations 2 in connection with the purchase of Participating Shares, and Solid Rock Special Situations 2 will not expend its own funds for the purpose of compensating any Placement Agent.

However, an Initial Charge of not more than 5% of total subscriptions for Participating Shares may be deducted by the Fund Manager where Participating Shares have been purchased by an investor through a Placement Agent. Where this is applicable the Initial Charge will be paid in full to the introducing Placement Agent and neither the Fund Manager nor Solid Rock Special Situations 2 shall retain any part of the Initial Charge.

In order for an Initial Charge to be deducted in respect of an investment, the percentage Initial Charge must be marked on the investor's duly signed Application for Participating Shares.

The Fund Manager may however enter into agreements with one or more Placement Agents and agree to compensate them at the Fund Manager's expense. In addition, an investor that has engaged its own agent to identify potential investments for such investor may owe a sales charge to that agent in connection with such investor's purchase of Participating Shares.

No Initial Charge may be deducted and paid in respect of eligible US investors unless the Placement Agent is an NASD Registered Broker-Dealer. Additionally if the Fund Manager enters into an agreement to compensate any Placement Agent in respect of an eligible US investor then the basis of such compensation will be fully disclosed to affected investors.

Solid Rock Special Situations 2 pays the Fund Manager a monthly Management Fee, in arrears, equal to 0.125% of the NAV of each class of Participating Shares as of the last business day of each month (approximately 1.5% annually).

The Fund also pays the Fund Manager a performance fee of 10% of each Class A Participating Shareholder's (or Liquidating Class Shareholder's) Net Cash Profits (the "Performance Fee")

For the purposes of calculating the Performance Fee:

(a) "Net Cash Profits" shall mean:

- (1) the aggregate of all cash amounts to be distributed to a Class A Participating Shareholder (or Liquidating Class Shareholder) in respect of its then existing holding of Class A Participating Shares (and/or Liquidating Class Shares as applicable); plus
- (2) the aggregate of all cash amounts previously distributed to a Class A Participating Shareholder (or Liquidating Class Shareholder) in respect of its past and current holding of Class A Participating Shares (and/or Liquidating Class Shares as applicable); less
- (3) the aggregate of all subscription proceeds from time to time paid by the Class A Participating Shareholder in respect of its past and current holding of Class A Participating Shares;

(b) "distribution" and "distributions" shall mean any distribution or distributions permitted under or pursuant to this Information Memorandum, the Memorandum and Articles of Association of the Fund and applicable law (including without limitation, dividends and or payments of redemption proceeds).

The Performance Fee shall be paid on the date of the relevant cash distribution (and deducted from the same).

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

In some cases, the Adviser has entered into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. The

Adviser will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (The Advisors Act), and any applicable revisions thereto, in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, the Adviser shall generally include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for the Adviser to recommend investments which 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. The Adviser has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

### **Item 7 – Types of Clients**

The Adviser currently provides investment management services to the Funds, which are pooled investment vehicles.

Subject to the Funds being open for investment, an investment may be made in each Fund if available for investment by investors (individuals or entities) that meet that Fund's investment eligibility criteria.

The Adviser reserves the right to provide investment management services to clients other than the Funds, including individuals, banks, thrift institutions, registered investment companies, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, foundations and other entities of whatever type (including additional private pooled investment vehicles).

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

The Adviser's investment management process, in association with the investment advisory services provided to the Adviser by ERCM, combines focused manager evaluation with a portfolio construction methodology designed to meet client investment objectives.

Manager evaluation concentrates on the expertise of the manager in their chosen sector, the investment process and controls they have in place and the manager's ability to demonstrate that they have a properly resourced and managed business platform.

In analyzing their expertise we look at the managers track record in the relevant fund and in their previous business activities. We look for information on how they have dealt with problem investments in the past and the process involved in selecting successful investments.

The managers investment process is assessed in the light of their origination capabilities, the underwriting work performed and the approval process for each transaction. We assess the managers risk parameters and portfolio guidelines and how any risk limits are monitored.

The managers business platform should have the resources to originate, process and monitor investments over and above those currently held. They should possess the resources to adequately implement the investment process, monitor ongoing investments efficiently and to have an operational platform which is sufficient to control the investments and provide satisfactory reporting to investors.

The Adviser's manager evaluation and portfolio management database is at the heart of the investment process. The database contains qualitative and quantitative information on managers and funds held by client portfolios, and provides the core of the Advisor's portfolio advisory and analysis systems.

Investing in securities involves risk of loss that clients should be prepared to bear.

The Adviser hereby draws the attention of an investor or potential investor in any of the Funds to the specific risk warnings as contained in the Information Memorandum of the relevant Funds. The following is a list of the general risk factors which investors in the Funds should be aware of relative to the strategy of the Funds:

Risk has to be viewed in a quite specific way when reviewing a portfolio of asset based lending (ABL) funds. The risks that apply to more conventional hedge fund strategies are not always relevant to asset based lending, largely due to the absence of marketable securities. When making an investment in an asset based lending fund – one is effectively gaining exposure to a pool of private, off-market loans that are generally collateralised by some form of asset, whether it be a physical asset, or some form of receivable. They may be secured directly against the assets of a corporate entity.

Therefore the risks that are particularly pertinent to the strategy can be broken down in to four main categories:

1. Legal Risk
2. Loan to Value Risk
3. Pricing Risk
4. Fraud

### **1. Legal Risk**

During the due diligence process, emphasis is placed on reviewing samples of loan documentation... If there is some form of legal oversight by the underlying manager in negotiating loan documentation then the asset may become tied up in a dispute thus negatively impacting the fund.

### **2. Loan to Value Risk**

This describes the cover provided by assets backing the underlying loans. It is important that managers have the skills and expertise to verify valuations and to model potential future changes in value in order to get comfortable that the asset cover is consistent with the pricing of the loan and is in line with their own risk parameters.

### **3. Pricing Risk**

There is typically no mark to market with asset based lending managers – so the pricing methodology employed by managers has to be reviewed and monitored.

### **ABL Pricing Issues at the underlying fund level**

- Direct loans made by Asset Based lending hedge funds are often held by these funds at par. There is no liquid secondary market in which to trade these loans therefore;
- Loans are not “marked to market” on a daily/weekly/monthly basis
- As a result loans will not be valued above par on an unrealised basis
- Loans may be marked down. The criteria for the impairment of a loan may vary between each fund. Common reasons include;
  - Late or non payment of interest or principal repayment
  - A material adverse change in the valuation of the collateral backing the loan
- Interest is accrued by the funds on a monthly basis



## The Advisers Pricing Due Diligence

- Review Audited Financial Statements and speak with fund administrators and accountants to gain comfort of the accounting processes used by the fund and the way the NAV is calculated
- Sample testing of the loan portfolio to ensure that loan values in the accounts match cash payments made to the borrower
- Sample testing of the independent, 3rd party valuer reports to ensure that Loan to Value levels are being accurately reported by the fund
- Monitor portfolios for evidence of ageing or non performing loans still held in the portfolio at par Monitor portfolios for evidence of interest repayments going delinquent but still being accrued for by the fund
- For loans that are impaired. Review the process used by the fund to assess the correct level of write down. Ensure that independent 3rd parties have been consulted where necessary

## 4. Fraud

Fraud is perhaps the greatest risk associated with any type of hedge fund investing. The Adviser try's to mitigate some of this risk by conducting Due Diligence on managers prior and subsequent to investing. We also typically engage the services of external agencies to carry out background checks.

Overall – we try to diversify portfolios and obtain as much transparency as possible from the underlying fund managers in order to try and mitigate fraud risk. We also look for potential overlaps between collateral type and counterparty..

## Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Adviser or the integrity of the Adviser's management.

The Adviser has no information regarding material facts for disclosure in this Item.

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

The Adviser is the investment manager to the Funds which are domiciled in the British Virgin Islands and the Isle of Man, the parent company of Solid Rock General Partner Limited, a British Virgin Islands company, which is the Co-General Partner of Eden Rock Finance Fund LP, and the subsidiary company of ERCM.

The Adviser (“**Fund Manager**”) engages placement agents to assist it in marketing interests in or shares of the Funds. The Fund Manager may assess a fee of up to 5% of the subscription proceeds to pay such placement agents for introducing the investor to the applicable Fund. The placement agents will be paid for the introduction out of the fees the Fund Manager receives from a Fund. If Interests are acquired through a placement agent retained by the Fund Manager, the recommendation of such agent should not be viewed as disinterested, as the agent will generally be paid for the introduction out of the fees the Fund Manager receives from a Fund. Also, such placement agents should be regarded as having an incentive to recommend that investors remain investors in the applicable Fund, since the agent will generally be paid a portion of the Fund Manager’s fees for all periods during which such investors remain investors in a Fund.

The Adviser is a sister company of Eden Rock Partners Limited (“**Eden Rock Partners**”) that is a company domiciled in England and Wales and who is the member and joint venture partner of Edex Recovery Solutions, LLC (“**Edex Recovery Solutions**”), whose primary purpose is to service and manage a portfolio of hedge funds that are currently winding down and/or where the major investors desire to replace the incumbent manager.

## **Item 11 – Code of Ethics**

The Adviser has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at the Adviser must acknowledge the terms of the Code of Ethics annually, or as amended.

The Adviser anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which the Adviser has investment advisory authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which the Adviser, its affiliates and/or clients, directly or indirectly, have a position of interest. The Adviser's employees and persons associated with the Adviser are required to follow the Adviser's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of the Adviser and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for the Adviser's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of the Adviser will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of the Adviser's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between the Adviser and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with the Adviser's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs on a pro rata basis and receive securities at a total average price. The Adviser will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis.

Any exceptions will be explained on the Order.

### Privacy Policy

Financial institutions like the Adviser are required to provide privacy policy notices to their clients. The Adviser believes that protecting the privacy of investors nonpublic personal information ("**Personal Information**") is of the utmost importance. Personal Information is nonpublic information about an investor that is personally identifiable and that is

obtained in connection with providing a financial product or service to you. For example, Personal Information includes information regarding an investor's account balance and investment activity. This notice describes the personal information that the Adviser collects about investors and the treatment of that information.

The Adviser collects Personal Information from the following sources:

- Information the Adviser receives from an investor on fund subscription documents and related forms (for example, name, address, Social Security number, birth date, assets, income, and investment experience).
- Information about the investor's transactions with the Adviser, its affiliates, or others (for example, account activity and balances).

The Adviser does not disclose any Personal Information, as described above, about customers or former customers to anyone other than in connection with the administration, processing and servicing of customer accounts or to the Adviser's accountants, attorneys and auditors, or otherwise as permitted by law.

The Adviser restricts access to Personal Information collected about an investor to the personnel who need to know that information in order to provide products or services to the investor. We maintain physical, electronic and procedural controls in keeping with federal standards to safeguard your nonpublic personal information.

The Adviser reserves the right to change this notice and to apply changes to information previously collected, as permitted by law. The Adviser will inform investors of any changes as required by law.

The Adviser's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Simon Filmer at: [simon.filmer@nerinebvi.com](mailto:simon.filmer@nerinebvi.com)

## **Item 12 – Brokerage Practices**

The Adviser has full discretionary authority over the selection of Sub-Funds, subject only to the restrictions (if any) presented in the confidential private placement memorandums relating to the applicable Fund.

Although the Funds generally invest in Sub-Funds and Barrier Call Options, to the extent the Funds directly trade in securities, the Adviser has full discretion to select broker-dealers that execute the securities transactions on behalf of the Funds, and the Adviser will determine the brokerage commission rate paid by the Funds.

The rates paid by the Funds may not be the lowest rates each Fund could have obtained, but the Adviser believes they will be competitive with rates paid by similar customers. The Adviser selects the brokers based on various factors. The main factors are generally the broker's quality of execution, commission rates, market knowledge and financial condition. The Adviser may also consider factors that benefit the Adviser, such as the broker's referral of prospective Fund investors to the Adviser.

The Adviser will not receive any so-called "soft dollar" benefits in connection with these transactions. With respect to investments Sub-Funds or managed accounts, the Sub-Managers of the Sub-Funds (the "**Sub-Managers**") may have "soft dollar" arrangements with their brokers whereby the Sub-Managers receive benefits from the brokers for causing their Sub-Funds or managed accounts to maintain accounts with the brokers. The Adviser has no control over any such arrangements.

In addition, subject to the Adviser's obligation to pursue "best execution" for its clients, Adviser may take investor referrals into consideration when selecting securities brokers to execute transactions for the Funds.

### **Item 13 – Review of Accounts**

The Adviser reviews the underlying portfolios of its clients on an ongoing basis and typically provides its clients' investors with a monthly performance commentary report.

The Adviser does not hold custody of its clients' assets and accordingly does not provide clients with custody reports.

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

The Adviser ("**Fund Manager**") engages placement agents to assist it in marketing interests in or shares of the Funds. The Fund Manager may assess a fee of up to 5% of the subscription proceeds to pay such placement agents for introducing the investor to the applicable Fund. The placement agents will be paid for the introduction out of the fees the Fund Manager receives from a Fund. If Interests are acquired through a placement agent retained by the Fund Manager, the recommendation of such agent should not be viewed as disinterested, as the agent will generally be paid for the introduction out of the fees the Fund Manager receives from a Fund. Also, such placement agents should be regarded as having an incentive to recommend that investors remain investors in the applicable Fund,

since the agent will generally be paid a portion of the Fund Manager's fees for all periods during which such investors remain investors in a Fund.

No Initial Charge may be deducted and paid in respect of eligible US investors unless the Placement Agent is an NASD Registered Broker-Dealer. Additionally if the Fund Manager enters into an agreement to compensate any placement agent in respect of an eligible US investor then the basis of such compensation will be fully disclosed to affected investors.

### **Item 15 – Custody**

The Adviser does not have custody of any client funds or securities and does not provide clients with custody reports.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. The Adviser urges you to carefully review such statements received.

### **Item 16 – Investment Discretion**

The Adviser usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, the Adviser observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, the Adviser's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to the Adviser in writing.

### **Item 17 – Voting *Client* Securities**

As an investment adviser, the Adviser must treat voting rights as to securities held by the Funds' portfolios in a manner that is in the Fund investors' best interest. Most financial

instruments held directly or indirectly by the Funds generally include non-voting participating shares of hedge funds, debt securities and options that do not have voting rights. Therefore, the Adviser's Proxy Voting policy is based on the fact that the Adviser generally does not anticipate that the Funds will need to vote proxies. To the extent that a Fund purchases securities that have voting rights, the Adviser will evaluate on a case-by-case basis whether it is likely to be in the best interest of the Funds to exercise voting rights as to those securities. The Adviser will consider a variety of factors, including the reasons for purchasing the securities, the nature of the proxy proposals, and the estimated time the Fund(s) will continue to hold the stock.

A copy of the Adviser's Proxy Voting Policy shall be provided to any investor or prospective investor upon request.

#### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the Adviser's financial condition. Solid Rock Management Limited has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.