

**Item 1 – Cover Page**

**Form ADV, Part 2A: Brochure**



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**RIMROCK**

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CAPITAL MANAGEMENT, LLC

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**March 30, 2015**

This Form ADV, Part 2 (“Brochure”) provides information about the qualifications and business practices of Rimrock Capital Management, LLC (“we,” “us,” “our,” or “Rimrock”). If you have any questions about the contents of this brochure, please contact us at 949-381-7800. 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.

Rimrock Capital Management, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission (“SEC”) or any state securities authority does not imply a certain level of skill or training.

Additional information about Rimrock Capital Management, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Rimrock Capital Management, LLC is 120410.

## **Item 2 – Material Changes**

This section is intended to discuss only material changes made to the Brochure and provide a summary of changes made since the most recent update. This Brochure, dated March 2015, has been amended to include the following:

- Rimrock commenced operations of the Rimrock Global Credit Fund, L.P. and Rimrock Global Credit (Master) Fund, Ltd. on January 2, 2015 and will launch Rimrock Global Credit (Cayman) Fund, Ltd. on April 1, 2015

This Brochure is prepared according to the July 28, 2010, United States Securities and Exchange Commission (“SEC”) publication entitled “Amendments to Form ADV”. We urge clients and prospective clients to read this entire Brochure.

A complimentary copy of our Brochure may be requested by contacting Rimrock by telephone at 949-381-7800 or by submitting a written request to: 100 Innovation Dr., Suite 200, Irvine, California 92617-3040.

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#### **Item 4 – Advisory Business**

Rimrock Capital Management, LLC (“Rimrock,” “we,” “us,” “our,” or the “Firm”) is a U.S. Securities and Exchange Commission (“SEC”) registered investment adviser, organized in 2001 as a limited liability company under the laws of the State of California, based in Irvine, California. The Firm has seven principal employee owners (“Principals”), specifically, David H. Edington, Stephen Foulke, Christopher Chester, Paul C. Westhead, Santino Blumetti, Paul van Lingen and Scott Dubchansky.

Rimrock offers a long-term incentive compensation plan, whereby certain key employees, in addition to the principal employee owners named above, can participate in the long-term growth in value of the Firm. This program offers certain eligible employees the right to benefit from the Firm’s long-term growth and success by sharing in the appreciation in value of the Firm, achieved by delivering investment products and results consistent with the objectives of clients. Rimrock management believes such a program to be in the best interests of clients, consultants, and employees as the plan aligns the interests of all parties by encouraging long-term thinking, stability of personnel, and maintains the focus on meeting client objectives.

Rimrock provides discretionary investment management services to private funds established by Rimrock (“Rimrock Funds” or the “Funds”) and private funds or separately managed accounts established by third parties (“Managed Accounts”). Rimrock has sole discretion to manage its Funds’ investment portfolios. Generally, Rimrock does not accept instructions from clients with respect to investments by or for their accounts. Rimrock Managed Accounts may impose restrictions in the form of account guidelines, return benchmarks, and restricted transactions. Rimrock Managed Accounts can also negotiate other terms with Rimrock. Rimrock Managed Accounts restrictions are formalized in executed advisory agreements with Rimrock.

The Funds and Managed Accounts will invest predominantly in mixed strategy fixed income securities including (but not limited to), mortgage-backed, asset-backed, corporate, term loans, treasuries and derivatives. Please refer to the applicable Fund’s offering documents for detailed disclosure on the types of investments which may be purchased by that Fund. We reserve the right to purchase any other type of investment deemed appropriate based on the Fund’s stated goals and objectives.

#### **Rimrock Funds**

The Rimrock Funds are private pooled investment vehicles formed by Rimrock to provide a means by which qualified and sophisticated investors may pursue alternative investment strategies. The Funds are not required to register under the Securities Act of 1933 or the Investment Company Act of 1940 in reliance upon certain exemptions available to issuers whose securities are not publicly offered. For each such strategy, Rimrock typically creates a master-feeder structure consisting of a master fund in the form of a Cayman Islands exempted company, and one or more feeder funds consisting of Cayman Islands exempted companies and California limited partnerships.

Our Firm has organized and serves as the General Partner and/or investment adviser to the private investment funds (“Funds”) listed below:

- Rimrock High Income PLUS (Master) Fund, Ltd.
- Rimrock High Income PLUS Fund, L.P.
- Rimrock High Income PLUS (QP) Fund, L.P.
- Rimrock High Income PLUS (Cayman) Fund, Ltd.
- Rimrock Low Volatility (Master) Fund, Ltd.
- Rimrock Low Volatility Fund, L.P.
- Rimrock Low Volatility (Cayman) Fund, Ltd.
- Rimrock Low Volatility (QP) Fund, L.P.
- Rimrock Low Volatility (QP) (Cayman) Fund, Ltd.
- Rimrock Low Volatility (QP) (JPY) Trust
- Rimrock Structured Product (Master) Fund, Ltd.

- Rimrock Structured Product Fund, L.P.
- Rimrock Structured Product (Cayman) Fund, Ltd.
- Rimrock Strategic Income Fund, Ltd.
- Rimrock Global Credit Fund, L.P.
- Rimrock Global Credit (Master) Fund, Ltd.
- Rimrock Global Credit (Cayman) Fund, Ltd.

Rimrock launched Rimrock Global Credit Fund, L.P. and Rimrock Global Credit (Master) Fund, Ltd. on January 2, 2015 and will launch Rimrock Global Credit (Cayman) Fund, Ltd. on April 1, 2015.

On September 1, 2014, Rimrock combined two funds with the same investment strategy and objective, the Rimrock Low Volatility (Master) Fund, Ltd. and the Rimrock Low Volatility (QP) (Master) Fund, Ltd., and renamed the surviving fund Rimrock Low Volatility (Master) Fund, Ltd. Rimrock Capital Markets Opportunities Fund, L.P. ceased operations as of October 31, 2014.

#### Rimrock Managed Accounts

The accounts are private domestic or foreign accounts or entities, each of which is typically managed by Rimrock for the benefit of one investor or group of investors.

Rimrock has been engaged by Copperstone Insurance Services, LLC, the general partner of the Rimrock Series of Copperstone Multi Series IDF, LP (the “Rimrock-Copperstone Series”), to assume responsibility for management, operation and control of the investment and trading activities of that Series. Similarly, Rimrock has been engaged by SALI Fund Management, LLC, the investment manager of Rimrock Relative Value Fixed Income IDF, a series of the SALI Multi-Series Fund V, L.P. (the “Rimrock-SALI Series”) to act as subadviser to the Rimrock-SALI Series. Rimrock acts as an independent contractor to each of the Series and generally allocates across the Rimrock Funds, as well as potentially other funds, in accordance with Section 817(h) of the Internal Revenue Code. Each Series, an insurance dedicated fund, is one where Rimrock serves as the investment adviser or subadviser, allocating to private funds in addition to serving as general partner and investment manager of certain of the underlying private funds. Rimrock does not charge a separate fee for its investment management role for the Rimrock Copperstone Series. Rimrock may charge separate fees to investors in the Rimrock-SALI Series, but then offsets the investment management and incentive fees of the underlying funds against those of the Rimrock-SALI Series. Rimrock maintains standard fee schedules and liquidity terms for the underlying Rimrock Funds. Rimrock’s service as investment adviser or subadviser allocating each of the Series capital to Rimrock Funds poses a conflict of interest which is disclosed in the Series’ private placement memoranda.

In addition to the Funds and Managed Accounts described above, Rimrock’s Principals have created Rimrock Capital Management Holdings, LLC (“RCM Holdings”). The purpose of RCM Holdings is to collectively invest the Principals’ capital in various investment opportunities, including Rimrock Funds and other investments. RCM Holdings is not a parent company or a subsidiary of Rimrock; it is affiliated with Rimrock only through its ownership by Rimrock’s Principals.

Our Firm may sponsor or manage additional private investment funds in the future. We restrict the number of investors and offer interests in the Funds only through non-public transactions in order to maintain the Funds’ exclusion from “investment company” status under the Investment Company Act of 1940, as amended.

As of December 31, 2014, Rimrock Capital Management, LLC had Regulatory Assets Under Management of \$7,327,239,928 in client assets on a discretionary basis, and net asset under management of \$4,447,740,967. Regulatory Assets Under Management includes all gross assets without any deduction for debt or leverage; net assets under management is calculated by subtracting outstanding liabilities from fund assets.

## **Item 5 – Fees and Compensation**

Rimrock is compensated for its advisory services based on a percentage of assets under management (“management fee” or “advisory fee”). Additionally, funds managed by Rimrock (“Funds”) and separately managed accounts (“Managed Accounts”) generally pay performance-based fees (“incentive fee”).

In addition to management fees, Rimrock charges performance-based fees for managing the Funds and Managed Accounts. Investors and prospective investors in the Funds should refer to the private placement memorandum for the Funds for detailed information on fees associated with investing in the Fund. Managed Account performance fees are outlined through individually executed investment management agreements.

At the end of each calendar year, Rimrock will receive an annual performance fee up to 20% of the net profit allocated to each Fund investor’s capital account (including net realized and unrealized gains and losses of net income). The Funds will maintain a loss recovery account for each investor (“Loss Recovery Account”). Your Loss Recovery Account will be debited with any net capital depreciation (taking into account your share of the Management Fee) allocated to your Capital Account. Rimrock will not receive any Performance Fee regarding your Capital Account until you have recovered all amounts debited to its Loss Recovery Account (as adjusted for withdrawals of capital). Fees based on performance will meet all requirements for such fees as specified under Rule 205-3 of the Investment Advisers Act.

Rimrock may also receive an annual aggregate profit fee up to 20% of the net profit in the account of a Fund investor (an “Investor”), including net realized and unrealized gains and net investment income, for that period (or shorter period, with respect to withdrawn amounts), in excess of the Index (described below), subject to a reduction of that excess for prior losses that have not been previously offset against net profits.

Rimrock will maintain a contingent loss account for Investors (a “Contingent Loss Account”). The Contingent Loss Account will be debited with any net loss allocated to the Client’s account. Rimrock will not be allocated any Profit Fee with respect to the Client’s account until the Investor has recovered all amounts debited to the Investor’s Contingent Loss Account (as adjusted for any withdrawals or additions of capital). This Contingent Loss Account effectively imposes a “high water mark” on the Client’s account so that Rimrock is not paid a Performance Fee for recovering past losses suffered by the Client.

### **Rimrock Funds**

With regard to Rimrock Funds, Rimrock receives an annual management fee of up to 1.50% of the net asset value of committed capital. The management fee is paid monthly in advance. At Rimrock’s discretion, Rimrock may waive all or a portion of the management fee or may agree to other changes to the management fee on an individual investor basis.

### **Rimrock Managed Accounts**

Generally, advisory fees for Rimrock Managed Accounts are based upon a percentage of assets under management and may vary depending upon the nature of the portfolio to be managed. Managed Account advisory fees range from 0.25% to 1.50% of client assets under management.

With regard to Rimrock Managed Accounts, Rimrock calculates management fees on a monthly basis and invoices the Managed Account clients on a quarterly basis, mainly in arrears. The Managed Account client must instruct and approve the payment from the custodial bank to pay Rimrock directly. Rimrock does not deduct fees directly from Rimrock Managed Accounts.

## General Information

### *Fee Comparison*

The Funds' expenses, including our Firm's Performance Fee and Management Fee, may constitute a higher percentage of average net assets than would be found in other investment vehicles. In addition, since our Performance Fee, determined on an annual basis, is calculated on a basis which includes unrealized appreciation of the Fund's assets, it may be greater than if such allocation were based solely on realized gains.

### *Different Fee Schedules*

Rimrock's Management Fee and the Performance Fee may be discounted or waived with respect to any investor for any particular period of time at the sole discretion of the Firm (or the General Partner, as applicable). This discounted rate or waiver is not available to all or even most investors in the Funds.

### *Other Fees and Expenses*

While it is not anticipated that mutual funds will be included in client portfolios, money market mutual funds may be used from time to time to 'sweep' unused cash balances until the cash can be appropriately invested. Investors should recognize that all fees paid to Rimrock for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees will generally include a management fee and other fund expenses.

In addition to fees paid to our Firm (or the General Partner, as appropriate), Investors will also be responsible for the fees and expenses charged by custodians and imposed by any broker-dealer or other counterparty with whom Rimrock effects transactions for the Funds. Please refer to Item 12 of this brochure for additional information regarding brokerage.

### *Valuations*

Rimrock seeks to ensure that the appropriate valuation procedures are followed to price securities in Rimrock underlying client accounts. Rimrock strives for consistent pricing sources that accurately reflect current market activity prices. The Chief Financial Officer and the Chief Risk Officer have the final responsibility to ensure the portfolio securities of Rimrock's client accounts are valued in accordance with Rimrock's Valuation Policy. In addition, Rimrock's Evaluation and Pricing Committee is responsible for ensuring the price integrity of securities at each month end. The Evaluation and Pricing Committee meets on a monthly basis and is comprised of a number of senior employees, including but not limited to the Chief Executive Officer, Chief Risk Officer, Chief Compliance Officer, Chief Financial Officer, and two senior Portfolio Managers. A majority of Committee members are not engaged in portfolio management.

Rimrock uses independent pricing sources to value client investments whenever these prices are deemed accurate. If market quotations are not available from third parties (including broker-dealers), then securities and other financial assets are valued at "fair value," in accordance with FASB guidance, by Rimrock or independent third parties. Fair value is determined using Rimrock's best efforts to estimate the value based on comparable securities or valuation models using sources and inputs Rimrock deems reliable such as Intex, Bond Studio, Bloomberg, and others depending on the particular security. This is determined in good faith by Rimrock. Fair valuation is the last option and is utilized sparingly.

Rimrock has adopted the following set of valuation procedures to determine the prices to be used for securities held in client accounts. Client account Custodians serve as the primary provider of security prices. For Rimrock sponsored products, Northern Trust serves as Custodian. For all other Rimrock client accounts, the client selects the Custodian. In addition to Custodian provided pricing, Rimrock attempts to obtain prices from alternative sources. These include third party pricing sources and broker-dealers known to be active in certain segments of the fixed income markets. All prices are aggregated at least monthly, Custodian and select broker prices are reviewed daily. If Rimrock determines that a value obtained from a custodian, pricing service or other service is not reflective of current market values, it may change the value, using its best efforts to estimate the value.

### *Termination*

A Fund investor may withdraw all or any part of its investment from a Fund as set forth in the applicable Fund's offering documents. Rimrock may, in its sole discretion, waive or modify any of the terms of withdrawal. Rimrock seeks to treat all clients and investors in a fair and equitable manner. The decision to waive or modify any terms, permitted by offering documents, will be based on the facts and circumstances of the request and with consideration of the impact on other clients and investors.

Investors in each Fund should refer to the appropriate Fund's organizational and offering documents for complete information regarding withdrawals of investments. Rimrock's Funds' have different share classes offering distinct termination provisions. Generally, Fund investors provide 45 days notification for a quarterly redemption after a one year soft lock-up period or 120 days notification for annual quarterly redemption after a two year soft lock-up period. Early redemptions, prior to the expiration of the lock-up, may be considered by Rimrock subject to a 3% redemption fee. For any partial period, you will be charged prorated fees in arrears. Rimrock may limit the amount of redemptions on a quarterly basis to 25% of the Master Fund's net asset amount. If the 25% quarterly limit is reached, the redeeming investors will receive a pro rata portion of their requested amount.

Managed Account clients may terminate the relationship with us with prior written notice (generally 30 days).

### *Side Arrangements*

Rimrock has and may in the future, as appropriate, waive or modify certain terms of investment for certain investors, in side letters or otherwise, in its sole discretion.

Rimrock has no side pocketed assets.

### *General*

Investors in the Funds and prospective investors in any new fund launched by Rimrock or its affiliates should refer to the appropriate offering and organizational documents for additional important information, terms, conditions and risks involved with investing in the Fund(s).

### *Personal Investments in Funds*

Certain executive officers and/or other employees of Rimrock, and their family members, have invested or may invest a portion of their personal net worth in one or more of the Funds. Rimrock, as a firm, arose from the personal investment of the founding principal. Rimrock principals, officers and employees are encouraged to invest in Rimrock managed funds. In so doing, Rimrock believes that an alignment of interest exists between Rimrock and Fund investors. This situation may give rise to circumstances where principals redeem, partially, or in full from a given fund, in order to pay taxes or rebalance their personal investments. As discussed above, the discretion to waive or modify any of the terms of withdrawal granted by a Fund's offering documents will be based on the facts and circumstances of the request and with consideration of the impact on other clients and investors.

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

It is important for investors to note that performance-based fees may create conflicts of interest, which Rimrock has identified and described in the following paragraphs.

Performance-based fees may create an incentive for Rimrock to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In order to address this potential conflict of interest, Rimrock periodically reviews client accounts to ensure that investments are suitable and that the account is being managed according to the client's investment objectives and risk tolerance.



Performance-based fees may also create an incentive for our Firm to overvalue investments which lack a market quotation. In order to address such conflict, we have adopted policies and procedures that require our Firm to “fairly value” any investments which do not have a readily ascertainable value.

Furthermore, since we also have clients that pay different performance-based fees, we have an inherent incentive to favor the Funds or other accounts that pay higher performance fees because compensation we receive from these clients is more meaningfully tied to the performance of their accounts. As a fiduciary, we endeavor at all times to put the interests of our clients first. To this end, we take the following steps to address this conflict of interests:

- We disclose to clients the existence of material conflicts of interest, including the potential for our Firm to earn more compensation from advisory clients who pay higher performance-based fees;
- We have implemented policies and procedures for fair and consistent allocation of investment opportunities among all client accounts;
- We periodically compare holdings and performance of all accounts with similar strategies to identify significant performance disparities indicative of possible favorable treatment;
- We periodically review trading frequency and portfolio turnover rates to identify possible patterns of “window dressing,” “portfolio churning,” or any purposeful or unconscious attempts to manipulate trading to boost performance near the reporting period; and
- We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients and equitable treatment of all clients, regardless of the fee arrangement.

Performance-based fees will only be charged in accordance with the provisions of Rule 205-3 of the Investment Advisers Act of 1940.

**Fund investors must understand the performance-based fee method of compensation and its risks prior to subscribing to interests in any of the Funds.**

### **Item 7 – Types of Clients**

Rimrock serves as the General Partner and investment adviser to various private investment funds (“Funds”) and Managed Accounts that are available to individuals, pension and profit sharing plans, endowments, foundations, trusts, estates, charitable organizations, corporations, and other business entities that meet the definition of “accredited investor,” as defined in the Securities Act of 1933, as amended, and are eligible to enter into a performance fee arrangement.

Generally, you must be an accredited investor and eligible to enter into a performance fee arrangement to become an investor in one or more of our Funds or Managed Accounts. In addition, you are required to make representations concerning your sophistication as an investor and your ability to bear the risk of loss for your entire investment. For certain Funds, you must also be a “qualified purchaser” as defined in the Investment Advisers Act of 1940, as amended. Rimrock may, in its discretion, waive all or part of any admission standard or requirement. Our minimum subscription is generally \$1,000,000. However, Rimrock may waive the minimum subscription requirement at our discretion on a case-by-case basis.

#### *Conditions for Investment*

Rimrock generally requires a minimum of \$1,000,000 (or higher for some Funds) for you to become an investor in our private investment funds. Investors may be subject to disqualification provisions for investment in the Rimrock Funds under Rule 506(d)(1) of the Securities Act of 1933. You must also be an accredited investor (under Regulation D) and qualified to participate in a performance fee arrangement (under the California Corporate Securities Law of 1968 and/or the Investment Advisers Act or 1940, as amended) by having a net worth of more than \$2,000,000 or invest at least \$1,000,000 in the private investment fund. For Funds open only to qualified purchasers, you must have investments of at least \$5,000,000 (\$25,000,000 for most entities) at the time of investment.

You will be required to make representations concerning your sophistication as an investor and your ability to bear the risk of loss of your entire investment under our management. At Rimrock's discretion, these minimums may be waived, and Rimrock may admit a limited number of investors who do not satisfy these standards.

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

For each Fund, Rimrock pursues an investment strategy described in the applicable Fund's private placement memoranda, as summarized for each respective strategy below. Managed Accounts may have a substantially similar mandate as the strategies described below or alternatively a sub-sector of one of the strategies, for example, only the mortgage sector. In each case, the following summaries are not intended to be complete statements of the investment strategies and related risks of the applicable Rimrock Funds. Investors should review the full private placement memorandum and other governing documents for a given Fund for a complete statement of the strategy and risks relating to such Fund. The terms of the Rimrock Funds' private placement memoranda and other governing documents supersede the disclosures contained in this Brochure.

### ***A. Method of Analysis***

Rimrock's investment process is built around an extensive fundamental, bottom-up analytical process. However, we do incorporate our view of the business cycle and credit cycle.

#### **Top-Down**

Rimrock performs an annual secular review where we attempt to identify the trends that may impact the global economy over a longer-term horizon. On a quarterly basis, we review and generate an outlook for the global economic cycle over the next 12 months, seeking to identify relative strengths and weaknesses within the major global economies. The quarterly review also involves relative value analysis across all asset classes, in an effort to identify anomalous pricing, both quantitatively and qualitatively. Rimrock also performs a fixed income sector analysis in order to identify sub-sector pricing and performance trends that may impact our security selection process.

#### **Bottom-Up**

Rimrock seeks to purchase securities with an eye towards holding until maturity, pay down, or call. Rimrock does so by employing multiple models and stress tests to model risk, as well as gain a thorough understanding of any structural components. We look to identify undervalued securities that hold up to a wide range of economic outcomes, using conservative default and recovery assumptions. Our efforts combine technology and experience to identify bonds with preferred attributes from various bid lists and Dealer inventories.

#### **Risks**

Rimrock's investment approach has risks. The portfolio will be subject to market volatility. The portfolio will follow an investment strategy that, if unsuccessful, could involve significant losses for investors. Although the approach has the flexibility to react to changing market conditions, changes in market conditions could nevertheless involve significant losses. An investment based on this strategy will not be highly liquid and is suitable only for persons who have no need for a return of any part of their investment for an extended period of time. An additional risk to a fixed income relative value strategy is the appearance of a cheap bond may be deceptive and the pricing may continue to deteriorate.

In addition, Rimrock's investment approach is generally based on information and data derived from firsthand research and, for public companies, filed by the issuers of such securities with the SEC. Rimrock is not in many cases in a position to confirm the completeness or accuracy of such information and data, and such information and data may not, in fact, be complete or accurate.

## ***B. Investment Strategies***

Investment Strategy: Rimrock High Income PLUS (Master) Fund, Ltd.  
Rimrock High Income PLUS Fund, L.P.  
Rimrock High Income PLUS (QP) Fund, L.P.  
Rimrock High Income PLUS (Cayman) Fund, Ltd.

The Rimrock High Income PLUS Fund (the “HIP Fund”) is a multi-sector fixed income relative value fund. The HIP Fund’s strategy is to exploit structural and technical inefficiencies in the market, especially in the short-end of the yield curve, and to enhance returns through the use of hedging, modest leverage and select longer-term total return investments.

The HIP Fund’s focus on the short-end of the yield curve is the result of the portfolio management team’s extensive experience and research surrounding the efficacy of that part of the market. Empirical data going back to the 1950’s demonstrates the superior risk-adjusted return characteristics found in the short-end of the curve, where an investor buying securities with an average life between one and three years has been able to capture a higher rate of return for a less than commensurate increase in risk. Interestingly, the data includes extended periods of rising rates and even some inverted yield curves. While the historical data is compelling, it is important to understand the forces responsible for this relationship, and to determine its sustainability in the future.

First, the demand for money market instruments (those having a maturity of 13 months or less) continues to grow, as there are certain investors who are willing to pay a premium for the surety of price stability. The combination of the strong demand for money market instruments and the cost associated with not “breaking the buck” serve to reduce the offered return to investors. For those securities just beyond the 13 month mark, there is an exceptional increase in the potential risk-adjusted return for investors who are willing to move just beyond the “safety” of money markets.

After the money markets sector, another relatively efficient part of the fixed income market includes those bonds that comprise the Barclays Capital Aggregate Bond Index or other similar intermediate duration benchmarks that are popular with large pension funds, endowments and foundations for their long-only fixed income allocations. The number of sophisticated investment managers investing in this part of the yield curve serves to increase the efficiency of the market, and as a result, reduces the opportunity to purchase instruments with outstanding risk-adjusted return characteristics. Of course, bonds that start their life in the Barclays Capital Aggregate Bond Index, will ultimately exit the index as they “roll down” the yield curve on their march towards maturity, and will have to pass through the less trafficked short-end of the yield curve. While the shape of the yield curve will surely change, and the advantage found in the short-end may wax and wane over time, we expect the general relationship to hold going forward.

In addition to being able to take advantage of structural and technical inefficiencies in the market, our focus on the short-end of the yield curve has the benefit of limiting the Fund’s interest rate risk. As part of our investment process, we do not try to predict the direction or rate of change in interest rates, but we concentrate our efforts on identifying undervalued bonds. Therefore, we limit the overall duration of the portfolio between (-1) and +3 years, with the mid-point at +1 year, which ensures a muted impact on performance regardless of a change in rates. Lastly, as an investor in short-average life bonds, the Fund can be more reliant on maturity and return of principal as an exit strategy rather than having to sell a bond in order to capture a profit.

Overall, the Fund manages risk by adhering to a disciplined relative value approach, which seeks to achieve a diversified portfolio. The Fund has three strategic components, an Income Portfolio, which seeks to generate an attractive yield, select Total Return Strategies that serve to complement the Income Portfolio, and Hedging, which attempts to moderate specific risks in the Fund.

### *Income Portfolio*

The Income Portfolio is a diversified portfolio that utilizes a broad investment charter and modest leverage to generate an attractive yield, which is designed to represent the majority of the Fund's returns over time. Unlike some sector specific fixed income funds, the HIP Fund has the ability to seek value in all sectors of the fixed income universe, including mortgages, asset-backed securities ("ABS"), corporates (both investment grade and below investment grade), emerging markets and is able to employ all security types and structures in the construction of the Income Portfolio. The Fund limits the notional leverage in the Income Portfolio to a maximum of three times equity (i.e. two dollars (\$2) of borrow against one dollar (\$1) of equity), while the Fund's normal range has been approximately 1.2 to 1.4 times equity (i.e. 20 to 40 cents of borrow for every dollar of equity).

### *Total Return Strategies*

In addition to the yield generated by the Income Portfolio, the portfolio management team is confident in their ability to identify a select number of opportunities that serve to enhance performance. Typically, these Total Return Strategies will complement, or hedge, the Income Portfolio and may include strategies ranging from relative value to fixed income arbitrage to more macro-oriented positions. Importantly, we typically limit the exposure of each individual Total Return position to an amount representing 2% to 3% loss for the Fund, with a maximum of 5%. Therefore, if we are wrong on each of the Total Return positions, it should not completely offset the return generated in the Income Portfolio.

### *Hedging*

The portfolio managers use a variety of hedging techniques to reduce certain risks inherent in a fixed income portfolio, such as duration (a measure of a bond's interest rate sensitivity), convexity (a measure of sensitivity of a bond's duration to a change in interest rates), volatility (a measure of variation in price), and spread widening (a measure of price impact due to changes in credit spreads). The Fund's approach to hedging emphasizes identifying cost effective strategies, however more importantly the Fund attempts to utilize liquid instruments, such that the Fund may have the opportunity to monetize the hedging strategies, should the environment warrant such a transaction.

Investment Strategy:    Rimrock Low Volatility (Master) Fund, Ltd.  
                                  Rimrock Low Volatility Fund, L.P.  
                                  Rimrock Low Volatility (QP) Fund, L.P.  
                                  Rimrock Low Volatility (Cayman) Fund, Ltd.  
                                  Rimrock Low Volatility (QP) (Cayman) Fund, Ltd.  
                                  Rimrock Low Volatility (QP) (JPY) Trust

The Rimrock Low Volatility Funds (the Low Vol. Funds) are multi-strategy fixed income funds. The Low Vol. Funds will seek to generate returns through the exploitation of structural and technical inefficiencies in the market, especially in the short-end of the yield curve, and through careful security selection, modest leverage, and active hedging.

Please refer to the paragraphs above describing our investment approach for Rimrock's High Income PLUS Fund. The Low Vol. Funds employ the same investment approach, except for the Total Return Strategies, which are excluded.

Overall, the strategy manages risk by adhering to a disciplined relative value approach, which results in a diversified portfolio with near market-neutral characteristics. The Low Vol. Funds have the ability to seek value in all sectors of the fixed income universe, including mortgages, ABS, corporates (both investment grade and below investment grade), emerging markets and are able to employ all security types and structures in the construction of the portfolio. The Fund limits the notional leverage in the Income Portfolio to a maximum of three times equity.

The portfolio managers use a variety of hedging techniques to reduce certain risks inherent in a fixed income portfolio, such as duration (a measure of a bond's interest rate sensitivity), convexity (a measure of sensitivity of a bond's duration to a change in interest rates), volatility (a measure of variation in price), and spread widening (a measure of price impact due to changes in credit spreads). The Fund's approach to hedging emphasizes identifying cost effective strategies, however more importantly the Fund attempts to utilize liquid instruments, such that the Fund may have the opportunity to monetize the hedging strategies, should the environment warrant such a transaction.

Investment Strategy: Rimrock Structured Product (Master) Fund, Ltd.  
Rimrock Structured Product Fund, L.P.  
Rimrock Structured Product (Cayman) Fund, Ltd.

The Rimrock Structured Product Fund (the "SPF Fund") is a fixed income relative value fund. The SPF Fund's strategy is to exploit structural and technical inefficiencies in the market, especially in the mortgage-backed securities ("MBS"), ABS, commercial mortgage-backed securities ("CMBS") and other structured product sectors of the fixed income market.

The SPF Fund will focus the exposure of the Fund in structured product securities that have a relatively short average-life, between one and three years, and which also demonstrate attractive risk and reward characteristics. In addition, Rimrock will have the ability to use modest leverage and hedging strategies in an effort to generate attractive rates of return with commensurate performance volatility.

Given the relatively inefficient nature of the structured product sector of the fixed income market, including MBS, ABS, and CMBS, Rimrock believes it can apply its long experience in the structured product sector in order to identify securities that offer attractive risk-adjusted returns. In addition, many institutional investors incorporate a limit on the amount of non-rated or below investment-grade securities in their fixed income portfolio, which limits the number of participants in this space and can create an advantageous supply and demand dynamic for the SPF Fund.

Next, due to the large number of complex variables that are incorporated into Rimrock's evaluation of structured product securities, including a detailed analysis of both the underlying collateral and the legal structure of the security, Rimrock believes its long experience will be beneficial to the Funds in its ability to identify undervalued or mispriced securities. The SPF Fund will also have the ability to utilize modest financial leverage, primarily through the use of term and rolling repurchase financing agreements. Rimrock will mitigate the funding risk through the use of multiple counterparties, the maintenance of a cash reserve, a reserve of alternative securities that can be financed, and target of a minimum level of liquidity in the underlying portfolio.

The portfolio managers use a variety of hedging techniques to reduce certain risks inherent in a fixed income portfolio, such as duration (a measure of a bond's interest rate sensitivity), convexity (a measure of sensitivity of a bond's duration to a change in interest rates), volatility (a measure of variation in price), and spread widening (a measure of price impact due to changes in credit spreads). The Fund's approach to hedging emphasizes identifying cost effective strategies, however more importantly the Fund attempts to utilize liquid instruments, such that the Fund may have the opportunity to monetize the hedging strategies, should the environment warrant such a transaction.

Finally, the SPF Fund will have the ability to enter into select Total Return Strategies that are designed to exploit specific mispricing or relative value relationships in the structured product sector of the market, or the basis between certain securities within the sector. While Rimrock expects these Total Return Strategies to be more capital appreciation oriented, we also believe these strategies can be additive to the overall performance of the SPF Fund and may serve to reduce the Fund's performance volatility over time.

Investment Strategy: Rimrock Global Credit (Master) Fund, Ltd.  
Rimrock Global Credit Fund, L.P.

The Rimrock Global Credit Fund (the “GC Fund”) is a long-short credit fund. The GC Fund will seek long-term high total return through a combination of current income and capital gains.

Rimrock has a long history of investing in the credit markets, especially as a component of its multi-sector fixed income funds. The GC Fund will create a portfolio that is more concentrated in credit, relative to the multi-sector funds managed by Rimrock, and will allow investment in credits that may not be consistent with the performance objectives of Rimrock’s multi-sector funds. The GC Fund is focused on performing and stressed situations, with an emphasis on the middle market segment of the U.S. high yield loan and bond sector.

Rimrock will have the ability to use modest leverage and hedging strategies in an effort to generate attractive rates of return with commensurate performance volatility. The portfolio managers use a variety of hedging techniques to reduce certain risks inherent in a fixed income portfolio, such as duration (a measure of a bond’s interest rate sensitivity), convexity (a measure of sensitivity of a bond’s duration to a change in interest rates), volatility (a measure of variation in price), and spread widening (a measure of price impact due to changes in credit spreads). The Fund’s approach to hedging emphasizes identifying cost effective strategies, however more importantly the Fund attempts to utilize liquid instruments, such that the Fund may have the opportunity to monetize the hedging strategies, should the environment warrant it.

Investment Strategy: Rimrock Strategic Income Fund, Ltd.

The Rimrock Strategic Income Fund (the “SIF Fund”) is a fund structure that was created for a single client (aka a “fund of one”) with specific legal needs requiring a Cayman-based vehicle. The underlying portfolio is benchmarked to a longer-duration index, and the client is utilizing the SIF Fund as a limited duration source of enhancing performance relative to the benchmark. The SIF Fund is not open to any other investors outside of the one client.

The SIF Fund is a multi-sector fixed income relative value fund that is designed to exploit structural and technical inefficiencies in the market, especially in the short-end of the yield curve, and to enhance returns through the use of hedging, modest leverage and select longer-term total return investments. In addition, the Fund will seek to maintain sufficient liquidity to satisfy monthly redemption requests, including through the use of more liquid securities.

The SIF Fund’s focus on the short-end of the yield curve is the result of the portfolio management team’s extensive experience and research surrounding the efficacy of that part of the market. Empirical data going back to the 1950s demonstrates the superior risk-adjusted return characteristics found in the short-end of the curve, where an investor buying securities with an average life between one and three years has been able to capture a higher rate of return for a less than commensurate increase in risk. Interestingly, the data includes extended periods of rising rates and even some inverted yield curves. While the historical data is compelling, it is important to understand the forces responsible for this relationship, and to determine its sustainability in the future.

First, the demand for money market instruments (those having a maturity of 13 months or less) continues to grow, as there are certain investors who are willing to pay a premium for the surety of price stability. The combination of the strong demand for money market instruments and the cost associated with not “breaking the buck” serve to reduce the offered return to investors. For those securities just beyond the 13 month mark, there is an exceptional increase in the potential risk-adjusted return for investors who are willing to move just beyond the “safety” of money markets.

After the money markets sector, another relatively efficient part of the fixed income market includes those bonds that comprise the Barclays Capital Aggregate Bond Index or other similar intermediate duration benchmarks that are popular with large pension funds, endowments and foundations for their long-only fixed income allocations. The number of sophisticated investment managers investing in this part of the yield curve serves to increase the efficiency of the market, and as a result, reduces the opportunity to purchase instruments with outstanding risk adjusted return characteristics. Of course, bonds that start their life in the Barclays Capital Aggregate Bond Index will ultimately exit the index as they “roll down” the yield curve on their march towards maturity and will have to pass through the less trafficked short-end of the yield curve. While the shape of the yield curve will surely change and the advantage found in the short-end may wax and wane over time, the general relationship is expected to hold going forward.

In addition to being able to take advantage of structural and technical inefficiencies in the market, the focus on the short-end of the yield curve has the benefit of limiting the Fund’s interest rate risk. As part of the investment process, the portfolio managers do not try to predict the direction or rate of change in interest rates but concentrate their efforts on identifying undervalued bonds. Therefore, the Fund limits the overall duration of the portfolio between ( -1) and +3 years, with the mid-point at +1 year, which ensures a muted impact on performance regardless of a change in rates. Lastly, as an investor in short-average life bonds, the Fund can be more reliant on maturity and return of principal as an exit strategy rather than having to sell a bond in order to capture a profit.

Overall, the Fund manages risk by adhering to a disciplined relative value approach, which seeks to achieve a diversified portfolio. The Fund has two strategic components, an “Income Portfolio,” which seeks to generate an attractive yield, and “Hedging,” which attempts to moderate specific risks in the Fund.

#### *Income Portfolio*

The Income Portfolio is a diversified portfolio that utilizes a broad investment charter and modest leverage to generate an attractive yield, and is designed to represent the majority of the Fund’s returns over time. Unlike some sector specific fixed income funds, the Fund has the ability to seek value in all sectors of the fixed income universe, including mortgages, ABS, corporates (both investment grade and below investment grade), and emerging markets, and is able to employ all security types and structures in the construction of the Income Portfolio. The Fund limits the notional leverage in the Income Portfolio to a maximum of two times equity (i.e., one dollar (\$1) of borrow against one dollar (\$1) of equity), while the Fund’s normal range is expected to be approximately 1.2 to 1.4 times equity (i.e., 20 to 40 cents of borrowing for every dollar of equity).

#### *Hedging*

The portfolio managers use a variety of hedging techniques to reduce certain risks inherent in a fixed income portfolio, such as duration (a measure of a bond’s interest rate sensitivity), convexity (a measure of sensitivity of a bond’s duration to a change in interest rates), volatility (a measure of variation in price), and spread widening (a measure of price impact due to changes in credit spreads). The Fund’s approach to hedging emphasizes identifying cost effective strategies; however, more importantly, the Fund attempts to utilize liquid instruments such that the Fund may have the opportunity to monetize the hedging strategies, should the environment warrant such a transaction.

### ***C. Risks of Loss***

The Rimrock Funds and Managed Accounts are subject to swings in value. The Funds and Managed Accounts follow an investment strategy that, if unsuccessful, could involve significant losses for Investors. Although Rimrock and the Funds have the flexibility to react to changing market conditions, or changes in an investment, either could result in significant losses. An investment in the Funds and in Managed Accounts will not be liquid and are suitable only for persons who have no need for a return of any part of their investment for an extended period of time. Neither the Funds, nor Rimrock, makes any guarantee that any account’s or Fund’s investment objectives will be achieved. An investment is subject to significant risk.

There is risk associated with reliance on Rimrock. The following is a partial list of the types of risks an investor may assume:

- Investment selection where one depends on Rimrock's skill;
- Possible changes in investment strategies and policies;
- Payment of a portion of the net profits to Rimrock may create an incentive to take riskier positions;
- Investors will not have direct input into the management of any Fund or Managed Account;
- Lack of regulatory oversight where the funds are not covered by the Investment Company Act;
- Limited access to Fund information except periodic reports;
- Valuation of Fund and Managed Account investments; and
- Conflicts of interest, such as competing time pressure, challenges of allocating investment opportunities, and potential exposure to non-public information.

In addition to the material but generic examples listed above, Rimrock may expose an investor to the non-exhaustive list below of specific security-related risks through the Funds and Managed Accounts. Rimrock will not attempt to hedge all market and other risks inherent in the Funds' positions. Rimrock may partially hedge certain risks. This will result in various directional market risks remaining unhedged. Rimrock may rely on diversification to control such risks to the extent that Rimrock believes it is desirable to do so.

### **Certain Risks of Debt Securities Generally**

#### **(a) Interest Rates**

Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). The market value of debt securities that are interest rate sensitive is inversely related to changes in interest rates. That is, an interest rate decline produces an increase in a security's market value and an interest rate increase produces a decrease in value. The longer the remaining maturity of a security, the greater the effect of interest rate changes. Changes in the ability of an issuer to make payments of interest and principal and in the market's perception of its creditworthiness also affect the market value of that issuer's debt securities. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a less degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors).

#### **(b) Credit Risk**

Credit risk is the risk that the issuer of a debt security will not be able to pay principal and interest when due. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Rating agencies assign credit ratings to certain debt securities to indicate their credit risk. The price of a debt security will generally fall if the issuer defaults on its obligation to pay principal or interest, the rating agencies downgrade the issuer's credit rating or other news affects the market's perception of the issuer's credit risk.

Holdings may be invested in below investment grade issues which may be subject to greater credit risk. Because not all dealers maintain markets in all lower quality and comparable unrated securities, there is no established retail secondary market for many of these securities. Below investment grade issues are considered speculative and, while generally offering greater income than investments in higher quality securities, involve greater risk of loss of principal and income, including the possibility of default or bankruptcy of the issuers of such securities, especially during periods of economic uncertainty or change. These lower quality bonds tend to be affected by economic changes and short-term corporate and industry developments, as well as public perception of those changes and developments, to a greater extent than higher quality securities, which react primarily to fluctuations in the general level of interest rates.



(c) Restructurings, Divestitures and Spin-Offs

Special situations that include the reorganization of corporate assets can create inefficiencies in the pricing of underlying securities. In many such situations, stock in a business within a reorganizing company will trade on a “when issued” basis prior to that business becoming a stand-alone public company. Rimrock may invest in this type of situation to take advantage of the relationship between the “when issued” security and the underlying security. Additionally, Rimrock may invest in any type of restructuring, divestiture or spin-off that exhibits a discrepancy in value between a business in its current form and the business or combination of businesses that will be the result of an extraordinary event.

(d) Stub Securities

Stub securities typically refer to a small equity component remaining after one company becomes the owner of a significant portion, but not all, of another. For example, this occurs when a buyout group leaves a small percentage of a company’s equity in the public market after the completion of a tender offer or merger to avoid having to file an initial public offering in the future. Another example is when a large public company in one business owns a significant position in the stock of another large public company in another business. The stock price of the owner of the equity position can be broken down into two parts, one part that represents the ongoing business of that company, and one part that represents the value of the equity position in the other company. Buying the stock of the owner and selling short the stock of the other company creates a synthetic stub security representing the value of the owner’s core business. Rimrock may purchase stub securities that it believes are inefficiently priced versus other related securities.

(e) Bankruptcy Reorganizations and Distress Situations

Rimrock may invest in securities of companies that are stressed or distressed due to operating difficulties or an untenable capital structure. Rimrock’s strategy generally includes one or more of the following: (i) infusing capital into those companies that temporarily lack access to traditional sources of capital; (ii) financial restructuring of those companies that are distressed, in default or in bankruptcy; (iii) recapitalizing small to mid-sized private and public companies where the demands of the business and the demands of the marketplace create a capital market dichotomy; and (iv) reorganizing or globalizing those companies whose divisions, sections or departments are being transitioned or sold for political, strategic or organizational reasons.

There are a number of significant risks inherent in the bankruptcy process. First, many events in a bankruptcy are the product of contested matters and adversarial proceedings and are beyond the control of the creditors. Second, the effect of a bankruptcy filing on a company may adversely and permanently affect the company. The company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. If for this or any other reason the proceeding is converted to a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor’s return on investment can be adversely impacted by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court and until the plan ultimately becomes effective. Fourth, the administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor’s estate prior to any return to creditors. For example, if a proceeding involves protracted or difficult litigation, or turns into a liquidation, substantial assets may be devoted to administrative costs. Fifth, bankruptcy law permits the classification of “substantially similar” claims in determining the classification of claims in a reorganization. Because the standard for classification is vague, there exists the risk that an investor’s influence with respect to the class of securities it owns can be lost by increases in the number and amount of claims in that class or by different classification and treatment. Sixth, in the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. Seventh, especially in the case of investments made prior to the commencement of bankruptcy proceedings, creditors can lose their ranking and priority if they exercise “domination and control” of a debtor and other creditors can demonstrate that they have been harmed by such actions. Eighth, certain claims that have priority by law (for example, claims for taxes) may be quite substantial.

(f) Bank Loans and Participations

These obligations are subject to unique risks, including (i) the possible invalidation of an investment transaction as a “fraudulent conveyance” under relevant creditors’ rights laws, (ii) so-called “lender liability” claims by the issuer of the obligations, (iii) environmental liabilities that may arise with respect to collateral securing the obligations, and (iv) limitations on the ability of the Funds to directly enforce its rights with respect to participations.

(g) Unusual Securities

Examples of such securities include, but are not limited to, publicly traded limited liability companies, contingent payment rights, and securities whose value is contingent upon the occurrence of a series of events. There may be no liquid market for such securities. The market prices, if any, of such investments tend to be more volatile and it may be impossible to sell such investments when desired or to realize their fair value in the event of a sale. There may be substantial delays in attempting to sell non-publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid. Further, companies whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements which would be applicable if their securities were publicly traded.

(h) Equity Securities

The owner of an equity security may participate in a company’s success through the receipt of dividends, which are distributions of earnings by the company to its owners. Equity security owners may also participate in a company’s success or lack of success through increases or decreases in the value of the company’s shares as traded in the public trading market for such shares.

(i) Preferred Stock

Dividend payments to preferred stockholders may be suspended or cancelled if the issuer experiences liquidity difficulties and the principal paid for preferred stock is generally subordinate to the debt obligations of the issuer. Consequently, investments in preferred stock carry significant risk of loss of principal.

(j) Private Equity Risks

Private equity investments involve an extraordinarily high degree of business and financial risk and can result in substantial or complete losses. Some private companies may be operating at a loss or with substantial variations in operating results from period to period and may need substantial additional capital to support expansion or to achieve or maintain competitive positions. Such companies may face intense competition, including competition from companies with much greater financial resources, much more extensive development, production, marketing and service capabilities and a much larger number of qualified managerial and technical personnel.

(k) Non-U.S. Investment Risks

Securities of non-U.S. issuers (including Depository Receipts) involve risk not typically associated with investing in U.S. companies. These securities may be affected unfavorably by exchange control regulations or changes in the exchange rate between non-U.S. currencies and the U.S. dollar. Non-U.S. economies may differ unfavorably from the U.S. economy in growth of gross national product, rate of inflation, rate of savings and capital reinvestment, resource self-sufficiency and balance of payments positions, and in other respects. The value and marketability of investments in some non-U.S. countries could be materially reduced by expropriation or confiscatory taxation, limitations on the removal of funds or other assets, political or social instability, or diplomatic developments. In addition, securities of some non-U.S. companies are less liquid and their prices are more volatile than securities of comparable U.S. companies. Investing in non-U.S. securities creates a greater risk of clearance and settlement problems than does investing in U.S. securities. The securities of non-U.S. issuers are generally not registered under, nor are those issuers subject to the reporting requirements of, the U.S. securities laws and regulations. Accordingly, there may be less publicly available information about the securities and about the non-U.S. company or government issuing them than is available about a U.S. company or government entity. Non-U.S. companies and non-U.S. boards of trade responsible for clearing securities are not generally subject to accounting, auditing and financial reporting standards, practices and requirements

comparable to those that apply to U.S. companies. Non-U.S. government supervision of stock exchanges, boards of trade, securities brokers and issuers of securities is generally less stringent than supervision in the U.S. The investments may also be subject to withholding taxes imposed by the applicable country's taxing authority.

(l) Emerging Markets

Investments in companies domiciled in developing countries may be subject to potentially higher risks than investments in companies in developed countries. These risks include (i) less social, political and economic stability; (ii) the small current size of the markets for such securities and the currently low or nonexistent volume of trading, that result in a lack of liquidity and in greater price volatility; (iii) certain national policies may restrict the Funds' investment opportunities, including restrictions on investment in issuers or industries deemed sensitive to national interests; (iv) foreign taxation; (v) the absence of developed legal structures governing private or foreign investment or allowing for judicial redress for injury to private property; (vi) the absence until recently, in certain developing countries, of a capital market structure or market-oriented economy; and (vii) the possibility that recent favorable economic developments in Eastern Europe may be slowed or reversed by unanticipated political or social events in such countries.

In addition, many emerging countries have experienced substantial, and in some periods extremely high rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have negative effects on the economies and securities markets of certain countries. Moreover, the economies of some developing countries may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, currency depreciation, capital reinvestment, resource self-sufficiency and balance of payments position. Investments in developing countries may involve risks of nationalization, expropriation and confiscatory taxation. Finally, even though the currencies of some developing countries, such as certain Eastern European countries, may be convertible into U.S. dollars, the conversion rates may be artificial to the actual market values and may be adverse to Fund Investors.

(m) Asset-Backed Securities ("ABS") and Mortgage-Backed Securities ("MBS")

*General.* MBS investments are subject to credit, liquidity and interest rate risks. The value of the MBS generally will fluctuate with, among other things, the financial condition of the obligors on or issuers of the underlying assets of the MBS, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates.

MBS generally are limited recourse obligations of the issuer thereof payable solely from the underlying assets or proceeds thereof. Consequently, holders of MBS must rely solely on distributions on the underlying assets or proceeds thereof for payment in respect thereof. If distributions on the underlying assets (or in the case of a market-value MBS, proceeds from the sale of underlying assets) are insufficient to make payments on the MBS, no other assets will be available for payment of the deficiency and following realization of the underlying assets, the obligations of the issuer to pay such deficiency shall be extinguished.

*Risks of Underlying Assets.* The underlying assets are subject to credit, liquidity, interest rate and other risks. Such assets may consist of high-yield debt securities, leveraged loans and other debt instruments generally rated below investment grade (or of equivalent credit quality). High-yield debt securities are generally unsecured (and loans may be unsecured) and may be subordinated to certain other obligations of the issuer thereof. The lower rating of high-yield securities and below investment grade loans reflects a greater possibility that adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the issuer to make payments of principal or interest. Such investments may be speculative.

*Issuer Rights to Underlying Assets.* Issuers of MBS may acquire interests in loans and other debt obligations by way of sale, assignment or participation. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, its rights can be more restricted than those of the assigning institution.

In purchasing participations, an issuer of MBS will usually have a contractual relationship only with the selling institution, and not the borrower. The issuer generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor have the right to object to certain changes to the loan agreement agreed to by the selling institution. The issuer may not directly benefit from the collateral supporting the related loan and may be subject to any rights of set-off the borrower has against the selling institution. In addition, in the event of the insolvency of the selling institution, the issuer may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the loan. Consequently, the issuer may be subject to the credit risk of the selling institution as well as of the borrower.

*Structured Finance Securities.* A portion of the underlying assets collateralizing investments may consist of trust certificates or similar securities of the type generally considered to be "re-packaged securities." Investing in structured finance securities may entail a variety of unique risks. Among other risks, structured finance securities may be subject to prepayment, credit, liquidity, market, structural, legal and interest rate risks (which may depend upon any associated hedge agreement providing for the exchange of interest accruing on the security being repackaged into interest stated to be payable on the trust certificates or similar securities). In addition, the performance of a structured finance security will be affected by a variety of factors, including the level and timing of payments and recoveries on and the characteristics of the underlying repackaged securities, the remoteness of those assets from the originator or transferor and the adequacy of and ability to realize upon any related collateral.

*Special Risks of Asset-Backed Securities.* ABS involve certain risks that are not posed by mortgage-related securities, resulting mainly from the fact that ABS do not usually contain the complete benefit of a security interest in the related collateral. For example, credit card receivables generally are unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, some of which may reduce the ability to obtain full payment. In the case of automobile receivables, due to various legal and economic factors, proceeds from repossessed collateral may not always be sufficient to support payments on these securities.

*Synthetic Securities.* A portion of the MBS may consist of synthetic securities, the reference obligations of which may be substantially the same as MBS. Investments in such types of assets through the purchase of synthetic securities present risks in addition to those resulting from direct purchases of such MBS. With respect to each synthetic security, the owner will usually have a contractual relationship only with the counterparty of such synthetic security, and not the reference obligor on the reference obligation. The owner generally will have no right directly to enforce compliance by the reference obligor with the terms of the reference obligation nor any rights of set-off against the reference obligor, may be subject to set-off rights exercised by the reference obligor against the counterparty or another person or entity, and generally will not have any voting or other contractual rights of ownership with respect to the reference obligation. In addition, in the event of the insolvency of the counterparty, the security owner will be treated as a general creditor of such counterparty, and will not have any claim with respect to the reference obligation.

*Potential Illiquidity of MBS and ABS.* The market value of the MBS and ABS will fluctuate with, among other things, changes in market rates of interest, general economic conditions, economic conditions in particular industries, the condition of financial markets and the financial condition of the issuers of the MBS and ABS. In addition, the lack of an established, liquid secondary market for some MBS and ABS may have an adverse effect on the market value of those MBS and ABS. No assurance can be given that,

if Rimrock decides to dispose of a particular investment, it will be able to dispose of such investment at the prevailing market price. Such illiquidity may adversely affect the price and timing of liquidations.

(n) Currency Risks

Rimrock endeavors to buy and sell foreign currencies on as favorable a basis as practicable. Some price spread on currency exchange (to cover service charges) may be incurred, particularly when changing investments from one country to another or when proceeds of the sale of shares in U.S. dollars are used for the purchase of securities in foreign countries. Also, some countries may adopt policies which would prevent the transfer of cash out of the country, or withhold portions of interest and dividends at the source. There is the possibility of cessation of trading on national exchanges, expropriation, nationalization or confiscatory taxation, withholding and other foreign taxes on income or other amounts, foreign exchange controls (which may include suspension of the ability to transfer currency from a given country), default in foreign government securities, political or social instability, or diplomatic developments that could affect investments in securities of issuers in foreign nations.

Investors may be affected either unfavorably or favorably by fluctuations in the relative rates of exchange between the currencies of different nations, by exchange control regulations and by indigenous economic and political developments. Some countries also may have fixed or managed currencies that are not free-floating against the U.S. dollar. Further, certain currencies may not be internationally traded.

(o) Forward Contracts

A forward contract, which is individually negotiated and privately traded by currency traders and their customers, involves an obligation to purchase or sell a specific currency for an agreed-upon price at a future date. Forward contracts may limit potential gain from a positive change in the relationship between the U.S. dollar and foreign currencies. Unanticipated changes in currency prices may result in poorer overall investment performance.

(p) Options

Although successful trading in options contracts requires many of the same skills required for successful securities trading, the risks involved are somewhat different. The purchase of an option runs the risk of losing the entire investment, thereby causing significant losses to the account in a relatively short period of time.

- 1) *Options Trading Is Speculative And Risky.* The trading of options is highly speculative and may entail more risk than those present when investing in other securities. Prices of options are generally more volatile than prices of other securities. Purchasing options allows speculation on market fluctuations of securities and securities exchange indices while investing only a small percentage of the value of the securities underlying the option. A change in the market price of the underlying securities or underlying market index will cause a much greater percentage change in the price of the option contract. In addition, an investor will lose the premium it paid to purchase an option if the option is not sold or exercised. If options are sold and an investor must deliver the underlying securities at the exercise price, the investor has a theoretically unlimited risk of loss if the price of the underlying securities increases. If an investor must buy the underlying securities, it risks the loss of the difference between the market price of the underlying securities and the exercise price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option.

(q) Futures Contracts

*Speculative and Volatile.* Futures contracts prices are highly volatile. Price movements of futures contracts are influenced by, among other things, changing supply and demand relationships; government trade, fiscal, monetary and exchange programs and policies; national and international political and economic events; and changes in interest rates. In addition, governments from time to time intervene, directly and by regulation in certain markets, particularly in currencies and gold.

*Highly Leveraged.* The low margin deposits normally required in futures trading permit an extremely high degree of leverage; margin requirements for futures trading being in some cases as little as 2% of the face value of the contracts traded. For example, if at the time of sale 10% of the price of the futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract was then closed out, result in a total loss of the margin deposit before any deduction for the trading commission. A decrease of more than 10% would result in a loss of more than the total margin deposit. Accordingly, a relatively small price movement in a futures contract may result in immediate and substantial loss to the Funds. Like other leveraged investments, any trade may result in losses in excess of the amount invested.

*Illiquidity.* United States commodity exchanges impose “daily limits” on the amount by which the price of most futures contracts traded on such exchanges may vary during a single day. Daily limits prevent trades from being executed during a given trading day at a price above or below the daily limit. Once the price of a futures contract has moved to the limit price, it may be difficult, costly or impossible to liquidate a position. In addition, even if futures prices have not moved the daily limit, Rimrock may be unable to execute trades at favorable prices if the liquidity the market is not adequate. It is also possible for an exchange or the U.S. Commodity Futures Trading Commission (the “CFTC”) to suspend trading in a particular contract, order immediate settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only.

- 1) *Position limits.* The CFTC and the United States commodities exchanges have established limits referred to as “speculative position limits” on the maximum net long or net short speculative positions that any person may hold or control in any particular futures or options contracts traded on United States commodities exchanges. All accounts (proprietary or client) owned or managed by Rimrock are combined for position limit purposes.

(r) Interest Rate Swaps

Swap agreements are usually entered into at a zero net market value of the swap agreement commitments. The market values of the underlying commitments will change over time resulting in one of the commitments being worth more than the other and the net market value creating a risk exposure for one counterparty to the other.

(s) Securities Lending and Borrowing Involve Insolvency and Credit Risks

The Funds and Managed Accounts may lend securities to securities brokers and other institutions, or borrow securities from securities brokers or other institutions to effect short sales. If the other party becomes insolvent or bankrupt, delays and costs in recovering payment or the securities could be incurred. If, in the meantime, the value of securities changes, additional losses could be suffered.

(t) Availability and Accuracy of Information

Investments are frequently selected based on information and data derived from firsthand research and, for public companies, filed by the issuers of such securities with the SEC. Although Rimrock intends to evaluate all such information and data and to seek independent corroboration when appropriate and reasonably available, Rimrock will not in many cases be in a position to confirm the completeness, genuineness or accuracy of such information and data.

(u) High Portfolio Turnover and Recognition of Gains

Each investment strategy may result in a short holding period before investments are rolled over into new investments or sold. This will cause the recognition of any investment gains on a more frequent basis than other investment strategies. Many of those gains will not likely qualify for the holding period needed for long-term capital gains tax treatment. Therefore, taxable investors may have a greater need to pay regular income taxes (out of their own resources or by requesting redemptions) than compared to other investment strategies that hold investments longer.

## **Risks Associated with Rimrock's Investment Techniques**

### **(a) Short Sales**

Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. Because the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities can result in a loss. It may be impossible to borrow securities at the most desirable time to make a short sale, particularly in illiquid securities markets. In addition, rules that prohibit short sales of securities at prices below the last sale price may prevent the execution of short sales of securities at the most desirable time. If the prices of securities sold short increase, additional funds or collateral may be required to maintain the short positions. This could require liquidation of other investments to provide additional margin, and those liquidations might not be at favorable prices. In other situations, the lender of securities can request return of the borrowed securities and Rimrock may not be able to borrow those securities from other lenders. This would cause a "buy-in" of the short positions, which may be disadvantageous. 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 the inability to cover the short position, and of theoretically unlimited potential for loss.

### **(b) Availability of Financing and Leverage**

Rimrock intends to rely heavily on the availability of leverage and other financing sources in order to achieve its investment objectives. There is a risk that any particular leverage provider may cease to provide financing. Other changes in the availability and cost of financing sources, *e.g.*, changes in collateral requirements or a significant rise in short-term rates, may also affect the potential return on the Funds' investments.

### **(c) Leverage Risks**

The Funds are authorized to borrow from banks and other financial institutions in order to enhance its investment leverage. The Funds also may engage in other investment strategies (such as options and derivatives) that will result in leveraging the assets of the Funds. Loans may be secured by assets of the Funds pledged to lenders. Leveraging by means of borrowing may exaggerate the effect of any increase or decrease in the value of the assets of the Funds, and money borrowed will be subject to interest and other costs (which may include commitment fees and/or the cost of maintaining minimum average balances), which may or may not exceed the income received from the instruments purchased with borrowed funds. Similarly, certain investment strategies involving the use of derivatives may have the effect of creating a leveraged transaction. Leverage will increase the risk of an investment in the Funds, but it also offers the potential for higher returns.

### **(d) Derivative Risks**

Derivative securities may be bought and sold in "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. Accordingly, there is risk that a counterparty will not settle a transaction in accordance with its terms because the counterparty has a credit or liquidity problem. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide) because such markets may lack the established rules and procedures for settlement of disputes among market participants available in "exchange-based" markets. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where Rimrock has concentrated transactions with a single or small group of counterparties. Derivative instruments may also be difficult to value accurately. Any misvaluation could adversely affect investors.

### **(e) Repurchase Agreements Involve Insolvency and Credit Risks**

If the other party to a repurchase or reverse repurchase agreement becomes insolvent or bankrupt, the Funds or account may experience delays and incur costs in recovering payment or the securities. If the value of the security purchased changes in the meantime, further losses may be incurred. Repurchase and reverse repurchase agreements can have effects similar to margin trading and other leveraging strategies. Please refer to any relevant private placement memorandum for a more expansive list and description of risks associated with Rimrock fund investments.

## **Item 9 – Disciplinary Information**

Investment advisers registered with the SEC are required to disclose all material facts regarding any legal or disciplinary events that could be important to a client's evaluation of Rimrock or the integrity of Rimrock's management. Rimrock has been registered and in the business of providing investment advisory services since 2006. Neither our Firm nor any of our associated persons has any reportable disciplinary information.

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

### ***A. Broker-Dealer Affiliations***

Rimrock is not registered as a broker-dealer nor does Rimrock currently have a pending application to register as a broker-dealer.

Rimrock has entered into a services agreement with DLX Financial Group, LLC ("DLX"). DLX is a registered broker-dealer established for the purpose of providing marketing and distribution of both private and public funds. DLX does not trade securities nor provide pricing services to Rimrock. DLX is not owned by Rimrock. Several Rimrock employees are registered representatives of DLX, given their focus on marketing Rimrock's Funds. DLX is compensated by Rimrock through a fee sharing arrangement from fees generated by clients introduced to Rimrock by registered representatives of DLX.

Rimrock has entered into a services agreement with Ueda Yagi Securities Co., Ltd, ("Ueda Yagi") a Japanese registered financial services firm located in Tokyo, Japan. Ueda Yagi and Rimrock entered into the agreement in order for Ueda Yagi to perform services such as consulting about business development, translating documents and presentations, as well as arranging meetings with potential Japanese investors for Rimrock Funds. The compensation for Ueda Yagi's services is paid through a fee sharing arrangement from assets raised in Japan. Rimrock has created an additional feeder fund, Rimrock Low Volatility (QP) (JPY) Trust, a Yen denominated feeder fund for Japanese investors.

### ***B. CPO and CTA Registrations***

Rimrock is a National Futures Association ("NFA") approved member. Rimrock has obtained commodity pool exemptions for its master and feeder funds under Regulation 4.7 of the Commodity Exchange Act ("CEA"). This exemption limits eligible Fund investors to Qualified Eligible Persons. Rimrock is registered as a Commodity Trading Advisor ("CTA") and as a Commodity Pool Operator ("CPO").

### ***C. Other Financial Industry Affiliations***

Rimrock is organized and serves as the general partner and/or investment adviser of private investment funds ("Funds"), as described under the "Advisory Business" section of this brochure. For Funds where we, or our associated persons, serve as manager, general partner, and/or investment adviser, our Firm may make the Funds available to qualified clients whose investment strategies are consistent with the objectives of the Fund(s). Our Firm does not advise you as to the appropriateness of investing in our Funds and will not receive any compensation for doing so except to the extent that we receive advisory and other fees from the Funds or for selling interests in the Funds.

However, because of the relationship between our Firm and the Funds, a conflict of interest may exist because we may have a financial incentive to recommend our Funds. While we believe that compensation charged by the Funds is competitive, such compensation may be higher than fees charged by other Funds providing the same or similar services. You are under no obligation to invest in the Funds and may obtain comparable services and/or lower fees through other firms.



Rimrock's Principals formed RCM Holdings for the purpose of making collective personal investments, both in Rimrock Funds, as well as select external investments. One such external investment is a minority interest in MacFarlane Advisors, LLC, General Partner to the MacFarlane High Income Real Estate Fund, L.P. ("The MacFarlane Fund"), where RCM Holdings is also a limited partner. The MacFarlane Fund is managed according to a different strategy than the Rimrock Funds and it is expected that the MacFarlane Fund will generally invest in ownership interests in multifamily real estate outside of the investment mandate and liquidity profile of the Rimrock Funds.

## **Item 11 – Code of Ethics**

### *Description of Our Code of Ethics*

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our associated persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our associated persons are expected to adhere strictly to these guidelines. Our Code of Ethics requires that associated persons submit reports of their personal account holdings and transactions to Rimrock's Compliance Department who will review these reports on a periodic basis. Associated persons are further required to obtain preapproval for any outside business activities and personal trades to avoid potential conflicts of interest. Persons associated with our Firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information and confidential information about clients or client account holdings by persons associated with our Firm.

Clients or prospective clients, and investors or prospective investors in any of the Funds, may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

### *Participation or Interest in Client Transactions*

We serve as the investment adviser/general partner to the Funds named in the "Advisory Business" section of this brochure in which you may be solicited to invest. Persons associated with our Firm have significant investments in the Funds. If you are an investor in one or more of the Funds, please refer to the Funds' offering documents for detailed disclosures regarding the Funds. Additionally, individuals associated with our Firm may buy or sell - for their personal account(s) - investment products identical to those purchased by the Funds. This practice may create a conflict of interest because we have the ability to trade ahead of the Funds and potentially receive more favorable prices than the Funds will receive or to benefit from the market effect of the Fund's later trades. To eliminate this conflict of interest, it is our policy that neither our associated persons nor we shall have priority over the Funds in the purchase or sale of securities.

### *Personal Trading Practices*

Rimrock recognizes that the personal investment transactions of its employees and members of their immediate families demand the application of a strict code of ethics. Consequently, Rimrock requires that all personal investment transactions be carried out in a manner that will not endanger the interest of any client or create any apparent or actual conflict of interest between Rimrock and its employees, on the one hand, and the client, on the other hand. Thus, Rimrock has adopted the procedures set forth below. All trades for personal accounts must be consistent with recommendations and actions that Rimrock has taken or will take on behalf of its clients and Rimrock's Trade Allocation Policy. Client's interests take precedence over the personal interests of Rimrock and its employees. If a potential conflict arises, Rimrock and the employee must resolve the matter in the client's favor. All trades for personal accounts must be done in compliance with Rimrock's Restricted List and pre-clearance requirements. These restrictions are intended to protect both Rimrock and its Employees from even the appearance of impropriety with respect to any transactions or securities in an employee's personal account.

## **Item 12 – Brokerage Practices**

Rimrock has been granted the authority to select the broker or dealer through which to place trades on behalf of the Funds through each Fund's organizational documents and client agreements. When executing transactions, we endeavor to select those brokers, dealers or other counterparties which will provide the best services at the lowest prices under the circumstances. Rimrock may consider a broker-dealer's execution capability, commission rates (if applicable) or spreads, the value of research provided (if any), the availability and completeness of information pre and post trade regarding bid/ask spreads or other indications of interest, the availability of fixed income securities with the characteristics sought, availability of repo financing, expertise in particular markets or products, responsiveness, and financial strength and responsibility, among other factors. Rimrock's Evaluation and Pricing Committee is responsible for monitoring client execution.

### *Research and Other Soft Dollar Benefits*

We currently do not have any soft dollar arrangements, nor do we plan on entering into soft dollar arrangements.

### *Brokerage for Client Referrals*

Rimrock does not consider in the selection of broker-dealers whether or not Rimrock or a related person receives client referrals from the broker-dealer or a third party.

### *Block Trades*

Transactions for each client generally will be effected independently, unless we decide to purchase or sell the same security for several clients at approximately the same time. We may, but are not obligated to, aggregate multiple orders for the same security purchased or sold for advisory accounts we manage (this practice is commonly referred to as "block trading").

As a matter of general Firm policy, clients participating in any block trade will receive an average security price and transaction costs will be shared equally and on a pro rata basis.

Rimrock's obligation is to treat all clients fairly over time, but not necessarily identically. Block trades will generally be allocated on a pro-rata basis, modified to reflect a variety of factors. Factors considered in allocation decisions are: (1) client portfolio guidelines and limitations on investments; (2), investment objectives and, risk profiles; (3) portfolio composition and diversification principles; (4) the size, nature and type of investment opportunity; (5) available cash, including cash that becomes available through leverage, subscriptions and redemptions; (6) applicable contractual or legal obligations connected with an investment, including transfer or assignment provisions; and (7) other factors as Rimrock, in good faith, deems relevant. Rimrock's policy prohibits consideration of fee arrangements, or relationships to an employee or principal of Rimrock, in its allocation decisions.

In the event transactions for Rimrock, its employees or principals ("proprietary accounts"), are aggregated with client transactions, conflicts arise and special policies and procedures must be adopted to disclose and address these conflicts. Presently, other than to the extent that Rimrock employees and principals are investors in the Funds, employees and principals do not aggregate orders with clients.

### *Trade Errors*

In the event a trading error occurs in a client account, our policy is to restore the account to the position it would have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

### *Principal Transactions*

It is Rimrock's policy not to execute principal transactions. Principal transactions are defined as transactions where an adviser, acting as principal for its own account or the account of an affiliate, buys from or sells any security to any advisory client. Rimrock deems any account in which it or its principals own 25% or more of the assets to be a principal account for these purposes.

### **Item 13 – Review of Accounts**

Rimrock has a Chief Risk Officer seated on the trading desk, and the Firm has developed proprietary analytical tools and uses commercially-licensed computer systems in order to monitor portfolios. Measures such as duration, spread duration, credit quality, convexity, option adjusted spread, counterparty exposure, leverage, and liquidity are monitored throughout the trading day and reviewed weekly in a Risk Meeting. The weekly Risk Meeting is conducted by the Chief Risk Officer with the Chief Investment Officer, Portfolio Managers, Analysts, as well as members of the Marketing and Client Relations team. Significant market volatility, material position level changes, or changes on top down outlook could trigger a review.

As an investor in the Rimrock Funds, the custodian provides a monthly account statement, an annual report including financial statements and a statement of your Capital Account as of the end of the fiscal year. In addition, investors may request to receive a monthly performance report, risk report and other detailed portfolio information. The Funds have independent administrators involved in the monitoring of portfolios and reconciliation of cash and positions. Rimrock also uses an independent public accounting firm to conduct annual audits.

Rimrock Managed Accounts receive reports directly from their custodians as well as a monthly risk report from Rimrock. Rimrock monitors and reviews market risks for the Managed Accounts in the same manner as the Funds described above. The custodians for the Managed Accounts are engaged directly by the client and not by Rimrock.

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

#### ***A. Compensation to Rimrock***

Rimrock's sole source of revenues is derived from management fees and performance fees generated through managing Rimrock Funds and Managed Accounts. Rimrock does not receive economic benefits from anyone who is not a client.

#### ***B. Compensation by Rimrock***

As part of our efforts to market the interests of the Funds, Rimrock has entered into arrangements to compensate certain third party placement agents or others for referring prospective investors to the Funds as set forth below. We reserve the right to enter into additional, similar arrangements in the future. Although common, such referral arrangements do create a potential conflict of interest because, in theory, the referrer may be motivated, at least partially, by financial gain and not because the Funds are the most suitable to the prospective investor's needs.

As discussed at Item 10 of this Brochure, Rimrock has entered into a services agreement with DLX Financial Group, LLC ("DLX"). DLX is a registered broker-dealer established for the purpose of providing marketing and distribution of both private and public funds. DLX does not trade securities nor provide pricing services to Rimrock. DLX is not owned by Rimrock. Several Rimrock employees provide services for DLX. DLX is compensated by Rimrock a flat fee and through a fee sharing arrangement from fees generated by clients introduced to Rimrock by registered representatives of DLX.

Rimrock has entered into a services agreement with Ueda Yagi Securities Co., Ltd, ("Ueda Yagi") a Japanese registered financial services firm located in Tokyo, Japan. Ueda Yagi and Rimrock entered into the agreement in order for Ueda Yagi to perform services such as consulting about business development, translating documents and presentations, as well as arranging meetings with potential Japanese investors for Rimrock Funds. The compensation for Ueda Yagi's services is paid through a fee sharing arrangement from assets raised in Japan. Rimrock has created an additional feeder fund, Rimrock Low Volatility (QP) (JPY) Trust, a Yen denominated feeder fund for Japanese investors.

## **Item 15 – Custody**

An investment adviser who has custody of client funds or securities is subject to significant reporting and regulatory requirements that are not applicable to an investment adviser who does not have custody. An investment adviser has custody of client funds or securities when it holds “directly or indirectly, client funds or securities or has any authority to obtain possession of them.” Under Rule 206(4)-2, an investment adviser will be deemed to have custody of a client’s funds and securities if the client is a partnership for which the investment adviser serves as the client’s general partner. Rimrock is deemed to have custody of advisory client assets by virtue of the Firm’s dual role as investment manager / general partner of the domestic Rimrock Funds’ and the affiliation of an associated person as a director for the offshore Rimrock Funds.

Under Rule 206(4)-2, an investment adviser has custody of a client’s funds and securities if the investment adviser has any arrangement under which the investment adviser is authorized or permitted to withdraw client funds or securities (including its fees) directly from the client’s account. Rimrock’s standard investment management agreement and in any third-party forms used by Rimrock, the Company allows each client to choose whether to authorize direct billing or to pay for services separately pursuant to invoices provided by Rimrock. In each case where Rimrock bills a client’s account directly, through the client’s custodian or representative, Rimrock follows established procedures.

Custody of the assets of the Funds is maintained with a qualified custodian selected by Rimrock at our discretion, which selection may change from time to time. The custodian directly provides clients with monthly statements reflecting capital account balances. Additionally, an independent auditor provides an annual audit that is distributed to clients. We do not maintain physical possession of the funds or securities of any private investment fund. The custodian is restricted from making payments to us or our affiliates from any account maintained by the custodian on behalf of the private investment fund unless certain requirements are met.

In the case of Rimrock Managed Accounts, the client hires a custodian for the account. The qualified custodian then provides the client with monthly account statements.

## **Item 16 – Investment Discretion**

Rimrock has sole discretion to manage its clients’ investment portfolios, except with respect to certain Rimrock Managed Accounts. Generally, Rimrock does not accept instructions from clients with respect to investments by or for their accounts. Rimrock Managed Accounts can impose reasonable restrictions on investing in certain securities or types of securities. Rimrock Managed Accounts can also negotiate other terms with Rimrock. Rimrock Managed Account restrictions and terms are formalized in advisory agreements with Rimrock. Clients’ investment guidelines and restrictions must be provided to and agreed with Rimrock in writing, in the form of an Investment Management Agreement.

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

### *Proxy Voting*

Rimrock acts as discretionary investment adviser for hedge funds and other various clients. Rimrock’s current investment strategies are heavily focused on fixed income securities. Rimrock purchases very few equity securities, but holding any equity positions may require voting of proxies. Rimrock has adopted a policy and procedures to address proxy voting.

Rimrock’s authority to vote proxies or act with respect to other shareholder actions is established through the delegation of discretionary authority under our investment advisory contracts. Therefore, unless a client specifically reserves the right, in writing, to vote its own proxies or to take shareholder action with respect to other corporate actions requiring shareholder actions, Rimrock will vote all proxies and act on all other actions in a timely manner as part of its full discretionary authority over client assets in

accordance with its policies and procedures. Corporate actions may include, for example and without limitation, tender offers or exchanges, bankruptcy proceedings, and class actions. When voting proxies or acting with respect to corporate actions for clients, Rimrock's utmost concern, and its policy, is that all decisions be made solely in the best interests of the client. Given Rimrock's focus on fixed income securities, Rimrock generally does not receive many proxies. When a proxy is received, normally the decision on how to vote a particular proxy is made by the portfolio managers. Rimrock seeks to identify and disclose any conflicts of interests identified with respect to proxy voting in general and any particular proxy vote. Rimrock seeks to act in a prudent and diligent manner intended to enhance the economic value of the assets of the client's account.

Rimrock's will provide to any client or investor in a client account at no cost a copy of its proxy voting policy and information about the way in which proxies, if any, have been voted. Requests for such information should be directed to Rimrock's Chief Compliance Officer.

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

Rimrock, as a registered investment adviser, is required to provide investors with certain financial information or disclosures about Rimrock's financial condition. Rimrock 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.

### **Additional Items**

#### *Privacy Policy*

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any non-affiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys. For example, our Firm may share information collected about our clients with our independent auditors in the course of the annual audit of a private investment fund in which our clients have an investment. We may share this information with our Firm's legal counsel as we deem appropriate and with regulators as required. Additionally, a copy of your tax Form K-1 is included in a private investment fund's tax return filed with the Internal Revenue Service.

We restrict internal access to nonpublic personal information about you to employees or affiliates, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our Firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.