

**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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**November 2018**

This Form ADV, Part 2A (“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 since the last update in March 2018 and provides a summary of changes made since that update. This Brochure, dated November 2018, has been amended to include the following:

- Rimrock Capital Management, LLC (“Rimrock”) has closed and liquidated Rimrock Total Return Strategy Fund I, Ltd. Rimrock launched Rimrock Total Return Strategies Fund II, Ltd. on October 26, 2018.

This Brochure is prepared according to the July 28, 2010, 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 sending us a written request at 100 Innovation Dr., Suite 200, Irvine, California 92617-3040.

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#### **Item 4 – Advisory Business**

Rimrock is an investment adviser registered with the SEC. The Firm was organized in 2001 as a limited liability company under the laws of the State of California and is based in Irvine, California. The Firm has six principal employee owners (“Principals”), specifically, David H. Edington, Stephen Foulke, Christopher Chester, Paul C. Westhead, Santino Blumetti, 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 can 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 or trusts and California limited partnerships.

Our Firm has organized and serves as the General Partner and/or investment adviser to the 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 High Income PLUS (JPY) Trust
- 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 Structured Product (JPY) Trust
- Rimrock Strategic Income Fund, Ltd.
- Rimrock Total Return Strategies Fund II, Ltd.

### 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 allocates assets across the Rimrock Funds, as well as other funds and securities, 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 charges separate fees to investors in the Rimrock-SALI Series, but then offsets the investment management and incentive fees of the underlying Rimrock 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 September 30, 2018, Rimrock Capital Management, LLC had Regulatory Assets Under Management of \$6,952,152,138 in client assets on a discretionary basis, and Net Assets Under Management of \$4,265,088,071. Regulatory Assets Under Management includes all gross assets without any deduction for

debt or leverage; net assets under management are calculated by subtracting outstanding liabilities from client assets.

## **Item 5 – Fees and Compensation**

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

Investors and prospective investors in a specific Fund should refer to the private placement memorandum for that Fund for detailed information on the management and performance fees associated with investing in the Fund. Rimrock Total Return Strategy Funds do not charge a management fee, only performance fees. The incentive fees for these funds are subject to a hurdle rate and payable only at times of redemption. Managed Account management and incentive fees are described in individually executed investment management agreements.

At the end of each calendar year, for most Funds, Rimrock will receive an annual incentive 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). These Funds will maintain a loss recovery account for each investor (“Loss Recovery Account”). Each Loss Recovery Account will be debited with any net capital depreciation (taking into account an investor’s share of the management fee, where applicable) allocated to the capital account. Rimrock will not receive any incentive fee regarding a capital account until the investor has recovered all amounts debited to its Loss Recovery Account (as adjusted for withdrawals or additions of capital). Performance fees will meet all requirements for such fees as specified under Rule 205-3 of the Investment Advisers Act.

Similarly, Rimrock will maintain a contingent loss account for Managed Account clients with a performance fee (a “Contingent Loss Account”). The Contingent Loss Account will be debited with any net loss incurred in such Managed Account. Rimrock will not receive any performance fees with respect to a client’s account until the client has recovered all amounts debited to the client’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 experienced by the client.

### **Rimrock Funds**

With regard to most Rimrock Funds, Rimrock receives an annual management fee of up to 1.25% of the net asset value of committed capital. Certain Rimrock Funds have two or more classes of units or shares. As described in more detail in the private placement memoranda for those Funds, investors in those Funds can choose a class with lower management fees in return for more restrictive redemption provisions. 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 currently does not charge management fees to Rimrock employees who are investors in Rimrock Funds.

### **Rimrock Managed Accounts**

Generally, advisory fees for Rimrock Managed Accounts are based upon a percentage of assets under management and vary depending upon the nature of the portfolio to be managed. Managed Account advisory fees range from 0.25% to 1.25% 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 fees and management fees, constitute a higher percentage of average net assets than would be found in certain other investment vehicles providing similar services. In addition, since our performance fee, determined on an annual basis, is generally calculated on a basis which includes unrealized appreciation of the Fund's assets, it is 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*

Money market mutual funds generally are used 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 Fund's General Partner, as appropriate), investors will also be responsible for the fees and expenses charged by custodians, expenses charged by brokerage-dealers or other counterparties with whom Rimrock effects transactions, and other transaction-related expenses including, without limitation, outside counsel fees, court costs, costs of due diligence, escrow fees and closing costs, and broken deal expenses, Fund administration fees, auditing, accounting and tax preparation fees, insurance, interest on borrowings, governmental fees and taxes, ongoing legal expenses and bookkeeping. Please refer to Item 12 of this brochure for additional information regarding brokerage.

Feeder funds are responsible for all direct, and their *pro rata* share of the related master fund's, operating and other expenses. These fees and expenses include, but are not limited to, (i) routine legal, bookkeeping, administration, registrar, transfer agency, accounting, auditing and tax preparation fees, and other related fees and expenses, (ii) all operational and overhead expenses of the feeder and master fund, including, but not limited to, a proportional share of fees payable to third parties to provide software, data and other information used for the Funds' recordkeeping and reporting (including, but not limited to, fees paid for the use of CUSIP identifiers and ratings information and the provision of information necessary to complete and file Form PF), photocopying, postage and telephone expenses, as well as director fees and travel expenses, the expenses of governmental registrations, licensing and filing fees, and (iii) extraordinary expenses. Rimrock may, in its sole discretion, pay or reimburse a Fund for any or all such expenses.

Rimrock maintains written policies and procedures concerning the allocation of expenses among clients. Expenses that benefit more than one client and are tied to a particular client investment are allocated among those clients that hold the investment, in accordance with the percentage of the investment held by those

Funds at the time the invoice is received. Expenses that benefit more than one client that are not tied to a particular investment are allocated on a *pro rata* basis among all those clients, based on the net asset values of the clients at the time the invoice is received.

### *Valuations*

Rimrock has a responsibility to ensure that client portfolios and investments reflect fair and accurate valuations. In general, most of the securities in the Funds and Managed Accounts have readily available market quotations. However, it is not uncommon for securities or investments to be assigned a “fair market value” as determined in good faith by Rimrock.

Rimrock seeks to ensure that appropriate valuation procedures are followed to price securities in client accounts managed by Rimrock. Rimrock strives for consistent pricing sources that accurately reflect current market activity prices. The Chief Financial Officer has overall responsibility for implementing Rimrock’s valuation policies and procedures. If it is determined that a price obtained from a custodian, pricing service or other source is not reflective of current market conditions, the Chief Financial Officer and Chief Risk Officer have the authority to change the pricing source. In addition, Rimrock’s Evaluation and Pricing Committee is charged with ensuring the integrity of the securities pricing process and for periodic reviews of Rimrock’s valuation policies and procedures. The Evaluation and Pricing Committee is comprised of a number of senior employees, including but not limited to the Chief Executive Officer, Chief Risk Officer, Chief Financial Officer, and two senior Portfolio Managers. A majority of Committee members are not engaged in portfolio management. Rimrock’s Chief Compliance Officer is a non-voting member of the Committee. The Committee meets monthly to review any pricing source changes, changes or additions to ASC 820 (FAS 157) Level 3 positions and fair values, as well as other valuation related matters.

Rimrock uses independent pricing sources to value client investments whenever these prices are deemed accurate. If market quotations are not available from independent third parties (including broker-dealers), then securities and other financial assets are valued at “fair value,” in accordance with FASB guidance. 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 Bloomberg, broker-dealer quotes, third party pricing services, and others depending on the particular security. This is determined in good faith by Rimrock. Third party pricing services generally provide values to Rimrock following review and analysis of available documentation and information, including but not limited to information provided by Rimrock. Depending on the extent of reliance by third party services on that information, those valuations may not be considered “independent.” Fair valuation is the last option.

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 funds, 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.



Clients, prospective clients, investors, and prospective investors in any of the Funds may review a copy of our current and complete valuation procedures at our offices by contacting us at the telephone number on the cover page of this brochure.

### *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 forty-five (45) days notification for a quarterly redemption after a one (1) year soft lock-up period or one hundred twenty (120) days notification for annual quarterly redemption after a two (2) year soft lock-up period. One Fund, Rimrock Structured Product Fund, requires only ninety (90) days notification for annual quarterly redemption after the two (2) year soft lock-up period. Early redemptions, prior to the expiration of the lock-up, may be permitted by Rimrock subject to a 3% redemption fee (an "Early Redemption Fee"). The Board of Directors of a Fund and Rimrock may, in their discretion, permit redemptions at other times and upon other payment terms as they decide, and may waive any applicable lock-up and notice periods. As an example, Rimrock may require or permit a partial or full redemption of an Investor's Shares, without an Early Redemption Fee, to comply with, or avoid violations of applicable law, rules or regulations; after the death of an individual investor; and where Rimrock has determined in good faith that a redemption will not be detrimental to a Fund or the interests of redeeming or remaining investors. For any partial period, investors will be charged prorated fees in arrears. Rimrock may limit the amount of Fund redemptions on a quarterly basis to 25% of the related 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) in accordance with the terms of their investment management agreement.

### *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 its founding principal. Rimrock principals, officers and employees are encouraged to invest in Rimrock Funds and currently are not charged any Fund management or performance fees. 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 fees create potential conflicts of interest, which Rimrock has identified and described in the following paragraphs.

Performance fees 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 fees 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 management and/or performance fees, we have an inherent incentive to favor the Funds or other accounts that pay higher management and performance fees. We will receive more compensation from clients with higher management fees, and compensation we receive from clients with greater performance fees 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 management and performance fees;
- We have implemented policies and procedures for fair and consistent allocation of investment opportunities among all client accounts over time;
- We periodically compare holdings and performance of 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 equitable treatment of all clients, regardless of the fee arrangement.

Performance 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 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 and Managed Accounts that are available to pension and profit sharing plans, endowments, foundations, trusts, estates, charitable organizations, corporations, certain individuals, and other business entities.

Generally, each investor in one or more of our Funds, and each Managed Account client must be an “accredited investor,” as defined in the Securities Act of 1933, as amended, and be eligible to enter into a performance fee arrangement. In addition, each investor is required to make representations concerning its sophistication as an investor and its ability to bear the risk of loss for its entire investment. To invest in the Funds, an investor must also be a “qualified purchaser” or “qualified client” as defined in the Investment Advisers Act of 1940, as amended. Finally, a Fund investor must be a “qualified eligible person” as defined in the Commodity Exchange Act, as amended. Rimrock may, in its discretion, waive all or part of any admission standard or requirement. Our minimum subscription for Fund investors is \$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 investment of \$1,000,000 for 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 of 1940, as amended) by having a net worth of more than \$2,100,000 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.

## **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, a strategy limited to investments in 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 or Managed Accounts. 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 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. Each investment portfolio will be subject to market volatility. Each portfolio will follow an investment strategy that, if unsuccessful, could involve significant losses for investors. 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. See Item 8.C. below for more information on risks.

## ***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.  
                                  Rimrock High Income PLUS (JPY) Trust

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 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 (1) and three (3) 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. 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 likely change, and the advantage found in the short end may wax and wane over time, the expectation is that the general relationship will hold going forward.

In addition to being able to take advantage of structural and technical inefficiencies in the market, the HIP Fund’s focus on the short end of the yield curve has the benefit of limiting the HIP Fund’s interest rate risk. As part of the investment process, the HIP Fund does not try to predict the direction or rate of change in interest rates, but concentrates its efforts on identifying undervalued bonds. Therefore, the overall duration of the portfolio is limited to 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 HIP 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 HIP Fund seeks to maintain a low risk profile by adhering to a disciplined relative value approach and achieving a diversified portfolio. The HIP Fund has three (3) 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 HIP 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 HIP 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), and emerging markets. The HIP Fund is also able to employ all security types and structures in the construction of the Income Portfolio. The notional leverage in the Income Portfolio is limited to a maximum of three times (3x) equity (*i.e.*, two dollars (\$2) of borrow against one dollar (\$1) of equity), while the HIP 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, the exposure of each individual Total Return position is typically limited to an amount representing 2-3% loss for the HIP Fund, with a maximum of 5%. Therefore, if the HIP Fund is wrong on each of the Total Return positions, it should not completely offset the potential returns generated in the Income Portfolio.

#### *Hedging*

The HIP Fund uses 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 HIP Fund's approach to hedging emphasizes identifying cost effective strategies. More importantly, however, the HIP Fund attempts to utilize liquid instruments to give it the option to monetize the hedging strategies should the environment warrant it.

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. Fund") is a multi-strategy fixed income fund. The Low Vol. Fund seeks 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 the HIP Fund. The Low Vol. Fund employs the same investment approach, except for the Total Return Strategies, which are excluded.

Overall, the Low Vol. Fund seeks to maintain a low risk profile by adhering to a disciplined relative value approach and achieving a diversified portfolio. The Low Vol. Fund has two (2) strategic components: an Income Portfolio, which seeks to generate an attractive yield, and Hedging, which attempts to moderate specific risks in the Low Vol. 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 Low Vol. Fund's returns over time. Unlike some sector-specific fixed-income funds, the Low Vol. 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. The Low Vol. Fund is also able to employ all security types and structures in the construction of the Income Portfolio. The notional leverage in the Income Portfolio is limited to a maximum of three times (3x) equity (*i.e.*, two dollars (\$2) of borrow against one dollar (\$1) of equity), while the Low Vol. 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).

#### *Hedging*

The Low Vol. Fund uses 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 Low Vol. Fund's approach to hedging emphasizes identifying cost effective strategies. More importantly, however, the Low Vol. Fund attempts to utilize liquid instruments to give it the option to monetize the hedging strategies should the environment warrant it.

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

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.

Rimrock will focus the exposure of the SPF Fund in structured product securities that have a relatively short average life, between one (1) and three (3) 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.

Rimrock believes that the structured product sector of the fixed-income market, including MBS, ABS and CMBS, is relatively inefficient and that it can apply its long experience in the structured product sector in order to identify securities that offer attractive risk-adjusted returns. Rimrock believes the SPF Fund can also benefit from its ability to transact in securities that have a below investment-grade rating, or in some cases no rating, from one or more of the nationally recognized statistical rating organizations (“NRSRO”), as most investors in this sector of the market are benchmarked to indices that do not include un-rated or below investment-grade rated securities, such as the Barclays Capital Aggregate Bond Index, and would be less willing to utilize such securities in an effort to limit their deviation, or tracking error, relative to the benchmark. In addition, many institutional investors incorporate a limit on the amount of un-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 SPF Fund 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, but 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 the maintenance of a minimum level of liquidity in the underlying portfolio.

The SPF Fund uses 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 SPF Fund’s approach to hedging emphasizes identifying cost effective strategies. More importantly, however, the SPF Fund attempts to utilize liquid instruments to give it the option to monetize the hedging strategies should the environment warrant it.

Finally, the SPF Fund has 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 focused, Rimrock also believes these strategies can be additive to the overall performance of the SPF Fund and may serve to reduce its performance volatility over time.

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 for Class A Shares (the “Fixed Income Relative Value Strategy”) 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.

Shares of the SIF Fund invest in a multi-sector fixed-income relative value portfolio. Its 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. In addition, this portfolio seeks to maintain sufficient liquidity to satisfy monthly redemption requests, including through the use of more liquid securities.

In addition to being able to take advantage of structural and technical inefficiencies in the market, the Fixed Income Relative Value Strategy’s focus on the short end of the yield curve has the benefit of limiting the portfolio’s interest rate risk. As part of the investment process, the Fixed Income Relative Value Strategy does not try to predict the direction or rate of change in interest rates, but concentrates its efforts on identifying undervalued bonds. Therefore, the overall duration of the portfolio is limited 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 Fixed Income Relative Value Strategy 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 Fixed Income Relative Value Strategy seeks to maintain a low-risk profile by adhering to a disciplined relative value approach and achieving a diversified portfolio. The Fixed Income Relative Value Strategy has two (2) 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 which 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. The Fixed Income Relative Value Strategy is also able to employ all security types and structures in the construction of the Income Portfolio. The notional leverage in the Income Portfolio is limited to a maximum of two times (2x) equity (*i.e.*, one dollar (\$1) of borrow against one dollar (\$1) of equity), while the Fixed Income Relative Value Strategy’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).

#### *Hedging*

The Fixed Income Relative Value Strategy uses 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 Fixed Income Relative Value Strategy’s approach to hedging emphasizes identifying cost effective strategies. More importantly, however, the SIF Fund attempts to utilize liquid instruments to give it the option to monetize the hedging strategies should the environment warrant it.



Rimrock Total Return Strategies Fund II, Ltd. invests in a trade that is designed to benefit if interest rate volatility increases. Specifically, the investment strategy combines the purchase of options on the USD Swap Rate with the purchase or sale of United States Treasury securities, futures, or swaps. The Fund will seek to enhance investment returns from that strategy through the use of financing and leverage. It may also use alternative securities and commodities to provide more cost effective exposure, including but not limited to futures, options on futures, swaps and options on swaps (aka “swaptions”). This strategy requires the maintenance of a highly concentrated portfolio, not one that is diversified. The Fund may, however, 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 emphasizes identifying cost effective strategies, and attempts to utilize liquid instruments, such that they may have the opportunity to monetize the hedging strategies, should the environment warrant such a transaction.

### *C. Risk 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 has the flexibility to react to changing market conditions, or changes in an investment, either could result in significant losses. An investment in the Funds or in Managed Accounts will not be 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. There can be no guarantee that any account’s or Fund’s investment objectives will be achieved. Any such 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 assumes:

- 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 creates 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 or Managed Accounts 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.

#### 1. Certain Risks of Debt Securities Generally

In addition to the material but generic examples listed above, Rimrock may expose investors in Funds and Managed Accounts to the non-exhaustive list below of specific security-related risks. Rimrock will not attempt to hedge all market and other risks inherent in the Funds’ or Managed Accounts’ 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.

(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 lesser 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). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Although governmental financial regulators, including the U.S. Federal Reserve, have taken steps to maintain historically low interest rates, the U.S. Federal Reserve recently raised interest rates slightly. It is possible there will be less governmental action in the future to maintain low interest rates or that action will be taken to raise interest rates further. Changes in market conditions and governmental action may have adverse effects on instruments, volatility, and liquidity in debt markets and any negative impact on fixed income securities could be swift and significant and may negatively impact performance.

(b) Maturity Risk

Interest-rate risk will generally affect the price of a debt security more if the security has a longer maturity. Debt securities with longer maturities will therefore be more volatile than other fixed-income securities with shorter maturities. Conversely, debt securities with shorter maturities will be less volatile but generally provide lower returns than municipal securities with longer maturities. The average maturity of a portfolio's debt security investments will affect the volatility of that portfolio's value.

(c) 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.

A portion of a portfolio's 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. The lack of a liquid secondary market for certain securities may make it more difficult for a portfolio to obtain accurate market quotations for purposes of valuing portfolios. In addition, adverse publicity and Investor perceptions, whether or not based on Fundamental analysis, may decrease the values and liquidity of lower-quality and comparable unrated securities, especially in a thinly traded market.

(d) Investment-Grade Securities

Although bonds and notes rated in the BBB or equivalent category are commonly referred to as investment grade, they may have speculative characteristics. Such investments may, under certain circumstances, lead to a greater degree of fluctuation in a portfolio's asset value than if a portfolio only invested in higher-rated investment-grade securities with similar maturities. In addition, changes in economic conditions or other circumstances are more likely to lead to a weakened capacity to make principal and interest payments than is the case with higher grade bonds.

(e) Non-Investment-Grade Securities

A portfolio may invest in debt securities that are generally rated below investment grade (such as BB or lower by Standard & Poor's Corporation and/or BA or lower by Moody's Investors Service, Inc.) or deemed to be below investment grade by Rimrock in its sole discretion. These securities, often referred to as high-yield debt securities, 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.

In addition, the market for lower-rated debt securities may be thinner and less active than that for higher-rated debt securities, which can adversely affect the prices at which the lower-rated debt securities are sold. If market quotations are not available, lower-rated debt securities will be valued by Rimrock in its sole discretion. Judgment plays a greater role in valuing high-yield corporate-debt securities than is the case for securities for which more external sources for quotations and last sale information is available. Adverse publicity and changing Investor perception may also affect the availability of outside pricing services to value lower-rated debt securities and a portfolio's ability to dispose of these securities. In addition, such securities generally present a higher degree of credit risk. Issuers of lower-rated debt securities are often highly leveraged and may not have more traditional methods of financing available to them so that their ability to service their obligations during an economic downturn or during sustained periods of rising interest rates may be impaired. The risk of loss due to default by such issuers is significantly greater because below investment-grade securities generally are unsecured and frequently are subordinated to the prior payment of senior indebtedness.

Additionally, while the market for high yield municipal debt securities has been in existence for many years and has weathered previous economic downturns, past experience may not provide an accurate indication of future performance of the high yield bond market, especially during periods of economic recession.

(f) 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.

(g) 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 (2) 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.

(h) 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 believes that these special situations can present a unique opportunity to invest in a company below its intrinsic value. Investments will be made in securities with the potential for superior returns based on evaluation and research concentrating on: (i) industry (including barriers to entry, competition, pricing power and regulatory issues); (ii) company (including ownership, quality of management, profitability, credit statistics and event risk); (iii) security (including seniority in capital structure, covenant protection and asset protection); and (iv) valuation (including cash flows and company assets).

Once Rimrock identifies companies using one or more of the above research criteria, its strategy 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. Rimrock's strategy also includes the establishment of significant creditor positions respecting an identified company by purchasing that company's debt securities at a fraction of their face values. This can provide Rimrock with the necessary leverage to influence the company in its reorganization, restructuring or recapitalization efforts.

(i) Bank Loans and Participations

A portfolio may include significant amounts of 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 a portfolio to directly enforce its rights with respect to participations. In analyzing each bank loan or participation, Rimrock compares the relative significance of the risks against the expected benefits. Successful claims by third parties arising from these and other risks, absent fraud, willful misconduct or gross negligence by Rimrock, will be borne by a portfolio.

(j) Bankruptcy Issues

Some of the companies in which a portfolio invests may be involved in bankruptcy. There are a number of significant risks inherent in the bankruptcy process. These include the risks described below.

- (i) *Loss of Creditor Control.* Many events in a bankruptcy are the product of contested matters and adversarial proceedings and are beyond the control of the creditors. While creditors are generally given an opportunity to object to significant actions, there can be no assurance that a bankruptcy court in the exercise of its broad powers would not approve actions that would be contrary to the interests of a portfolio.
- (ii) *Permanent Adverse Effects.* 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 liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment.
- (iii) *Delays.* 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.
- (iv) *High Administrative Costs.* 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.
- (v) *Class Claims.* 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.
- (vi) *Contingent Claims.* 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.
- (vii) *Dominion and Control.* 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.
- (viii) *Priority Claims.* Certain claims that have priority by law (for example, claims for taxes) may be quite substantial.

In addition, under certain circumstances, payments to a portfolio and distributions by a portfolio to its respective investors may be reclaimed if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

(k) Participation on Creditors' Committees

A portfolio may participate on committees formed by creditors to negotiate with the management of financially troubled companies that may or may not be in bankruptcy. A portfolio may also seek to negotiate directly with debtors with respect to restructuring issues. In the situation where a portfolio does choose to join a creditors' committee, the portfolio would likely be only one of many participants, each of

whom would be interested in obtaining an outcome that is in its individual best interests. There can be no assurance that a portfolio would be successful in obtaining results favorable to it in such proceedings, although the portfolio may incur significant legal fees and other expenses in attempting to do so. As a result of participation by a portfolio on such committees, the portfolio may be deemed to have duties to other creditors represented by the committees, which might thereby expose the portfolio to liability to such other creditors who disagree with the portfolio's actions.

(l) Litigation

Rimrock may invest in companies involved in litigation where the outcome of a lawsuit may have a significant impact on a company in the very short term. Typically, these situations create significant uncertainty about the future of an enterprise and, consequently, allow for mispricing of the underlying securities. From time-to-time, a Fund or Managed Account may be long, short or hedged in securities of companies involved in these situations. This will be the case in so far as Rimrock can create positions that have attractive risk reward parameters based on the expected outcome of the legal event.

(m) Cybersecurity

With the increased use of technologies such as the Internet to conduct business, Rimrock and its vendors and other service providers are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events and may arise from external or internal sources. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems, corrupting data, equipment or systems, or causing network services to be unavailable to intended users (i.e., "denial of service") or other operational disruption. Cyber incidents affecting Rimrock, its vendors, and other service providers have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the release of investor information or confidential business information, interference with the ability to calculate net asset values, impediments to trading, destruction of equipment and systems, violation of applicable privacy and other laws, regulatory fines or penalties, reputational damage, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of financial instruments in which Rimrock clients invest, counterparties with which clients engage in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions or parties.

(n) Unusual Securities Creations

Rimrock may invest in unusual securities created for particular purposes that are not of a type typically traded in the securities markets. 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. Moreover, securities in which a portfolio may invest include those that are not listed on a stock exchange or traded in an over-the-counter market. As a result of the absence of a public trading market for these securities, they may be less liquid than publicly traded securities. 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.

(o) Equity Securities

The purchaser of an equity security typically receives an ownership interest in the company with certain voting rights. 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. Equity securities generally take the form of common stock or preferred stock. Preferred stockholders typically receive greater dividends but may receive less appreciation than common stockholders and may have lesser or greater voting rights as well. Equity securities may also include convertible securities, warrants or rights. Convertible securities typically are debt securities or preferred stocks which are convertible into common stock after certain time periods or under certain circumstances. Warrants or rights give the holder the right to purchase a common stock at a given time for a specified price.

(p) Preferred Stock

A portfolio may invest in preferred stock which may have characteristics of both debt and equity securities. 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.

(q) 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 in which a portfolio invests 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. Rimrock can offer no assurance that the efforts of any particular portfolio company will be successful or that its business will succeed.

(r) Developments in Global Markets

Global markets have experienced significant market events, including decreasing liquidity and declining market values. Increasing credit and valuation problems in the corporate, governmental and sovereign debt markets and the mass liquidation of investment portfolios across all markets, among other factors, have generated extreme volatility and illiquidity in worldwide capital markets. This volatility and illiquidity has extended to the global markets generally and has been exacerbated by, among other things, growing uncertainty regarding the extent of the problems in the mortgage industry and financial institutions and the financial and economic condition of certain governments and countries, including decreased risk tolerance by investors, significantly tightened availability of credit and global deleveraging. The continuation of these market conditions and uncertainty and further deteriorations could result in further declines in the market values of the investment assets anticipated to be held by a portfolio. The duration and ultimate effect of these market conditions cannot be predicted, nor is it known whether or the degree to which such conditions may worsen. Such declines could prevent a portfolio from successfully executing the portfolio's investment strategy, and may require the portfolio to dispose of investments at a loss while such adverse market conditions prevail.

European economies in particular have been experiencing a prolonged economic downturn, resulting in heightened credit risk, reduced valuation of investments, and decreased economic activity. Although European governments have taken various actions to try to stabilize the financial markets, it is unclear whether those actions will be effective, and it is possible that those actions could lead to an inflationary environment. If these risks materialize, a portfolio's financial results could be negatively impacted even after the end of an economic downturn. An inflationary environment (which could follow government efforts to stabilize the economy) could also adversely impact a portfolio's reserves and could adversely impact the valuation of the portfolio's investments. Such economic uncertainty has been exacerbated by the increased potential for default by one or more European sovereign debt issuers and the negative impact of such an event on global financial institutions and capital markets generally. Actions or inactions of European governments may impact these actual or perceived risks. If one or more European sovereign debt issuers defaults, then a portfolio's investments, financial position, and liquidity could be materially and adversely affected.

(s) Non-U.S. Investments Involve More Risks

A portfolio may invest in securities of non-U.S. companies (including Depository Receipts), which involve risk not typically associated with investing in U.S. companies. A portfolio 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 payment positions, and in other respects. The value and marketability of a portfolio's 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.

(t) Recent and Anticipated Regulatory Activity

The U.S. Congress, the SEC, the CFTC and other regulators have taken, or represented that they may take, action to increase or otherwise modify the laws, rules and regulations applicable to short sales, derivatives and other techniques and instruments in which a portfolio may invest. Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "*Dodd-Frank Act*") imposed the so-called "Volcker Rule." The Volcker Rule generally restricts the ability of "banking entities" and certain "nonbank financial companies" to engage in proprietary trading and to invest in, sponsor, or hold interests in private investment funds such as a Fund. The final regulation implementing the statutory Volcker Rule also limits the ability of banking entities to engage in proprietary trading of certain derivatives, which may reduce the number of potential counterparties and liquidity for those derivatives.

Title VII of the Dodd-Frank Act and related regulatory developments also imposed comprehensive new regulatory requirements on derivatives trading activities, including restrictions on swaps trading and on swap market participants, such as a Fund or Managed Account. These and other similar rules and regulations may increase the costs and expenses to a portfolio of utilizing swaps and other derivatives. As a result, a Fund or Managed Account may engage in fewer derivatives transactions than they otherwise would have, experience higher costs in connection with using derivatives for hedging or other purposes or may utilize higher leverage than otherwise to achieve the same level of returns.



The regulation of derivatives is a rapidly changing area of law and is subject to continuing modification by regulatory and judicial action. In addition, the SEC, the CFTC and the exchanges are authorized to take extraordinary actions in the event of a market emergency, including, for example, the implementation or reduction of speculative position limits, the implementation of higher margin requirements, the establishment of daily price limits and the suspension of trading.

It is not possible to predict fully the effects of current or future regulation. However, it is possible that developments in government regulation of various types of derivative instruments, such as speculative position limits on certain types of derivatives, or limits or restrictions on the counterparties with which a portfolio engages in derivative transactions, may limit or prevent a portfolio from using, or limit the portfolio's use of, these instruments as a part of its investment strategy, and could adversely affect the portfolio's potential to achieve their investment objective. New requirements, even if not directly applicable to a portfolio, may increase the cost of the portfolio's investments. Compliance with such new or modified laws, rules and regulations may also increase a portfolio's expenses and, therefore, may adversely affect the portfolio's performance.

(u) Non-U.S. Investments Have Less Regulatory Oversight and Protection

The securities of non-U.S. issuers held by a portfolio 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, the non-U.S. company or government issuing them, or the non-U.S. board of trade clearing them than is available about a U.S. company, government entity or board of trade. Non-U.S. companies and non-U.S. boards of trade 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.

(v) Emerging Markets

Emerging market countries include: (i) countries that are generally considered low or middle income countries by the International Bank for Reconstruction and Development (commonly known as the World Bank) and the International Finance Corporation; (ii) countries that are classified by the United Nations or otherwise regarded by their authorities as emerging; or (iii) countries with a market capitalization of less than 3% of the Morgan Stanley Capital World Index.

A portfolio may invest without percentage limitation in U.S. or non-U.S. securities. A portfolio may invest up to 100% of their total assets in 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 a portfolio's 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 countries in which a portfolio may invest 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. For example, the Communist governments of a number of Eastern European countries expropriated large amounts of private property in the past, in many cases without adequate compensation, and there can be no assurance that such expropriation will not occur in the future. In the event of such expropriation, a portfolio could lose a substantial portion of any investments it has made in the affected countries. Further, no accounting standards exist in certain developing countries. 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 and Managed Account Investors.

(w) 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.

Purchasers of loans are predominantly commercial banks, investment funds, mutual funds and investment banks. As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading which may improve market liquidity. There can be no assurance,

however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically, the trading volume in the loan market has been small relative to the high- yield debt market.

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 insolvency of the selling institution, under U.S. law, 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.

The yield characteristics of mortgage-related and asset-backed securities differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that principal may be prepaid at any time because the underlying mortgage loans or other assets generally may be prepaid at any time. As a result, if a portfolio purchases such a security at a premium, a prepayment rate that is faster than expected will reduce yield to maturity, while a prepayment rate that is slower than expected will have the opposite effect of increasing yield to maturity. Alternatively, if a portfolio purchases these securities at a discount, faster than expected prepayments will increase, while slower than expected prepayments will reduce, yield to maturity. The portfolio may invest a portion of its assets in derivative mortgage-related securities which are highly sensitive to changes in prepayment and interest rates. Rimrock will seek to manage these risks (and potential benefits) by diversifying its investments in such securities and through hedging techniques.

*Interest-Rate Risk.* MBS are subject to interest-rate risk. The underlying assets of an issuer of MBS may bear interest at a fixed (floating) rate while the MBS issued by such issuer may bear interest at a floating (fixed) rate. As a result, there could be a floating / fixed-rate or basis mismatch between such MBS and underlying assets which bear interest at a fixed-rate ("*Fixed-Rate Assets*"), and there may be a timing mismatch between the MBS and assets that are not Fixed-Rate Assets ("*Floating-Rate Assets*"). In addition, the interest rate on Floating-Rate Assets may adjust more frequently or less frequently, on different dates and based on different indices than the interest rates on the MBS. As a result of such mismatches, an increase or decrease in the level of the floating-rate indices could adversely impact the ability to make payments on the MBS.

*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." Structured finance securities may present risks similar to those of the other types of MBS and, in fact, such risks may be of greater significance in the case of structured finance securities. Moreover, 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 affected by 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. The owner will not directly benefit from any collateral supporting the reference obligation and will not have the benefit of the remedies that would normally be available to a holder of such reference obligation. In addition, in the event of 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. Consequently, the owner will be subject to the credit risk of the counterparty as well as that of the reference obligor. As a result, concentrations of synthetic securities entered into with any one counterparty will subject the owner and the Investors to an additional degree of risk with respect to defaults by such counterparty as well as by the reference obligor.

*Concentration Risk.* The concentration of the portfolio subjects the Shares to a greater degree of risk with respect to MBS or ABS defaults and defaults on the underlying assets of the MBS and ABS.

*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 and on the owner's ability to dispose of them. Therefore, 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.

*Insolvency Risks.* Various laws enacted for the protection of creditors may apply to the issuers of the MBS or ABS or the issuers of the assets underlying the MBS and ABS (solely for purposes of this risk factor, an "Insolvent Company"). The information in this and the following paragraph is applicable with respect to U.S. issuers. Insolvency considerations may differ with respect to non-U.S. issuers. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an Insolvent Company, such as a trustee in bankruptcy, were to find that the issuer did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting the MBS, ABS or underlying assets (as applicable) and, after giving effect to such indebtedness, the Insolvent Company (i) was insolvent, (ii) was engaged in a business for

which the remaining assets of the Insolvent Company constituted unreasonably small capital, or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could determine to invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, to subordinate such indebtedness to existing or future creditors of the Insolvent Company or to recover amounts previously paid by such issuer in satisfaction of such indebtedness. The measure of insolvency for purposes of the foregoing will vary. Generally, an Insolvent Company would be considered insolvent at a particular time if the sum of its debts were then greater than all of its property at a fair valuation or if the present fair saleable value of its assets were then less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether the Insolvent Company was “insolvent” after giving effect to the incurrence of the indebtedness constituting the MBS, ABS or underlying assets (as applicable) or that, regardless of the method of valuation, a court would not determine that the Insolvent Company was “insolvent” upon giving effect to such incurrence. In addition, in the event of the insolvency of an Insolvent Company, payments made on such MBS, ABS or underlying assets (as applicable) could be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one (1) year) before insolvency.

In general, if payments on MBS, ABS or underlying assets (as applicable) are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient or from subsequent transferees of such payments (such as other investors). However, a court in a bankruptcy or insolvency proceeding would be able to direct the recapture of any such payment from an investor only to the extent that such court has jurisdiction over such holder or its assets. Moreover, it is likely that avoidable payments could not be recaptured directly from a holder that has given value in exchange for its interest, in good faith and without knowledge that the payments were avoidable. Nevertheless, as there is no judicial precedent relating to structured securities such as these interests, there can be no assurance that an Investor will be able to avoid recapture on this or any other basis.

(x) 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 a portfolio changes 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 a portfolio from transferring 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.

The Funds and Managed Accounts 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 in which a portfolio may invest 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.

Certain currencies have experienced a steady devaluation relative to the U.S. dollar. Any devaluations in the currencies in which portfolio securities are denominated may have a detrimental impact on a portfolio. Through a portfolio’s flexible policy, management endeavors to avoid unfavorable consequences and to

take advantage of favorable developments in particular nations where, from time-to-time, it places the portfolio's investments. The exercise of this flexible policy may include decisions to purchase securities with substantial risk characteristics and other decisions such as changing the emphasis on investments from one nation to another and from one type of security to another. Some of these decisions may later prove profitable and others may not. No assurance can be given that profits, if any, will exceed losses.

(y) 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. A portfolio may enter into a forward contract, for example, when it enters into a contract for the purchase or sale of a security denominated in a foreign currency or is expecting a dividend or interest payment in order to "lock in" the U.S. dollar price of a security, dividend or interest payment. When Rimrock believes that a foreign currency may suffer a substantial decline against the U.S. dollar, it may enter into a forward contract to sell an amount of that foreign currency approximating the value of some or all of the portfolio's securities denominated in such currency, or when Rimrock believes that the U.S. dollar may suffer a substantial decline against a foreign currency, it may enter into a forward contract to buy that currency for a fixed dollar amount. 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 performance by a portfolio than if it had not entered into such contracts.

(z) Options

A portfolio may buy and sell put and call options. Although successful trading in options contracts requires many of the same skills required for successful securities trading, the risks involved are somewhat different. For example, if a portfolio were to write a covered call option, the portfolio would give up the opportunity while the option is in effect to realize gain from any price increase (above the option exercise price) in the underlying security. In addition, the portfolio's ability to sell the underlying security is limited while the option is in effect unless the portfolio effects a closing purchase transaction. 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.

- (i) *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 a portfolio to speculate 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, a portfolio will lose the premium it paid to purchase an option if the portfolio does not sell or exercise the option. If the portfolio sells options and must deliver the underlying securities at the exercise price, the portfolio has a theoretically unlimited risk of loss if the price of the underlying securities increases. If the portfolio must buy the underlying securities, the portfolio 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.

- (ii) *Options Not Traded On An Exchange Involve Additional Risk.* A portfolio may buy or sell stock or index options not traded on a securities exchange. Options not traded on an exchange are not issued by the Options Clearing Corporation. The risk of nonperformance by the obligor on such an option may be greater and the ease with which a portfolio can dispose of such an option may be less than in the case of an exchange-traded option issued by the Options Clearing Corporation.

(aa) Futures Contracts

A portfolio may invest in futures contracts, which may subject them to certain special significant risks as described below:

- (i) *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. Such intervention is often intended to influence price directly. None of these factors can be controlled by Rimrock and no assurances can be given that advice will result in profitable trades for a portfolio or that a portfolio will not incur substantial losses.
- (ii) *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 portfolio. Like other leveraged investments, any trade may result in losses in excess of the amount invested.
- (iii) *Illiquidity.* U.S. 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. Such limits could prevent Rimrock from promptly liquidating unfavorable positions and restrict its ability to exercise or offset commodity options held in a portfolio. 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 in the market is not adequate. Daily limits have been applicable to bond futures for some time and have recently been imposed on stock index futures. 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.
- (iv) *Position limits.* The CFTC and U.S. 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 U.S. commodities exchanges. All accounts (proprietary or client) owned or managed by Rimrock are combined for position limit purposes. Rimrock could be required to liquidate positions held for

a portfolio in order to comply with such limits. Any such liquidation could result in substantial costs to the portfolio.

(bb) Swap Agreements

A portfolio may enter into one or more swap agreements, which obligate one party to make payments to the other party based on the change in the market value of an index or other asset. In return, the other party agrees to make payments to the first party based on the return of another index or asset. Swap agreements entail the risk that a party will default on its payment obligations. Recently, the SEC and the CFTC have issued substantive regulations regarding the clearing, trading and reporting of swaps, which may affect counterparty risk and other risks faced by a portfolio. Although the full effect of current or future regulations remains unclear, it is possible that these regulations may make swaps less desirable. As a result, the portfolio's investments in swaps may be reduced, and the portfolio's returns may be negatively impacted.

(cc) Interest-Rate Swaps

Interest-rate swap agreements are used to obtain or preserve a desired return or spread at a lower cost than through a direct investment in an instrument that yields the desired return or spread. Swaps also may protect against changes in the price of securities that an investor anticipates buying or selling at a later date. Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to several years. In a standard interest rate swap transaction, two parties agree to exchange their respective commitments to pay fixed or floating rates on a predetermined notional amount. The swap agreement notional amount is the predetermined basis for calculating the obligations that the swap counterparties have agreed to exchange. Under most swap agreements, the obligations of the parties are exchanged on a net basis. The two payment streams are netted out, with each party receiving or paying, as the case may be, only the net amount of the two payments.

Swap agreements are usually entered into at a zero (0) 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.

Swap agreements may include embedded interest-rate caps, floor and collars. In interest-rate cap transactions, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or cap. Interest-rate floor transactions require one party, in exchange for a premium to agree to make payments to the other to the extent that interest rates fall below a specified level, or floor. In interest-rate collar transactions, one party sells a cap and purchases a floor, or vice versa, in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels or collar amounts.

Swap agreements are traded in the over-the-counter market and may be considered to be illiquid. If there is a default by the other party to such a transaction, a portfolio will have to rely on its contractual remedies (which may be limited by bankruptcy, insolvency or similar laws) pursuant to the agreements related to the transaction. In certain circumstances, a portfolio may seek to minimize counterparty risk by requiring the counterparty to post collateral.



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

A portfolio 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, the portfolio could experience delays and costs in recovering payment or the securities. If, in the meantime, the value of securities changes, the portfolio could suffer more losses.

(ee) Concentration of Investments

Rimrock's investment management agreements impose no limits on the concentration of a portfolio's investments in particular countries, regions, securities, industries or sectors, and at times, a portfolio expects to hold a relatively small number of securities positions, each representing a relatively large portion of the portfolio's capital. Losses incurred in those positions could have a material adverse effect on a portfolio's overall financial condition. Each Fund's or Managed Account's investment portfolio (because of size, investment strategy and other considerations) may be confined to the securities of relatively few issuers or industries. Further, each portfolio is not required to maintain any minimum level of capital. As a result of losses or redemptions, each portfolio may not have sufficient funds to diversify its investments.

When investments are concentrated in several relatively large security positions or industries relative to Fund or Managed Account capital, a loss in any one position or a downturn in a sector in which one of the portfolios is invested could materially reduce that portfolio's performance.

(ff) General Investment and Market Risks

Rimrock's strategy is designed to accomplish the investment objective independent of the general market direction or volatility. However, there can be no guarantee of the success of that strategy, and a portfolio's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of a portfolio's investments. Unexpected volatility or illiquidity could impair a portfolio's profitability or result in losses.

(gg) Availability and Accuracy of Information

Rimrock will select investments for a portfolio on the basis of information and data derived from firsthand research by Rimrock and, for public companies, filed by the issuers of such securities with the SEC. Although Rimrock intends to evaluate all such information and data as well as seek independent corroboration when Rimrock considers it appropriate and/or reasonably available, Rimrock will not in many cases be in a position to confirm the completeness, genuineness or accuracy of such information and data.

(hh) Limited Liquidity of Certain Portfolio Investments

Under normal circumstances, each Fund or Managed Account will invest in investments that are liquid. However, each Fund or Managed Account is permitted to invest in investments that will be illiquid, either because they are privately purchased and subject to transfer restrictions or because they are thinly traded. Accordingly, each of the Funds or Managed Accounts may not be able to liquidate those investments if the need should arise, and its ability to realize gains, or to avoid losses in periods of rapid market activity, may therefore be affected. In addition, the value assigned to such securities for purposes of determining net profit and net losses may differ substantially from the value the Funds or Managed Accounts are ultimately able to realize.

(ii) Control Position

Although a portfolio does not do so as a normal investment technique, it may obtain a control position or other substantial position in any public company. Should a portfolio obtain such a position, it may be required to make filings with the SEC, and it may become subject to other regulatory restrictions that could limit the ability of the portfolio to dispose of their holdings at the times and in the manner the portfolio would prefer. Violations of these regulatory requirements could subject a portfolio to significant liabilities.

(jj) High Portfolio Turnover and Recognition of Gains

Each portfolio's 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. Therefore, pursuant to certain anti-deferral rules under the Code, taxable investors in a portfolio 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 are not subject to such anti-deferral regimes.

(kk) Third-Party Litigation

Each portfolio's investment activities subject them to the risks of becoming involved in litigation by third parties. This risk is somewhat greater where such portfolio exercises control of, or significant influence in, a company's direction. The expense of defending against such claims by third parties and paying any amounts pursuant to settlements or judgments would, absent certain conduct by Rimrock, be borne by such portfolio and would reduce net assets and could require Investors to return to such portfolio distributed capital and earnings. Rimrock and others are entitled to be indemnified by a portfolio in connection with such litigation, subject to certain conditions.

2. Risks Associated with Rimrock's Investment Techniques

A portfolio may trade and invest in all types of securities, including common and preferred stocks, options, warrants, bonds, notes, bills, rights and derivatives. Each investment management agreement imposes no limits on the types of securities or other instruments in which a portfolio may take positions, the choice of sector or sectors within which Rimrock seeks to identify securities, the choice of markets (U.S. or non-U.S.) within which the portfolio may invest, the type of positions they may take, the investment or trading strategies they may use, its ability to borrow or use other types of leverage, or the concentration of each portfolio's investments.

(a) Short Sales

A portfolio may engage in short sales. Short selling involves selling securities that may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. 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 for a portfolio 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 a portfolio from executing short sales of securities at the most desirable time. If the prices of securities sold short increase, a portfolio may be required to provide additional funds or collateral to maintain the short positions. This could require the portfolio to liquidate 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 a portfolio 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 to the portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in the inability of a portfolio to cover the short position, and of theoretically unlimited potential for loss to the portfolio.

(b) Availability of and Ability to Acquire Suitable Investments

While the Rimrock believes that many attractive investments of the type in which a portfolio may invest are currently available and can be identified, there can be no assurance that such investments will be available, or that available investments will meet the portfolio’s investment criteria on an ongoing basis. Furthermore, a portfolio may be unable to find a sufficient number of attractive investment opportunities to meet its investment objective.

(c) 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 a portfolio’s investments.

(d) Leverage Risk

A portfolio is authorized to borrow from banks and other financial institutions in order to enhance its investment leverage. A portfolio also may engage in other investment strategies (such as options and derivatives) that will result in leveraging the assets of the portfolio. Loans may be secured by assets of a portfolio pledged to lenders. Leveraging by means of borrowing may exaggerate the effect of any increase or decrease in the value of the assets of a portfolio, 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 a portfolio, but it also offers the potential for higher returns. Accordingly, any event which adversely affects the value of an investment by a portfolio would be magnified to the extent the portfolio is leveraged. The cumulative effect of the use of leverage by a portfolio in a market that moves adversely to the portfolio’s investments could result in a substantial loss to the portfolio which would be greater than if the portfolio were not leveraged.

(e) Basis Risk

Unusual market conditions may arise whereby hedging instruments temporarily diverge from the underlying cash securities. This may have the effect of leaving a portfolio partially unhedged with regard to interest-rate risk for some period of time.

(f) Trading Derivative Instruments Involves Credit Risk

A portfolio may buy and sell derivative securities 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. This exposes a portfolio to the 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. These problems may cause a portfolio to suffer loss due to adverse market movements while replacement transactions are executed or otherwise. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a portfolio has concentrated its transactions with a single or small group of counterparties.

(g) Derivatives are Difficult to Value

Derivative instruments may be difficult to value accurately. Any misvaluation could adversely affect the Investors.

(h) Repurchase Agreements Involve Insolvency and Credit Risks

A portfolio may enter into repurchase agreements, by which it buys a security and simultaneously agrees to sell it back later at a predetermined price, or reverse repurchase agreements, by which a portfolio sells a security and simultaneously agrees to buy it back later at a predetermined price. If the other party to a repurchase or reverse repurchase agreement becomes insolvent or bankrupt, the portfolio may experience delays and incur costs in recovering payment or the securities. If the value of the security purchased changes in the meantime, the portfolio could experience further losses. Repurchase and reverse repurchase agreements can have effects similar to margin trading and other leveraging strategies.

(i) High Brokerage and Other Transactional Expenses

A portfolio’s activities may at times involve a high level of trading (including significant short-term trades) resulting in very high portfolio turnover that may generate substantial transaction costs. These costs will be borne by a portfolio regardless of their profitability. The expenses of a portfolio may be greater than the total fees charged in other comparable investment vehicles.

(j) Changing Conditions Could Cause a Portfolio to Suffer Losses

There are innumerable external factors that could impact a portfolio including changes in economic conditions (such as interest rates and inflation rates), industry conditions, governmental regulation, competition, technological developments, political and diplomatic events and trends, the outbreak of war or terrorist acts, changes in tax laws and other factors. Rimrock cannot control any of these conditions.

**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 flat fee arrangement, from fees generated by investors 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 additional feeder funds, Rimrock Low Volatility (QP) (JPY) Trust, Rimrock Structured Product (JPY) Trust, and Rimrock High Income PLUS (JPY) Trust, all Yen-denominated feeder funds, 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, 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 makes 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 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 investment vehicles 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 Rimrock Real Estate Ventures, L.P. (“RREV”), a commercial real estate finance company that originates, invests in, services, and sells commercial real estate equity and debt. RREV is not expected to

compete with Rimrock clients. Rimrock reviews these investments for potential conflicts of interest on at least an annual basis.

## **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 client and investor interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing. 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 securities account holdings and transactions to Rimrock's Compliance Department, who reviews these reports on a periodic basis. Associated persons are further required to obtain preapproval for any outside business activities and certain personal securities 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. Moreover, Rimrock places restrictions on gifts and entertainment to avoid potential conflicts of interest that may arise when associated persons accept or give gifts or entertainment.

Clients or prospective clients, and investors or prospective investors in any of the Funds, may review a complete copy of our Code of Ethics at our offices 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 associated persons. If a potential conflict arises, Rimrock and the employee must resolve the matter in the client's favor. All trades for personal accounts in individual, publicly traded securities generally must be pre-cleared and must comply with Rimrock's

Restricted List. Employee investments in private investment offerings and initial public offerings must also be pre-cleared and are reviewed for potential conflicts. 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 associated person's personal account.

#### *Outside Business Activities*

Rimrock personnel are permitted to engage in business activities outside Rimrock, which may create a potential conflict of interest if they cause an associated person to have divided loyalties, requiring choices between that other interest and the interests of Rimrock or Rimrock's clients. Accordingly, all associated persons are required to report and obtain approval, in advance, of prospective outside business activities, including but not limited to serving as an officer or on the board of directors or trustees of any public or private company, other than a not-for-profit organization.

#### *Prohibition on Affiliated Loans*

Rimrock prohibits loans from any client to any affiliated person or entity.

### **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*

Rimrock currently does not have any soft dollar arrangements, nor do we plan on entering into "soft dollar" arrangements. In effecting its fixed income trading, Rimrock does not generate brokerage commissions from client accounts that could be used to obtain research or related brokerage services as defined in Section 28(e) of the Securities Exchange Act of 1934.

From time to time, Rimrock receives unsolicited research from various broker-dealers, who may or may not be counterparties to trades placed on behalf of clients, about particular companies, industries or general economic conditions. Certain broker-dealers may also invite Rimrock employees to attend meetings with representatives of securities issuers or analysts. Although Rimrock may review and consider certain of the research received, and may attend these meetings, Rimrock generally does not take that research or those meetings into consideration in its broker-dealer selection process. Rimrock purchases research and related services using its own resources. For these purposes, "research" means advice, analysis and reports used to provide lawful and appropriate assistance to Rimrock in making investment decisions for its clients.

### *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 and Investment Allocation*

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, including risk, return and volatility 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.

### *Agency Cross Trades*

It is Rimrock’s policy and practice to *not* engage in agency cross transactions. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.



### **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 and Portfolio Managers. Significant market volatility, material position level changes, or changes on top down outlook may also 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 revenue from advisory clients is derived from management fees and performance fees generated through managing Rimrock Funds and Managed Accounts.

#### ***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. 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. DLX is compensated by Rimrock through a flat fee arrangement, from fees generated by investors introduced to Rimrock by registered representatives of DLX.

Rimrock has entered into a services agreement with 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 additional feeder funds, Rimrock High Income PLUS (JPY) Trust, Rimrock Low Volatility (QP) (JPY) Trust, and Rimrock Structured Product (JPY) Trust, all Yen denominated feeder funds, for Japanese investors.

### **Item 15 – Custody**

An investment adviser who is deemed to have “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, as defined in Rule 206(4)-2 of the Investment Advisers Act, 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. An investment adviser also is deemed to have custody under the Rule 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. Accordingly, Rimrock is deemed to have custody of Fund client assets by virtue of the Firm’s dual role as investment manager / general partner of the domestic Rimrock Funds, the affiliation of an associated person as a director for the offshore Rimrock Funds, and Rimrock’s ability to cause the deduction of its fees.

Custody of the assets of the Funds is maintained with an independent, 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 public accountant that is registered with, and subject to, regular inspection by the Public Company Accounting Oversight Board provides an annual audit that is distributed to clients. We do not maintain physical possession of the funds or securities of any Fund or Managed Account. The qualified custodian is restricted from making payments to us or our affiliates from any account maintained by the custodian on behalf of a Fund unless certain requirements are met.

For Managed Accounts, the client hires an independent custodian for the account. In Rimrock’s standard investment management agreement and in any third-party forms used by Rimrock, the Firm 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. Rimrock’s ability to make disbursements or transfers in connection with Managed Accounts is limited to instances of authorized trading and other circumstances where Rimrock has no discretion as to the timing, amount, or recipient of disbursements or transfers. In addition, Rimrock’s authority to give such instructions is strictly limited to “delivery versus payment” conditions, where transfers out of the account occur only upon corresponding transfer of securities or funds into the account. The custodian provides the Managed Account 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. Managed Account clients can impose reasonable restrictions on investing in certain securities or types of securities. Clients with 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 the Rimrock Funds and Managed Accounts. 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 corporate 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 actions with respect to other corporate actions requiring shareholder or debtholder approval, Rimrock will vote all proxies and act on all other shareholder or debtholder 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 for the relevant Fund or Managed Account. 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**

Attached below is Rimrock's Privacy Notice.

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## PRIVACY NOTICE

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Maintaining the confidentiality and security of your personal financial information is very important to us at Rimrock Capital Management, LLC (“Rimrock”).

**INFORMATION WE COLLECT.** To provide you with superior service, we may collect several types of nonpublic personal information about you, including:

- Information from forms you fill out and send to us in connection with your investment in one of our funds (such as your name, address, and social security number).
- Information you give us verbally.
- Information you submit to us in correspondence, including emails.
- Information about the amounts you have invested in our funds (such as your initial investment and any additions to and withdrawals from your capital account).
- Information about any bank account you use for transfers between your bank account and your capital account in any of our funds, including information provided when effecting wire transfers.

**INFORMATION WE SHARE.** We do not sell your personal information and we do not disclose it to anyone except as permitted or required by law. For example, we may share information we collect about you with our independent auditors in the course of the annual audit of the fund in which you have an investment. We may share this information with our legal counsel as we deem appropriate and with regulators. Additionally, we may disclose information about you at your request (for example, by sending duplicate account statements to someone you designate), or as otherwise permitted or required by law.

**INFORMATION SECURITY.** Within Rimrock, access to information about you is restricted to those employees who need to know the information to service your account. Rimrock employees are trained to follow our procedures to protect your privacy and are instructed to access information about you only when they have a business reason to obtain it.

**CHANGES TO OUR PRIVACY POLICY.** We reserve the right to change our privacy policy in the future, but we will not disclose your nonpublic personal information as required or permitted by law without giving you an opportunity to instruct us not to.

**QUESTIONS.** *For questions about our privacy policy, or for additional copies of this notice, please call us at (949) 381-7800 or [ir@rimrockcapital.com](mailto:ir@rimrockcapital.com).*

### **PRIVACY NOTICE FOR DATA SUBJECTS WHOSE PERSONAL INFORMATION MAY BE COLLECTED IN THE EUROPEAN UNION:**

**EU GENERAL DATA PROTECTION REGULATION (“GDPR”).** With regard to personal information collected in the European Economic Area (EEA) Rimrock lacks an office in any EEA country and offers investment management products and services only to institutional investors in the EEA. However, through its investor subscription forms, websites, emails, and other communications with

investors, Rimrock collects and stores personal information on officers, employees, and representatives of entity investors. Personal information that may be collected by us from data subject in the EEA includes:

- Name
- Address
- Phone Number
- Email Address
- Names of Beneficial Owners
- Tax ID Number
- Place of Birth or Incorporation
- Whether an Investor is an “Accredited Investor” and “Qualified Purchaser”
- Contact Information for Individuals Receiving Duplicate Reports and “Interested Parties.”

Because Rimrock has no established office in the EEA, it must potentially deal with local supervisory authorities in all E.U. states where it has business. In addition, information that we collect may be transferred outside of the EEA, including to countries, such as the United States and Cayman Islands, which have not been deemed as having “adequate” security measures by the European Commission. Therefore, we have executed or intend to execute Model Clauses in our contracts, pursuant to European Commission Decision 2010/87/EC, to facilitate the legitimate, secure transfer of personal information outside the EEA as necessary.

**LAWFUL GROUNDS TO PROCESS AND OBTAIN CONSENT.** As a regulated financial services entity, Rimrock is required to collect, review and store private information about investors, clients, and their representatives. Based on our obligations and business needs, we may collect information for a variety of reasons, including, but not limited to, the following:

- Determining whether a prospective investor is eligible to invest in the Fund under applicable law;
- Determining the identity and beneficial ownership of investors and clients to comply with requirements seeking to prevent money laundering, tax evasion, terrorism and violation of foreign sanctions, and identity theft;
- Determine the persons authorized to act on behalf of an investor or client who can give instructions to Rimrock.
- Determining whether an investor or client is subject to specific investment regulations related to a specific type of person or organization (e.g., ERISA plans, governmental entities);
- Communicating with clients and investors about their existing and prospective investments or accounts.

Data subjects whose data is collected in the EEA may withdraw consent at any time where consent is the lawful basis for processing his/her information. However, if a data subject withdraws consent for processing or otherwise objects to processing that impedes Rimrock’s ability to comply with applicable regulations, a data subject may be unable to avail him/herself of the services that Rimrock provides.

Rimrock keeps the above-referenced client and investor information for as long as its relationship with the client or investor continues, and for a minimum of five years after termination.

**DATA SUBJECTS’ RIGHTS.** All individuals whose personal information is held by Rimrock have the right to:

- Ask what information Rimrock holds about them and why;
- Ask for a copy of such information or access to such information;
- Be informed how to correct or keep that information up to date;
- Be informed on how Rimrock is meeting its data protection obligations.

Furthermore, for data collected in the EEA, data subjects have the right to:

- Ask for a copy of such information to be sent to a third party;
- Ask for data to be erased if possible and required under the GDPR;
- Ask for processing of personal information to be restricted if possible and required under GDPR;
- Object to processing of personal information if possible and required under GDPR;
- Object to automated decision-making where applicable;
- Contact a supervisory authority in the EEA to lodge a complaint regarding Rimrock's processing of your personal data.

**RESPONSIBILITY.** The CCO is also Rimrock's Data Protection Officer, responsible for reviewing, maintaining and enforcing these policies and procedures to ensure meeting Rimrock's client privacy goals and objectives while at a minimum ensuring compliance with applicable federal, state, and foreign laws and regulations. The CCO reports directly to Rimrock's Principals and the Board of Directors of the Funds. The CCO is also responsible for distributing these policies and procedures to employees and conducting appropriate employee training to ensure employee adherence to these policies and procedures.

All Supervised Persons are responsible for helping to ensure that investor and client private information is collected, used, stored, and handled in accordance with Rimrock policy.

**PROCEDURE.** Rimrock has adopted these various procedures, applicable to its business practice and those of its affiliates, including each Fund's general partner or directors. These procedures are designed to (1) ensure the confidentiality of customer records and information, (2) protect against any anticipated threats or hazards to the security of customer records and information, and (3) protect against unauthorized access or use of customer records or information that could result in substantial hardship or inconvenience to any consumer.

**NON-DISCLOSURE OF INFORMATION.** Rimrock and its affiliates maintain safeguards to comply with federal and state standards to guard each client's and investor's nonpublic personal information. The Firm does not share any nonpublic personal information with any nonaffiliated third parties, except in the following circumstances:

- As necessary to provide the service that the client or investor (by virtue of subscribing to the Fund's interests) has requested or authorized, or to maintain and service the client's or investor's account;
- As required by regulatory authorities or law enforcement officials who have jurisdiction over Rimrock and its affiliates or as otherwise required by any applicable law; and
- To the extent reasonably necessary to prevent fraud and unauthorized transactions.

Employees are prohibited, either during or after termination of their employment, from disclosing nonpublic personal information to any person or entity outside Rimrock, including family members, except under the circumstances described above. An employee is permitted to disclose nonpublic personal information only

to such other employees who need to have access to such information to deliver our services to the client or investor.

**SECURITY AND DISPOSAL OF INFORMATION.** Rimrock restricts access to nonpublic personal information to those employees who need to know such information to provide services to our clients or investors. Any employee who is authorized to have access to nonpublic personal information is required to keep such information in a secure compartment or receptacle on a daily basis as of the close of business each day. All electronic or computer files containing such information shall be secured and protected from access by unauthorized persons. Any conversations involving nonpublic personal information, if appropriate at all, must be conducted by employees in private, and care must be taken to avoid any unauthorized persons overhearing or intercepting such conversations. Electronic and paper records used for business purposes must not be left in places where they are visible to unauthorized persons. Data printouts and files must be disposed of securely when no longer needed.

Safeguarding standards encompass all aspects of Rimrock's business that affect security. This includes not just computer security standards but also such areas as physical security and personnel procedures. Important safeguarding standards the Firm has adopted include:

- Access controls on information systems, including controls to authenticate and permit access only to Supervised Persons and procedural controls to prevent employees from providing client/investor information to unauthorized individuals who may seek to obtain this information through fraudulent means (e.g., requiring employee use of user ID numbers and passwords, etc.);
- Access restrictions at physical locations containing customer information, such as buildings, computer facilities, and records storage facilities to permit access only to authorized individuals (e.g., key card entry system);
- Encryption of electronic customer information, including while in transit or in storage on networks or systems to which unauthorized individuals may have access;
- Monitoring systems and procedures to detect actual and attempted attacks on or intrusions into customer information systems (e.g., data should be auditable for detection of loss and accidental and intentional manipulation);
- Policy to respond as appropriate when the Firm suspects or detects that unauthorized individuals have gained access to customer information systems, including, as appropriate, notifying applicable regulatory and law enforcement agencies;
- Measures to protect against destruction, loss, or damage of customer information due to potential environmental hazards, such as fire and water damage or technological failures (e.g., use of fire resistant storage facilities and vaults; backup and store off site key data to ensure proper recovery); and
- Information systems security should incorporate security of physical facilities and personnel, the use of commercial or in-house services (such as networking services), and contingency planning.