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This Brochure provides information about the qualifications and business practices of ERG Asset Management LLC (the “Adviser”). If you have any questions about the contents of this Brochure, please contact Kimberly Morabito, Chief Compliance Officer, at (646) 722-9660 or [kmorabito@ergassetmanagement.com](mailto:kmorabito@ergassetmanagement.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

## **Item 2 – Material Changes**

Kimberly Morabito became Chief Compliance Officer in June 2016.

Ownership of ERG Asset Management LLC changed in June 2016. Current Owners are GMOD, LLC, James Matthews, Michael Staveley, Edward Horner, Fabio Morandi, Dave Higgins, David Gervais, Peter Loo and Nicola Corrin.

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## **Item 4 – Advisory Business**

The Adviser was formed on January 11, 2012 in Wilmington, Delaware with its principal place of business in Norwalk, CT. The Adviser's primary purpose is to service and manage a portfolio of hedge funds that are currently winding down and/or where the major investors desire to replace the incumbent manager. The Adviser is currently owned by James Matthews, Michael Staveley, Edward Horner, Fabio Morandi, Dave Higgins, David Gervais, Peter Loo, Nicola Corrin, individuals who are all senior management of Eden Rock Capital Management, and GMOD, LLC (the "Members"). The Adviser is responsible for the ongoing administrative and servicing functions for the funds under contract and these costs are shared among the funds under management. The Adviser maintains compliance and reporting obligations and reviews cost sharing agreements and adherence to proper allocation of shared costs.

For each fund or portfolio that is under contract to the Adviser, the Adviser has established an Investment Committee (IC). The IC typically includes some members of the Board of Managers (as described in Item 8) plus additional interested investors and/or any receiver or liquidator of a particular fund. The Adviser remains responsible for approvals related to items such as the asset liquidation plan, initial liquidation budget, retention of senior personnel, asset disposals, distributions/retentions of cash, and costs and expenses, which decisions may be taken in consultation with the IC. For each client, the Adviser tailors its services in relation to that client's needs with respect to the items noted above and whether or not the Adviser has been engaged to manage or wind-down the client's assets. Clients may specify assets to be liquidated and certain other factors to define the Adviser's responsibilities on a client-by-client basis.

There is ongoing reporting by the Adviser on a weekly, monthly and quarterly basis to investors in the fund. If required, NAVs will be produced based upon the existing criteria for the fund.

## **Item 5 – Fees and Compensation**

Fees paid to the Adviser vary depending on assets held and degree of difficulty in the investment management process. The fees the Adviser receives for services provided reflect the particular client's needs, and as a result may vary significantly from client to client. The Adviser's fees may be based on assets managed and may vary based upon the terms of predecessor advisers. The Adviser's fee may range between 0.50% and 3% per annum. Alternatively, the Adviser may, based on the client's needs, charge a flat rate dollar amount per annum, a variable dollar amount per annum based on time and effort, or certain performance fees based on either a percentage of realized gains or surpassing a pre-determined goal of monetizing a certain dollar amount or percentage of fund assets, or a combination of one or more of the foregoing approaches. For a discussion of additional transaction and brokerage costs that may be incurred, please see Item 12 below.

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

The Adviser does not currently accept performance-based fees. However, the Adviser may accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client based on discussions with individual funds that it manages.

## **Item 7 – Types of Clients**

The Adviser services and manages portfolio of hedge funds that are currently winding down and/or where the major investors desire to replace the incumbent manager. For the purposes of this brochure, the hedge funds, and not the investors in those funds, are considered the Adviser's clients.

Target funds will likely be sourced via:

- The Adviser Board of Managers
- Receivers and liquidators
- Lenders to hedge funds
- Investor community

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

The Adviser has been established to service and manage a portfolio of funds that are currently winding down and/or where the major investors desire to replace the incumbent manager. The Adviser is currently owned by the Members.

The Adviser established a Board of Managers, currently comprised of George O'Dowd, Michael Staveley and Guy Locke. Over time, the membership of the Board of Managers may be expanded to permit a total of four members of the Board of Managers.

The Board of Managers are responsible for reviewing all new fund proposals for suitability and for referring funds to the Adviser for inclusion on its platform. The Board of Managers have created an Executive Committee currently consisting of George O'Dowd and Amy Lai. The Executive Committee manages the day-to-day operations of the Adviser. The Executive Committee coordinates the overall management of the Adviser as well as provides strategic oversight to each of the managed funds.

The appointment of the Adviser to take over the management of a specific fund provides cost effective management of the portfolios, where the interests of the hedge fund manager and investors are better aligned and reduces the dependence on individual managers. The increased scale and resources provided by the Adviser provides the assurance of focused management until the final disposition of assets of the hedge fund. The in-depth knowledge of a specialist Asset Backed Lending ("ABL") wind-down manager is intended to lead to enhanced liquidation opportunities for specific portfolio assets.

The Adviser is responsible for the ongoing administrative and servicing functions for the funds under contract and these expenses are shared among the funds under management. The Adviser maintains their compliance and reporting obligations and review expense sharing agreements and adherence to proper allocation of shared expenses.

The key elements of the Adviser's investment program are as follows;

- Broker selection and active management
- Market intelligence analysis
- Negotiations with secondary buyers
- Onsite due diligence of hedge funds and accounts
- Management of corporate governance issues
- Weekly Portfolio Operational Review
  - Specific developments, issues, current status and next steps for the disposition of assets in the portfolio
  - Management recommendations regarding specific asset dispositions or other matters
- Make recommendations regarding asset liquidations including but not limited to the following:
  - Offer, acceptance and rejections
  - Foreclosure decisions
  - Reinvestment, JV or development decisions
  - Recapitalizations, seller notes
  - Repositioning of assets

The Adviser may engage staff from existing fund managers, as contractors or employees, to continue to manage the assets and relationships while seeking to maximize the value of these assets in a timely fashion. In addition, the Adviser may contract with individuals of Eden Rock and/or Gottex Fund Management (“Gottex”), a financial advisory associate for work directly associated with management of the assets of the funds.

### **Risk Factors**

**Investing in Troubled Assets.** The funds or accounts advised by the Adviser may make or have made investments in secured and unsecured non-performing loans or other troubled assets, which involve a significant degree of legal and financial risk and political risks. Furthermore, investments in assets operating in workout modes or under bankruptcy reorganization laws may, in certain circumstances, be subject to certain additional potential liabilities that may exceed the value of the hedge fund’s original investment. Moreover, particularly with respect to international investments in troubled assets, there are additional risks and uncertainties related to litigation, bankruptcy, and other laws and regulations affecting the rights and remedies of the hedge funds, which can create additional financial risks.

**Credit Risks.** An investment by a fund or account advised by the Adviser could lose money if the issuer or guarantor of a fixed income security is unable or unwilling, or is perceived by market participants, ratings agencies, pricing services or others, as unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in their credit ratings. The downgrade of the credit of a security held by a hedge may decrease its value. “Distressed” assets are generally considered to have significant credit risk. With respect to the financing strategies and hedging services described above, the hedge funds may also be subject to the risk that a counterparty to a financing arrangement or derivatives contract may be unable or unwilling to honor its obligations as a result of the counterparty’s financial condition or insolvency.

**Liabilities upon Disposition.** In connection with the disposition of an investment, the Adviser may be required to make representations about the business and financial affairs of the entities which hold the investment typical of those made in connection with the sale of any business and may be responsible for the content of disclosure documents under applicable securities laws. They may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in contingent liabilities, which will be borne by the funds or accounts that the Adviser advises.

**Limited Current Return.** The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of an investment. Current returns from investments may vary, but the Adviser is not obligated to manage investments to maximize current returns.

**Market Risks.** The funds or accounts advised by the Adviser may have some investments that are publicly traded. The values of such investments are particularly susceptible to fluctuations based on market trends. Changes in stock prices, interest rates, currency exchange rates, or commodity prices could result in changes in the broader marketplace that adversely affect the value of publicly traded investments.

**Expedited Transactions.** Investment analyses and decisions by the Adviser may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the Adviser at the time of an investment decision may be limited, and the Adviser may not have access to detailed information regarding the investment opportunity, such as physical characteristics, structural or environmental matters, zoning regulations, or other local conditions affecting an investment. No assurance can be given that the Adviser will have knowledge of all circumstances that may adversely affect an investment. In addition, the Adviser may rely upon independent consultants in connection with its evaluation of proposed investments; however, no assurance can be given that these consultants will accurately evaluate such investments and the hedge funds advised by the Adviser may incur liabilities as a result of such consultants' actions.

**Co-Investment Risk.** The Adviser's clients may be funds that have significant investors that are clients of the Adviser's principal shareholders as well as Eden Rock and Gottex. As such, these Gottex and Eden Rock clients may exercise a degree of influence with respect to the Adviser's conduct of its services to its clients. This may take the form of actual representation on investment committees of the Adviser's clients, or may be more informal. The Adviser anticipates that significant shareholders in funds advised by the Adviser may participate in devising

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any disciplinary events that would be material to your evaluation of the adviser or the integrity of the adviser's management. The Adviser has had no disciplinary events.

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

The Adviser is owned by the Members. Some of the clients of the Adviser may be private funds in which either a Gottex or Eden Rock client is also an investor. Gottex or Eden Rock, as the case may be, will obtain client and/or leverage provider consents, as the case may be, to the extent that either Gottex or Eden Rock has a current client or lender relationship with a fund or account that is already an investor in a target fund or account of the Adviser (or will become an investor in such a target fund in the future). Clients of Gottex or Eden Rock, as the case may be, will be asked to consent to the Adviser receiving cost reimbursements while Gottex/Eden Rock continue to receive any current compensation paid by that client.

## **Item 11 – Code of Ethics**

The Adviser has adopted a code of ethics (the “Code”). Each employee of the Adviser as well as members of the Adviser’s Board of Managers and its Executive Committee must follow and abide by the letter and spirit of the Code. The Adviser will furnish a copy of the Code to any client or prospective client upon request.

The management of conflicts of interest will be consistent with existing business practices and regulatory registrations of Eden Rock. Subject to the applicable investment management agreement and other governing documents, the Adviser may take such actions as it may deem necessary or appropriate to address any conflict of interest.

On any issues involving actual conflicts of interest, the Adviser will be guided by its good faith judgment as to a client’s best interests. The Adviser may take such actions as it may deem necessary or appropriate to ameliorate the conflict.

## **Item 12 – Brokerage Practices**

Except for the general investment guidelines set forth in the Offering Document for each of the funds or accounts managed by the Adviser, there are no limitations on the authority of the Adviser with respect to investment or brokerage discretion.

On a continuing basis, the Adviser generally seeks to determine what levels of commission rates are reasonable in the marketplace for transactions executed. In evaluating the reasonableness of commission rates, the Adviser may consider:

- Historical commission rates, both before and since rates have been fully negotiated;
- Rates quoted by broker dealers;
- The size of a particular transaction, in terms of the number of shares, dollar amount, and number of clients involved;
- The complexity of a particular transaction in terms of both execution and settlement; and
- The level and type of business done with a particular firm over a period of time.

As a general rule, the Adviser does not participate in soft dollar transactions. Additionally, the Adviser will not permit directed brokerage arrangements, engage in affiliated brokerage or direct brokerage for client referrals.

## **Item 13 – Review of Accounts**

The Adviser will perform ongoing investment analysis of hedge fund and portfolios for which it is appointed manager. This includes analysis of the diversification of the portfolio's assets, including exposure to market and other risks, and a review of the performance of the fund or portfolio. The individuals who will conduct these reviews are the members of the Executive Committee.

The Adviser’s investment team performs regular extensive due diligence on hedge funds it manages.



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

It is not expected that the Adviser will compensate selling agents or solicitors in obtaining client accounts for its investment management business.

## **Item 15 – Custody**

The Adviser has custody of certain assets of two clients and has arranged for these assets to be held by an external custodian. The Adviser is not deemed to have custody for any of its other clients.

## **Item 16 – Investment Discretion**

For each hedge fund or portfolio that is under contract to the Adviser where the Adviser has full discretion, the Adviser established an Investment Committee (IC). The IC includes some members of the Board of Managers as well as additional interested investors and/or the receiver or liquidator of a particular fund. The Adviser will remain responsible for approvals and will have investment discretion related to items such as the asset liquidation plan, initial liquidation budget, retention of senior personnel, asset disposals, distributions/retentions of cash, and costs and expenses. Any such decisions may be taken in consultation with the IC and the respective fund board of directors.

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

The Adviser advises hedge funds and accounts. If required pursuant to the terms of the management contract it enters into with a particular hedge fund, the Adviser may be involved in the voting of proxies issued by investments in the hedge funds for which it serves as investment manager in a manner that best serves the interests of investors in such funds. In the proxy voting process, the Adviser will take into account the following factors:

- The impact on the value of the returns of the hedge fund;
- The potential attraction of additional capital to the hedge fund;
- The costs associated with the proxy;
- The impact on redemption or withdrawal rights;
- The continued or increased availability of portfolio information; and
- Related industry and business practices.

The Investment Committee, along with the Chief Compliance Officer of the Adviser, is responsible for identifying potential material conflicts of interests in the proxy voting process. When a potential material conflict of interest is identified, it is the responsibility of the Investment Committee, in consultation with the Chief Compliance Officer of the Adviser, to determine whether an actual material conflict of interest exists.

In the event an actual material conflict of interest exists, the final voting decision will be made by the Chief Compliance Officer of the Adviser

Clients of the Adviser may contact the Adviser's Chief Compliance Officer, via e-mail or telephone, in order to obtain information on how the Adviser voted any proxies, or to request a copy of the Adviser's Proxy Voting Policies and Procedures.

If a Client requests this information, the Chief Compliance Officer of the Adviser will prepare a written response to the Client that lists, with respect to each voted proxy about which the Client has inquired:

- The name of the hedge fund;
- The proposal voted upon; and
- How the Adviser voted the proxy.

## **Item 18 – Financial Information**

Registered investment advisers are required to provide you with certain financial information or disclosures about the adviser's financial condition. It is believed that the Adviser's financial condition is not reasonably likely to impair its ability to meet its contractual obligations to clients. The Adviser has not been the subject of a bankruptcy proceeding.

## **Item 19 – Requirements for State-Registered Advisers**

Not applicable because the Adviser is a registered investment adviser with the Securities and Exchange Commission.