

Saye Capital Management, L.P.

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This brochure provides information about the qualifications and business practices of Saye Capital Management, L.P. (“SCM”). If you have any questions about the contents of this brochure, please contact us at (310) 318-0092, or email Mr. Jeffrey Saye at jsaye@sayecapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC” or “Commission”) or by any state securities authority.

This brochure constitutes part of SCM’s application for registration as a federally-registered investment adviser with the Commission. “Registration” does not imply a certain level of skill or training.

Additional information about SCM is available on the Commission’s website at www.adviserinfo.sec.gov.

February 13, 2012

Item 2: Material Changes

SCM has prepared this brochure as part of its application to register as an investment adviser with the Commission. This brochure does not constitute an amendment to a currently existing Form ADV.

In the future, this Item will discuss only material changes since the last annual update of SCM's brochure.

In the past, SCM previously was a registered investment adviser, most recently with the SEC from February 2005 to 2009, and prior to that time with the State of California. A copy of SCM's most recent Part 2 of Form ADV from the period of its prior registration is available to clients and prospective clients upon request and through the IARD system.¹ SCM withdrew its prior registration on or about September 25, 2009. SCM did so in connection with certain agreements entered into effective June 30, 2009, pursuant to which SCM's principals joined another investment advisory firm called Rimrock Capital Management, LLC ("Rimrock"). Pursuant to these agreements, SCM transferred to Rimrock its general partner interest in three pooled investment vehicles ("PIV"): Spectrum Fund, L.P., f/k/a Tranquility Fund, L.P. ("Onshore Fund"), Spectrum (Cayman) Fund, Ltd., f/k/a Tranquility Fund, Ltd. ("Offshore Fund"), and Spectrum Master Fund, Ltd, f/k/a Tranquility Master Fund, L.P. ("Master Fund") (the "Transaction"). In or about August 2010, SCM's principals and Rimrock determined to unwind the Transaction. As a result thereof, SCM once again became the general partner or investment manager as applicable to the Onshore Fund, Master Fund and Offshore Fund, and these Funds filed amendments to their governing documents, changing their names to Spectrum Fund, L.P., Spectrum (Cayman) Fund, Ltd., and Spectrum Master Fund, L.P. Since the Transaction, SCM has determined to renew its registration with the Commission.

¹ Please see:

[http://www.adviserinfo.sec.gov/\(S\(jbxp5lo5oq0ycya0a4xj41jt\)\)/IAPD/Content/Search/iapd_Search.aspx](http://www.adviserinfo.sec.gov/(S(jbxp5lo5oq0ycya0a4xj41jt))/IAPD/Content/Search/iapd_Search.aspx).

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Item 4: Advisory Business

SCM - Background

SCM is an investment advisory firm which was founded in 2003. SCM is organized as a limited partnership under the laws of the State of Delaware. It is located at 820 Manhattan Ave., Suite 206, Manhattan Beach, California 90266. SCM provides investment management and advisory services on a discretionary and non-discretionary basis to pooled investment vehicles (“PIV”) and separately-managed accounts for individual investors (“SMAs”).

Discretionary Investment Management Services for SCM-Sponsored Funds

SCM provides investment management services on a discretionary basis regarding U.S. and non-U.S. securities, primarily to U.S. and non-U.S. PIVs structured as hedge funds.² Such PIVs are structured to be exempt from registration under the Investment Company Act. Interests in the PIVs are offered on a non-public basis pursuant to exemption from registration under the Securities Act of 1933 and Regulation D promulgated thereunder. SCM provides investment management services subject to the terms and conditions contained in the offering and governing documents for each such PIV. Typically, each PIV’s offering and governance documents grant SCM exclusive power and authority with respect to the management of the PIV, including discretionary authority over their assets and responsibility for managing their securities portfolios on a daily basis.

At the present time, SCM serves as the general partner or investment manager on a discretionary basis for the following SCM-sponsored PIVs, with approximately \$58,090,000 in client assets under management (“Client AUM”) as of January 31, 2012:

- Spectrum Fund, L.P., f/k/a Rimrock Spectrum Fund, L.P., a Delaware limited partnership formerly known as Tranquility Fund, L.P. (“Onshore Fund”);
- Spectrum (Cayman) Fund, Ltd., a Cayman Islands exempted company formerly known as Rimrock Spectrum (Cayman) Fund, Ltd., and formerly known as Tranquility Fund, Ltd., a related offshore fund for foreign investors (“Offshore Fund”); and
- Spectrum Master Fund, Ltd., a Cayman Islands exempted company formerly known as Rimrock Spectrum Master Fund, Ltd., and formerly known as Tranquility Master Fund, Ltd., a master fund related to the Onshore and Offshore Funds (“Master Fund”).

² For purposes of this brochure and consistent with Investment Advisor Act jurisprudence, each PIV for which SCM provides investment management services constitutes a single “client” of SCM, separate and apart from investors in such PIV who are clients of the respective PIVs in which they have invested.

These Funds seek to generate superior risk-adjusted returns through an actively traded portfolio of mostly fixed income securities, with a focus on asset-backed securities (“ABS”) and mortgage-backed securities (“MBS”). Information about these Funds, including about fees and other material information, is contained in each Fund’s offering documents. Fund offering documents are available to clients and prospective clients, and to investors and prospective investors in the Funds, upon request, subject to certain restrictions pursuant to Regulation D. SCM may in the future provide similar investment management services on a discretionary basis to other SCM and non-SCM sponsored PIVs and to SMAs.

Non-Discretionary Investment Management Services

SCM also provides investment advisory services on a non-discretionary basis regarding U.S. and non-U.S. securities to U.S. and non-U.S. PIVs and SMAs in connection with Rimrock. Typically, each such PIV and SMA grants Rimrock exclusive power and authority with respect to the management of the PIV or the SMA, including discretionary authority over their assets and portfolios. SCM provides investment advisory services as a consultant to Rimrock on a non-discretionary basis with respect to their portfolios. At present, SCM provides such investment advisory services for:

- The Rimrock High Quality ABS Opportunities (Master) Fund III, Ltd. (“ABS3 Fund”), a Rimrock-sponsored PIV.
- An SMA held by an institutional investor. Rimrock serves as manager of the account on a discretionary basis.

SCM provided investment advisory services on a non-discretionary basis with respect to approximately \$123 million in aggregate Client AUM as of December 31, 2011. SCM may in the future provide similar investment advisory services on a non-discretionary basis to other Rimrock and non-Rimrock sponsored PIVs or SMAs. For further information regarding Rimrock and the ABS3 Fund, please see Rimrock’s Form ADV on file with the SEC and the offering documents for the ABS3 Fund.

SCM’s Principals and Management

SCM is principally owned by Mr. Jeffrey Saye. Mr. Saye has been involved in the financial markets since 1994, and was a Member and Portfolio Manager with Rimrock from June 2009 until August 2010. He is currently a Managing Director and the President of SCM. Mr. Saye began his investing career at PIMCO where he was a Vice President in the Portfolio Management group and traded adjustable rate mortgages, commercial-mortgage backed securities (“CMBS”) and credit sensitive residential and commercial products. Mr. Saye then worked at Goldman Sachs where he was a Vice President and traded CMBS and co-managed a \$2 billion portfolio of unsecuritized commercial real estate loans. Subsequent to Goldman Sachs, Mr. Saye worked at American Commercial Capital, Inc. and Fortress Investment Group prior to becoming a shareholder and portfolio manager at Old Hill Partners where he managed the bond

portfolios of the Footbridge Funds and the FLT Opportunity Funds. Mr. Saye holds a Bachelor of Arts in physics from Pomona College and received a Master of Business Administration from Stanford University. Mr. Saye owns 64% of the partnership interests of SCM.

Mr. Greg Miller comprises the rest of SCM's management team. Mr. Miller has been involved in the financial markets since 1998. Mr. Miller has been a Managing Director and Portfolio Manager with SCM since 2003 and was a Member and Portfolio Manager with Rimrock Capital Management, LLC from June 2009 until August 2010. Previously, Mr. Miller was a Vice President and Trader at PIMCO. Mr. Miller worked in many roles on PIMCO's trade floor between November 1998 and March 2005. He was most recently working in the High Yield group, focusing on bank loan trading and collateralized loan obligations and floating rate corporate fund products. Prior to joining the High Yield group Mr. Miller was a structured finance credit analyst in the mortgage-backed securities and asset-backed securities group, focusing on collateralized debt obligations and home equity asset-backed securities. Previously, Mr. Miller was a portfolio associate for generalist portfolios and trading assistant for the mortgage-backed securities/asset-backed securities specialists. Mr. Miller holds a Bachelor of Arts in economics from Trinity College, Connecticut, and is a Chartered Financial Analyst. Mr. Miller owns 35% of the partnership interests of SCM.

Item 5: Fees and Compensation

SCM does not have a standardized fee schedule and may charge management fees based on AUM, fixed fees and/or performance-based compensation in accordance with the terms of the offering and governing documents for SCM-sponsored PIVs. SCM typically charges a management fee ("Management Fee") consisting of $0.166\frac{2}{3}\%$ per month (or 2.0% per year), payable to SCM in advance on the date of each such investor's admission to the PIV and on the first business day of each calendar month thereafter. In addition, at the end of each calendar year, SCM typically receives an annual aggregate profit allocation or carried interest equal to 20% of the net profit allocated ("Profit Allocation") to each capital account of each investor in the PIV for that period (or shorter period until any withdrawal).

SCM may, from time-to-time in its sole discretion, negotiate, reduce or waive the Management Fee or Profit Allocation in whole or in part for any individual investor in a PIV. SCM also deducts Management Fees and Profit Allocations due from each investor's respective capital account in accordance with the terms of the PIV's offering and governing documents. If an investor is allowed or required to withdraw all or a portion of its interest in a PIV other than at the end of a calendar month, a pro-rated portion of the Management Fee paid by such investor will be refunded in accordance with the terms of the PIV's offering documents.

Each PIV typically pays all costs and expenses incurred by or on behalf of the PIV or by or on behalf of SCM as general partner or investment manager in connection with the formation of the offer and sale of interests, and the management and operation of

the PIV, including brokerage costs, legal fees and other transaction costs. See Item 12, “Brokerage Costs”, below.

Net profit or loss of the PIV is allocated at the end of each calendar month (or at other times when a valuation is performed in accordance with the terms of a PIV’s governing documents) among each investor’s capital accounts in proportion to the relative values of such capital accounts.

For more detailed information regarding fee structures and other material information with respect to SCM-sponsored PIVs, please see the offering documents for each PIV.

In addition, with respect to the Rimrock ABS3 Fund and the SMA for which SCM provides investment advisory services on a non-discretionary basis, SCM receives a percentage of the management fees and profit allocations paid to Rimrock as investment manager. For additional information regarding the fee structure of the ABS3 Fund, please see the offering documents for the ABS3 Fund, and Rimrock’s Form ADV.

Item 6: Performance-Based Fees and Side-by-Side Management

SCM receives performance-based fees, defined as fees based on a share of capital gains on or capital appreciation of the assets of a client, in the form of Profit Allocations with respect to the capital accounts of investors in PIVs and for SMAs. For additional information regarding SCM’s Profit Allocations, please see Item 5.

Item 7: Types of Clients

SCM provides investment management services on a discretionary and investment advisory services on a non-discretionary basis, primarily to U.S. and non-U.S. PIVs and to SMAs. For additional information regarding the types of clients to whom SCM provides investment management services, please see Item 4.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

SCM-sponsored PIVs seek to generate superior risk-adjusted returns through an actively traded portfolio of mostly fixed-income securities, with a focus on ABS and MBS. Investments focus primarily on smaller, “off-the-run” securities (i.e., older issue securities that tend to be less liquid and trade at a discount to newer issues), where SCM can utilize its skill and experience in analyzing, valuing, and trading such complex securities. SCM typically focuses on the following type of securities: (i) secondary positions in ABS and MBS markets; (ii) smaller bonds which may only be valued in the \$1 million to \$5 million range; (iii) bonds issued by small or one-time issuers; (iv) bonds in which the underlying collateral may be unusual; and (v) bonds with desirable structural characteristics.

SCM-sponsored PIVs typically employ active trading (buying and selling of bonds) and leverage as a means of capturing the value in these off-the-run bonds. PIVs will seek to mitigate funding risks through the use of term and rolling repurchase financing and through the maintenance of a significant cash reserve. Other risks in the portfolio, including credit and duration (interest rate) risk will be regularly monitored and may but are not required to be hedged using a variety of instruments designed to offset said risks, including, but not limited to, swaps, caps and floors, futures and forward contracts. Changes in market conditions, such as interest rates, or an investment's specific situation could nevertheless involve significant losses. In addition, frequent trading can reduce investment performance through higher brokerage fees and other transaction costs and taxes. Many investments by SCM-sponsored PIVs are illiquid and subject to the risk of severe market disruption, which may make it difficult for the PIVs to value these assets or exchange them for cash in order to fund investor withdrawals.

Investors and potential investors in SCM-sponsored PIVs are strongly encouraged to note that SCM is granted exclusive and discretionary control with respect to the management of SCM-sponsored PIVs and their portfolios. PIV offering and governing documents do not impose limits on the types of positions, securities, or instruments the PIVs may invest in or take; the sectors or markets (domestic or foreign) within which investments may be made; the investment or trading strategies they may use; their ability to borrow or use other types of leverage; or, the concentration of the PIV's investments. The PIVs' portfolios, therefore, may be subject to swings in value and could involve significant losses. In addition, ABS and MBS markets have also experienced significant disruption in recent years, and evolving regulation in response thereto, and may continue to experience changing conditions in the future.

Investors and prospective investors are also strongly encouraged to note that investing in securities involves risk of loss that clients should be prepared to bear. This includes SCM-sponsored PIVs which entail substantial risk and are designed for sophisticated investors.

For additional information regarding potential risks associated with investing in SCM-managed PIVs and their investment strategies, please see each respective PIV's offering documents.

With respect to Rimrock-sponsored PIVs, the ABS3 Fund seeks high total return through a combination of current income and capital gains by allocating capital primarily to ABS and MBS and related securities and instruments. For further information regarding the ABS3 Fund's investment strategies and risks associated therewith, please see the ABS3 Fund's offering documents and Rimrock's Form ADV Part 2A brochure.

Item 9: Disciplinary Information

Neither SCM nor any of its management persons has had or has pending any legal or disciplinary events, or fines, penalties or awards levied against it or them, or which

would implicate wrongdoing or reflect on SCM's advisory business or the integrity of its management.

Item 10: Other Financial Industry Activities and Affiliations

Neither SCM nor any of its management persons are registered, or have an application pending to register, as a broker-dealer, a registered representative of a broker-dealer, or as a futures commission merchant, commodity pool operator, commodity trading advisor, or as an associated person of any of the foregoing entities.

For further information regarding SCM's investment management and advisory services and clients, please see Item 4. Neither SCM, its affiliates, nor any of their respective principals or management is required to devote their time exclusively to any one client; they currently provide investment management and advisory services to multiple clients; and they may provide similar services to other clients in the future. The provision of services to multiple clients does and may in the future present conflicts of interest, including but not limited to the selection, allocation, negotiation, and administration of investments among clients, as well as conflicting demands on the time, attention, and incentives for SCM's provision of services. SCM attempts to address such conflicts to the maximum possible extent on a basis that is fair and equitable to each client pursuant to the terms of the offering and governing documents or other governing contracts with respect to each client. For a more detailed discussion of potential conflicts of interests associated with SCM-sponsored PIVs, please see each PIV's offering documents.

SCM has engaged Oppenheimer & Co. Inc. ("Oppenheimer") on a non-exclusive basis to assist SCM by introducing prospective investors to SCM and one or more PIVs over which SCM exercises investment discretion. SCM pays Oppenheimer a percentage of all management fees, profit allocation and other fees received by SCM or any of its affiliates from those PIVs as a result of investments made by investors introduced by Oppenheimer. SCM does not currently, employ other placement agents, but it reserves the right to do so. If SCM chooses to engage other placement agents, any resulting placement fees will be borne by those investors placed by such agents or may be paid by SCM out of its own resources.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

SCM has adopted a Code of Professional Conduct (the "Code"), which declares its fiduciary duties and those of its personnel ("Employees"). Mr. Greg Miller serves as Chief Compliance Officer of SCM with primary responsibility for administration of the Code. The Code requires Employees to promptly report potential violations to the Chief Compliance Officer for investigation and corrective action if necessary. The Code contains policies and procedures, which among other things:

- Requires Employees to act in compliance with applicable securities law, rules and regulations;
- Prohibits trading on the basis of material nonpublic information;
- Requires maintenance of the confidentiality of client information;
- Places certain restrictions with respect to giving and receiving of gifts, entertainment, political contributions, and outside Employee business activities;
- Prohibits Employees from taking personal advantage of opportunities belonging to clients;
- Requires SCM's Access Persons, as that term is used in Rule 204A-1 of the Investment Advisers Act, to provide certain periodic reports of their personal securities holdings and transactions for review, and to obtain preclearance for certain personal securities transactions.

Subject to the Code, Employees are permitted to buy, sell, or hold for their own personal accounts, securities that SCM also may buy, sell, or hold. To help address potential conflicts between the interests of clients and those of Employees, the Code generally requires Employees to submit a list of their securities holdings to SCM's Chief Compliance Officer, both upon initial purchase and annually. Employee investment in many types of securities is also subject to pre-clearance by the Chief Compliance Officer, although this is not required with most U.S. Government securities, mutual funds and certain other types of securities that SCM believes to present relatively less risk of conflict.

SCM's Code is available upon request to clients and prospective clients, and to investors and prospective investors in PIV's for which SCM provides investment management and advisory services.

Item 12: Brokerage Practices

For SCM-sponsored PIVs, SCM places all orders for the purchase and sale of securities in such markets and through such broker-dealers as in SCM's best judgment offer the most favorable price and market for the execution of each transaction. In selecting a broker or dealer for a transaction SCM may consider a number of factors, including, for example, net price, reputation, financial strength and stability, efficiency of execution, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, research services provided to SCM, and other matters ordinarily involved in the receipt of brokerage services generally. Pursuant to the PIV offering and governing documents, SCM is not required to obtain the lowest commission or best net price for a PIV on any particular transaction, and SCM may effect securities transactions which may cause the PIV to pay an amount of commission in excess of the amount another broker would have charged; provided, however, that SCM

determines in good faith that such amount of commission is reasonable in relation to the value of brokerage and research services provided by such broker, viewed in terms of either the specific transaction or SCM's overall responsibilities to the accounts for which SCM exercises investment discretion. Pursuant to the terms of a PIV's offering documents, investors are advised that the receipt and use of such services will not reduce SCM's customary and normal research activities.

SCM does not intend to use "soft dollars" to pay for third party research products. Pursuant to the terms of the offering and governing documents of SCM-sponsored PIVs, SCM may nevertheless pay brokerage commissions in excess of that which another broker might have charged for effecting the same transaction, including in recognition of the value of brokerage and research services provided, or the supply or payment or rebate a portion of the PIV's brokerage commission, or the cost of brokerage, research, property or services, which may inure to the benefit of the PIV, SCM's operations, or other SCM clients.

Notwithstanding the foregoing, the use of soft dollar arrangements in brokerage transactions can create conflicts of interest including because: (i) SCM would not have to pay to obtain such research, products or services; (ii) SCM may be incentivized to select brokers or dealers, in whole or in part, on the basis of the receipt of soft dollar benefits, rather than the PIV's interest in receiving most favorable execution; (iii) in the event SCM were to cause clients to pay commissions (or markups or markdowns) in return for soft dollar benefits, such commissions, markups or markdowns may be higher than brokerage services that do not include the provision of soft dollar benefits; and (iv) the benefit of any such research, products, or services may or may not be shared with and inure to the benefit of SCM-sponsored PIVs or other SCM clients or prospective clients. SCM tries to avoid these conflicts by having a general policy against the use of soft dollar arrangements.

SCM does not consider, in selecting or recommending broker-dealers, whether it or a related person receives client referrals from a broker dealer or a third party.

For further information regarding brokerage issues with respect to SCM-sponsored PIVs, please see the offering documents of for each PIV.

SCM, as general partner or investment manager of SCM-sponsored PIVs may also aggregate sale and purchase orders of securities held by a PIV with similar orders being made simultaneously for other accounts managed by SCM if, in SCM's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the PIV based on an evaluation that the PIV is benefitted by relatively better purchase or sale prices or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of securities for a PIV will be effected simultaneously with the purchase or sale of like securities for other accounts. Such transactions may be made at different prices, because of the volume of securities purchased or sold. In that event, the average price of all securities purchased or sold in those transactions may be determined, and at SCM's sole discretion, the PIV may be

charged or credited the average transaction price. Transaction costs charged to a PIV may differ from those charged to other clients as a result of those clients' specific brokerage account arrangements. For additional information regarding trade aggregation issues with respect to SCM-sponsored PIVs, please see the offering documents of such PIV.

SCM does not provide for brokerage arrangements for PIVs or SMAs for which it provides investment advisory services on a non-discretionary basis. For further information with respect to Rimrock's brokerage arrangements, please see the offering and governing documents for the ABS3 Fund, and Rimrock's Form ADV Part 2A brochure.

Item 13: Review of Accounts

For SCM-sponsored PIVs for which SCM provides investment management services on a discretionary basis, SCM manages each PIV's securities portfolio on a daily basis. Analysis and review is conducted by SCM's management, Messrs. Jeffrey Saye and Greg Miller. Each investor in a PIV will receive monthly capital account statements, including PIV performance. Each investor will also receive annual audited financial statements for the PIV and, in the case of the Onshore Fund, certain tax-related information including a Schedule K-1.

SCM generally does not monitor or review accounts over which it does not have discretionary authority. SCM's role in those cases is to provide individual securities recommendations at the request of the relevant PIV or SMA's investment manager.

Item 14: Client Referrals and Other Compensation

SCM has engaged Oppenheimer & Co. Inc. on a non-exclusive basis to assist SCM by introducing prospective investors to SCM and one or more PIVs over which SCM exercises investment discretion. SCM pays Oppenheimer a percentage of all management fees, profit allocation and other fees received by SCM or any of its affiliates from those PIVs as a result of investments made by investors introduced by Oppenheimer. SCM does not currently, employ other placement agents, but it reserves the right to do so. If SCM chooses to engage other placement agents, any resulting placement fees will be borne by those investors placed by such agents or may be paid by SCM out of its own resources.

Item 15: Custody

Custody of the assets of SCM-sponsored PIVs and their investors is maintained with custodians. With respect to SCM's currently sponsored Funds, SCM has selected The Northern Trust Company ("Northern Trust") and Deutsche Bank Securities Inc. ("Deutsche Bank") as the custodians (each a "Custodian" and collectively "Custodians"), pursuant to agreements between the Funds and Custodians. SCM may in its discretion appoint other brokers and custodians.

The Funds have entered into an administration agreement with Northern Trust International Fund Administration Services (Ireland) Limited (the "Administrator"), which serves as the Funds' Administrator. Pursuant to the administration agreement between the Funds and the Administrator, the Administrator performs the services necessary for the Funds' administration (other than making investment decisions), including:

- communicating with investors;
- communicating with the general public relating to the Funds;
- processing subscriptions, withdrawals and redemptions;
- calculating net asset values and Capital Account balances;
- coordinating with the independent auditors for the annual audit of the financial statements and the preparation by the auditors of statutory and tax filings; and
- disbursing redemption and withdrawal proceeds with respect to the Funds and making distributions.

The Administrator sends to each investor annual audited financial statements for the relevant PIV and, in the case of the Onshore Fund, certain tax-related information including a Schedule K-1.

SCM does not maintain custody of client assets for PIVs or SMAs for which it provides investment advisory services on a non-discretionary basis. For further information with respect to Rimrock custody arrangements for the ABS3 Fund and other SMAs, please see the offering documents for the ABS3 Fund, and Rimrock's Form ADV.

Item 16: Investment Discretion

SCM provides investment management services to SCM-sponsored PIVs on a discretionary basis. The PIVs' offering and governing documents vest exclusive power and authority with SCM, as general partner or investment manager, over the management of the PIV, including discretionary authority with respect to the PIV's assets and portfolio. Investors do not take part in the management or operation of the PIV, and have no opportunity to select or evaluate in advance PIV investments or strategies. PIV governing documents grant SCM power of attorney as may be necessary or advisable to carry out the business of the PIV. For additional information, please see each PIV's respective offering documents.

Item 17: Voting Client Securities

Generally, with respect to SCM-sponsored PIVs, SCM has authority to vote its clients' proxies. SCM has adopted a formal written proxy policy. SCM will provide its proxy policy to clients and to prospective clients, and investors and prospective investors, upon request. SCM will also provide clients information on how the client's proxies have been voted upon the client's request. SCM's policy is that all decisions be made solely in the best interest of the client. SCM will act in a prudent and diligent manner intended to enhance the economic value of the assets of the client's account.

SCM's Chief Compliance Officer is responsible for ensuring that all proxies received are voted in a timely manner and in a manner consistent with SCM's determination of the client's best interests. SCM maintains a set of voting guidelines categorized by subject matter listing common types of issues presented by a proxy request, and indicate whether for a given issue SCM's default position is to oppose or approve a proxy proposing such issue. SCM will generally vote all proxies in accordance with its guidelines. SCM recognizes, however, that some proxy proposals require special consideration which may dictate that SCM make an exception.

When voting proxies on behalf of clients, SCM will seek to avoid possible conflicts of interest as follows in accordance with its proxy policy:

- Where SCM identifies a potential conflict of interest, SCM will initially determine whether such potential conflict is material;
- If a potential conflict is determined to be material, SCM will inform the client of the conflict and SCM's voting decision, discuss the proxy vote, fully disclose the material facts and seek the client's consent to vote as intended, and/or seek the recommendation of an independent third party.

For additional information regarding SCM's proxy voting policies and procedures, please see SCM's proxy policy.

Item 18: Financial Information

SCM does not require or solicit payment of \$1,200 in fees per client, six months or more in advance. SCM is not aware of any financial condition that is reasonably likely to impair SCM's ability to meet its contractual commitment to its clients. SCM has not been the subject of a bankruptcy petition at any time during the past ten years.