

[COVER PAGE]

PART 2A OF FORM ADV: THE BROCHURE

STERLING RIDGE CAPITAL MANAGEMENT LP

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This brochure provides information about the qualifications and business practices of Sterling Ridge Capital Management LP. If you have questions about the contents of this brochure, please contact us at the above telephone number or e-mail address. The information in this brochure has not been approved or verified by the U. S. Securities and Exchange Commission ("SEC"), the U.S. Commodity Futures Trading Commission ("CFTC"), or by any state securities or commodities authority.

Additional information about Sterling Ridge Capital Management LP is also available on the SEC's website at www.adviserinfo.sec.gov.

The registration of Sterling Ridge Capital Management LP with the SEC does not imply a certain level of skill or training.

This brochure is for informational purposes only. It does not convey an offer of any type and is not intended to be, and should not be construed as, an offer to sell, or the solicitation of an offer to buy, any interest in any entity, investment, or investment vehicle.

Item 2. Material Changes.

Since November 14, 2014, the effective date of the most recent amendment to this document, Sterling Ridge has revised the Brochure to reflect that Sterling Ridge is managing additional funds and accounts, and to modify existing disclosures related to the addition of those funds and accounts.

Please note that the above summary only refers to changes that Sterling Ridges believes are material. The summary therefore does not include or reference all of the changes that have been made to this Brochure since its most recent update.

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Capitalized terms not defined in this document have the definitions ascribed to them in the Offering Documents (as defined in this Brochure) of the relevant fund and / or Account.

Item 4: Investment Advisory Business.

A. Firm Description; Principal Owner

Sterling Ridge Capital Management LP (“Sterling Ridge”) is a Delaware limited partnership, and has its principal place of business in New York, New York. Sterling Ridge provides investment advisory services on a discretionary basis to the collective investment vehicles and accounts described below. Sterling Ridge is registered with the SEC as an investment adviser. The firm is also registered with the CFTC as a commodity pool operator and as a commodity trading adviser, and is a member of the National Futures Association (“NFA”). Certain employees of Sterling Ridge are principals approved by the CFTC and the NFA, and may also be registered with them as associated persons. Sterling Ridge commenced providing advisory services on November 1, 2013.

Sterling Ridge serves as the investment manager to Sterling Ridge Master Fund Ltd., a Cayman Islands exempted company (the “Master Fund”); Sterling Ridge Fund LP, a Delaware limited partnership (the “Onshore Fund”); and Sterling Ridge Fund Ltd., a Cayman Islands exempted company (the “Offshore Fund”). The Offshore Fund and the Onshore Fund invest substantially all of their assets through a “master-feeder” fund structure in, and are shareholders of, the Master Fund. Other vehicles may be formed in the future to invest in the Master Fund. Together, the Onshore Fund and Offshore Fund are referred to in this document as the “Feeder Funds,” and each of them individually is referred to as a “Feeder Fund.” Collectively, the Feeder Funds and the Master Fund are referred to in this Brochure as the “Funds.” Any investment in a Feeder Fund may be made only pursuant to its Offering Documents (as defined below), which contain information not included in this Brochure.

In addition to the Funds, from time to time, Sterling Ridge may provide investment advisory services to one or more privately-owned U.S. or non-U.S. separately managed accounts, collective investment vehicles, private investment partnerships, and investment companies (individually, an “Account,” and collectively, “Accounts”). These services are provided on a discretionary basis, as set forth in a written investment advisory agreement and other documents, and may involve any or all of the following terms: discretionary purchases and sales of securities, commodity interests, and other financial instruments; adherence to particular liquidity or security, asset class, geographic, and market restrictions, and other risk-management requirements; and placing orders for the purchase or sale of investment instruments with brokers, dealers and other counterparties that Sterling Ridge or the client selects.

Sterling Ridge also acts as a sub-adviser to an open-end management investment company (the “Registered Fund”) that is registered with the SEC under the Investment Company Act of 1940, as amended (the “Company Act”), through the management of a sub-account of that fund (the “Registered Fund Account”). (In this document, the Master Fund, the Accounts, and the Registered Fund Account are referred to collectively as the “Trading Entities.”) The sub-advisory agreement between the adviser (who is not affiliated with Sterling Ridge) to the Registered Fund and Sterling Ridge includes the investment guidelines applicable to the Registered Fund Account (which include, among other things, the restrictions and limitations on gross and net asset exposures, account assets which may be invested in certain types of securities and / or the securities of particular types of issuers, and transactions with entities affiliated with Sterling Ridge), the terms under which Sterling Ridge is compensated as sub-adviser, and provisions which reflect Sterling Ridge’s agreement not to act as an investment adviser or sub-adviser to additional registered open-end investment

management companies for a limited period of time. Information regarding the Registered Fund and the Registered Fund Account, including, but not limited to, advisory fees, minimum investor account requirements (if any), the investment guidelines for the fund, and termination provisions is disclosed in the Registered Fund's prospectus and / or statement of additional information.

The investment advice provided by Sterling Ridge is based on the investment objectives of each Trading Entity in accordance with its respective offering memorandum (if any), investment management agreement, sub-advisory agreement, limited partnership agreement, and governing documents (as each is amended and / or restated from time to time, collectively the "Offering Documents"), and not on the investment objectives of each individual investor in that investment vehicle. Additional information regarding Sterling Ridge's primary investment strategies is included in Item 8 of this Brochure.

Sterling Ridge has discretion with respect to investment decisions made for the Trading Entities. Other in respect of certain of the Accounts, the firm also has authority to select brokers, dealers, and other counterparties for such transactions, and the amount of commissions or other compensation to be paid by the Trading Entities.

The administrator to the Onshore Fund is Morgan Stanley Fund Services USA LLC, and the administrator to the Offshore Fund is Morgan Stanley Fund Services (Bermuda) Ltd. (collectively with their respective sub-administrators, if any, the "Administrator").

Sterling Ridge Partners LLC, a Delaware limited liability company and an affiliate of Sterling Ridge, serves as general partner (the "General Partner") of the Onshore Fund (please see also the response to Item 7 of this document). The Master Fund and the Offshore Fund are managed by a Board of Directors composed of Sam Ellis, Tom Parsons, and Christine Glick. Ms. Glick is also the Chief Financial Officer and the Chief Compliance Officer of Sterling Ridge. Sterling Ridge Capital LLC, a Delaware limited liability company, serves as the Managing Member of Sterling Ridge. Richard H. Schimel is the managing member of Sterling Ridge Capital LLC.

The Onshore Fund is intended primarily for investment by investors who are U.S. taxpayers. The Offshore Fund is intended primarily for investment by non-U.S. and U.S. tax-exempt investors.

All discussions of the Funds, Accounts, the Registered Fund, and the Registered Fund Account in this brochure, including, but not limited to, their respective investments, the strategies used in managing the Trading Entities, the fees and other costs associated with an investment in the Funds, one or more Accounts, and / or the Registered Fund, and conflicts of interest of Sterling Ridge and its affiliates in connection with the management of the Funds, Accounts, and the Registered Fund Account, are qualified in their entirety by reference to each Fund's, Account's, the Registered Fund's, and the Registered Fund Account's respective Offering Documents, including, in the case of the Registered Fund, its prospectus and statement of additional information.

Sterling Ridge's aggregate regulatory assets under management as of December 31, 2014, was approximately \$452,100,000. Sterling Ridge manages assets only on a discretionary basis.

Item 5: Fees and Compensation.

As mentioned above, all responses in this Brochure, including in this Item 5, are qualified in their entirety by the terms and disclosures included in the Offering Documents of the Feeder Funds, Accounts, the Registered Fund, and the Registered Fund Account.

This Brochure is delivered only to qualified purchasers under the Company Act.

A. Compensation for Advisory Services

Sterling Ridge does not have a general fee schedule. The fees and expenses associated with an investment in the Feeder Funds, an Account, or the Registered Fund vary, depending on the vehicle, and are described in each entity's Offering Documents. In managing private funds and the Accounts, however, Sterling Ridge generally is entitled to (i) an annual management fee, which is typically payable quarterly, and which is based on the net value of the assets being managed by Sterling Ridge, and (ii) a performance allocation or fee (as described in further detail in Item 6 below).

With respect to the Registered Fund Account, Sterling Ridge generally receives a 1.0% annual sub-advisory fee, calculated based on daily net assets and payable monthly in arrears. In its discretion, Sterling Ridge may manage other funds or vehicles with higher or lower fees, different fee structures, and different expense payment arrangements, than the Funds, Accounts, and the Registered Fund Account.

B. Fee Deductions

Fixed fees and incentive fees charged to the Funds are deducted directly by Sterling Ridge. In addition, in the event that an investor withdraws / redeems its interests / shares or the relevant management agreement with Sterling Ridge is terminated at any time other than at the end of a calendar quarter, the incentive fee is computed with respect to the withdrawn interests / redeemed shares, or all the outstanding shares (in the event of the termination of that management agreement), as the case may be, as though the withdrawal / redemption or termination occurred on the last day of the calendar quarter.

C. Accounts

Sterling Ridge's compensation for services provided to Accounts is negotiable, and generally includes a management fee based on a percentage of the assets in the Account. The specific amount of fees and the manner in which those fees are charged are established in a written agreement with each client. In general, if an agreement provides for payment of the management fee in advance and the agreement is terminated before the end of a billing period, Sterling Ridge prorates the management fee for that partial billing period and rebate a pro rata portion of the pre-paid fee. A client may elect to be billed directly for fees or to authorize Sterling Ridge to directly debit fees from the relevant Account. Asset values are determined in accordance with the terms of the contract with the client. Any requirements relating to the withdrawal of assets from an Account or the termination of services provided by Sterling Ridge are governed by the terms of the agreement with the client. The applicable investment advisory agreement also may describe the expenses that are

the responsibility of the client. These expenses typically include, but are not limited to, brokerage commissions and other transaction costs. Item 12 below summarizes how Sterling Ridge selects brokers and determines the reasonableness of their compensation. An investor in a Feeder Fund who also owns, controls, or is an investor in an Account may, depending on the terms of the investment advisory agreement between the client and Sterling Ridge relating to the Account, have real-time or delayed access to position-level information regarding the Master Fund's holdings.

D. Expenses

Sterling Ridge is authorized to incur and pay in the name and on behalf of the Feeder Funds all expenses which the Sterling Ridge deems necessary or advisable. These operating expenses include, without limitation: (i) brokerage commissions and other costs of executing transactions, including externally incurred costs of establishing computer and systems connections with a Fund's brokers and counterparties; (ii) the installation, implementation and maintenance of order management and execution management systems and software; (iii) investment expenses and all other expenses (including, without limitation, all commissions, clearing fees, valuation and portfolio pricing, interest charges, financing charges and applicable withholding and other taxes) related to the purchase, sale, transmittal or custody of trading assets and related items, as well as costs and expenses associated with obtaining and maintaining U.S. and non-U.S. firm and individual regulatory licenses and exchange memberships; (iv) the costs of trading, research and/or data screens, as well as risk management and data services and systems (including, without limitation, the costs of utilizing and/or supporting risk-reporting technology required by consultants retained by or on behalf of institutional investors); (v) tax preparation and "Tax Matters Partner" fees and expenses; (vi) any taxes and duties payable in any jurisdiction in connection with the Master Fund's trading and operations; (vii) custody fees and expenses; (viii) insurance premiums (including, without limitation, Errors & Omissions, Directors & Officers and general liability insurance, including for the principals, members, directors, officers, and employees of Sterling Ridge and its affiliates (collectively, the "Sterling Ridge Parties"); (ix) legal, accounting, auditing and other professional fees and expenses, including, without limitation, the costs of negotiating trade-related and account-specific counter-party documentation, and risk, intellectual property-related, and other consulting fees that are related to a Fund and its operations; (x) administrative costs (including, without limitation, the fees and out-of-pocket expenses of the Administrator and its agents as well as any other third-party administrator which is selected for a Fund), establishing computer and systems connectivity with the Administrator and other third-party service providers, paying agency, transfer agency, accounting verification (if any) and/or investor registrar services and the costs of middle-office and back-office support as provided by the Administrator; (xi) the costs and fees attributable to any third-party proxy voting service or consultant; (xii) the cost and fees attributable to third-party consultants which provide advice to Sterling Ridge relating to the operation of a Fund (other than in respect of its investment strategies); (xiii) any other operating or administrative expenses related to accounting, research, third-party consultants and reporting that are related to the fund and its operations; (xiv) all other costs related to the Feeder Funds' investments in the Master Fund; (xv) costs and expenses relating to a Feeder Fund's, the Master Fund's and the Sterling Ridge Parties' U.S. and non-U.S. registration, regulatory and self-regulatory filings (including, without limitation, Forms 13D, 13F, 13G, 13H, PF, ADV and CPO-PQR, and other filings and reports the preparation and submission of which currently or in the future may be required of Sterling Ridge under applicable law), reporting, registrations and memberships, compliance, including, without limitation, costs of compliance programs, third-party compliance consultants, actual and "mock" examinations, regulatory and governmental inquiries, subpoenas and proceedings (in each case,

whether involving a Fund or Sterling Ridge); (xvi) investment research expenses (including, without limitation, research-related travel and due diligence expenses related to research-vendor selection, and the costs of research-related publications and periodicals); (xvii) due diligence expenses related to maintaining service-provider relationships with a Fund (including, without limitation, any travel-related due diligence costs); (xviii) a Feeder Fund's pro-rated share of the fees and expenses of the Master Fund's directors (including errors and omissions insurance); (xix) costs associated with the ongoing offering of a Fund; (xx) costs resulting from any entities used in the course of a Fund's trading and investing; and (xxi) any indemnification payments.

In general, the Onshore Fund and the Offshore Fund bear their pro-rated share of the Master Fund's costs and expenses determined in accordance with the relative capitalizations of the Onshore Fund and the Offshore Fund. However, if a certain Master Fund cost or expense relates solely to either the Onshore Fund or the Offshore Fund, Sterling Ridge may allocate that cost or expense solely to the relevant Fund. Any expenses which benefit not only the Onshore Fund but also other accounts (including any Accounts and / or the Registered Fund Account) managed by Sterling Ridge are allocated among those accounts as determined by Sterling Ridge.

Each Feeder Fund invests substantially all of its assets through a "master-feeder" fund structure in the Master Fund. Each Feeder Fund that invests in the Master Fund indirectly bears the administrative and other expenses of the Master Fund pro rata based on its ownership interest in the Master Fund. If expenses are incurred by a Feeder Fund requiring payment by that Fund, the Fund may redeem a portion of its interest in the Master Fund in order to pay those expenses or the expense may be specifically allocated to the Feeder Fund.

The treatment of expenses relating to an Account is subject to the terms of the investment management agreement governing that Account. Under the sub-adviser agreement relating to the Registered Fund Account, certain expenses relating to Sterling Ridge's management of account assets, including, without limitation, brokerage commissions and fees and charges relating to the financing of positions, are paid by the Registered Fund. Information regarding the expenses, fees, and charges borne by the Registered Fund is disclosed in the Registered Fund's prospectus and / or statement of additional information.

No Fund, Account, or Trading Entity pays any of Sterling Ridge's internal expenses (such as salaries, bonuses or office rent).

E. Compensation for Sale of Securities / Other Products

Not applicable.

Item 6. Performance-Based Fees and Side-By-Side Management.

Sterling Ridge charges performance-based fees (also referred to as "incentive fees" or "profit allocations") to the Funds and Accounts. The Registered Fund Account is not charged performance-based compensation. This may create a conflict of interest for Sterling Ridge in rendering advice because the firm may have an incentive to choose riskier investments for and / or favor the Funds and Accounts for which Sterling Ridge is entitled to performance-based compensation (that is, taking into account that Sterling Ridge's compensation for managing those

vehicles may exceed its compensation for managing the assets of the Registered Fund Account, which is charged only an asset-based fee).

Item 7. Types of Clients.

Sterling Ridge provides investment advice to private pooled investment vehicles commonly referred to as “hedge funds,” to one or more Accounts, and to the Registered Fund Account. Interests or shares, as the case may be, in the Feeder Funds and Accounts are not registered under the Securities Act of 1933, as amended (the “Securities Act”), and the Feeder Funds and Accounts are not registered under the Company Act. Accordingly, interests in the Feeder Funds and Accounts are offered and sold exclusively to investors satisfying certain eligibility and suitability requirements either in private transactions within the United States or in offshore transactions with non-U.S. investors. The Feeder Funds’ and Accounts’ eligibility and suitability requirements are described in more detail in the relevant Offering Documents.

The minimum initial investment in either of the Feeder Funds is \$5,000,000, subject to the Fund’s determination to accept a lesser amount (but not below any applicable statutory minimum).

As mentioned elsewhere in this Brochure, each Feeder Fund invests substantially all of its assets through a “master-feeder” fund structure in the Master Fund, through which Sterling Ridge’s investment strategies are implemented. Additional investment vehicles may be formed in the future that will also invest part or all of their assets in the Master Fund.

Sterling Ridge may in its discretion manage Accounts with different objectives, higher or lower fees, and different fee structures than the Funds and the Registered Fund Account. Investors in the Funds generally are required to complete and submit a subscription agreement binding them to the terms of a Fund’s Offering Documents. The Onshore Fund generally admits sophisticated U.S. taxable investors that are both “accredited investors,” as defined in Rule 501(a) of Regulation D under the Securities Act, and “qualified purchasers” (or “knowledgeable employees”), as defined in the Company Act and the rules thereunder. The Offshore Fund generally admits non-U.S. investors, or sophisticated U.S. tax-exempt investors that are both “accredited investors” and “qualified purchasers.”

The adviser to the Registered Fund determines the types and acceptable qualifications of investors who are permitted to invest in the Registered Fund, including any minimum investment requirements identified in the applicable prospectus and / or statement of additional information.

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

Please refer to the relevant Offering Documents for a more detailed discussion of Sterling Ridge’s methods of analysis, investment strategies and related risks. In addition, investors in the Registered Fund should refer to the prospectus, statement of additional information, and other relevant documentation relating to the Registered Fund for disclosures regarding the Registered Fund adviser’s methods of analysis, investment strategies, particular types of securities recommended, and other information, including, without limitation, the risks associated with an investment in the Registered Fund and in the Registered Fund Account, in particular.

Methods of Analysis and Investment Strategies

Sterling Ridge's objective is to generate attractive absolute returns through a range of market cycles trading in the global equity markets with a focus on the liquid segments of these markets. Sterling Ridge seeks to generate "alpha" by identifying securities which Sterling Ridge believes may be mispriced and / or are likely to become involved in a "re-rating" in which the market prices move towards a level consistent with the fundamentals as analyzed by Sterling Ridge's staff. The investment objective of the Registered Fund is determined by the adviser to that entity, and is described in the Registered Fund's prospectus and / or statement of additional information.

Sterling Ridge seeks to generate returns through: (i) idiosyncratic exposure to individual stocks; (ii) thematic exposure to groups of stocks; and (iii) active risk-management of the portfolio around the foregoing exposures. Idiosyncratic exposure to an individual stock is typically driven by "organic" changes in the issuer's fundamentals (e.g., a change in the issuer's senior management, an interruption in a product cycle or a balance sheet restructuring) identified by Sterling Ridge but not yet fully reflected by market prices. Thematic exposure to a sector or sub-sector of stocks often results from Sterling Ridge's belief that it has identified developing and sustained changes in the market fundamentals of a sector / sub-sector and significantly (and unjustifiably) discounted or inflated valuations relative to the anticipated mid- or peak-cycle pricing for the stocks in that sector or sub-sector. In addition, active risk-management-related trading around positions held by a Trading Entity in stocks with a high level of price volatility as well as around thematic effects on pricing in a sector or sub-sector (considered both individually and in the context of a Trading Entity's overall portfolio) can not only reduce risk, but also generate incremental profits over time. In managing exposures to individual stocks and themes in the context of a Trading Entity's overall portfolio, Sterling Ridge monitors a number of company- as well as sector-specific factors, including earnings releases and product launches, as well as market-related factors such as technical trends, capital flows and macro-economic data.

Risk management — including an emphasis on the dynamic allocation and reallocation of a Trading Entity's capital among market sectors, appropriately controlled overall net and gross market exposures as well as general guidelines on drawdowns and position concentration — is a principal component of Sterling Ridge's investment approach.

Sterling Ridge's fundamental research process involves analyzing company fundamentals (e.g., asset valuation, quality of management, likely "catalysts" and/or innovative products) as well as industry dynamics (e.g., stage of business cycle, margin trends, demand-supply profiles and competitive pressures). Sterling Ridge generally invests long in stocks with lower-than-market-average valuations (measured in terms of earnings multiples and other fundamental indicators), but higher-than-average cash flow and balance sheet capacity combined with what Sterling Ridge predicts to be good growth potential. Conversely, Sterling Ridge takes short positions in stocks exhibiting the opposite characteristics. Sterling Ridge applies the same integrated investment process to both long and short positions — only arriving at opposite investment conclusions concerning different individual equities.

Sterling Ridge invests in a number of market sectors, with a Trading Entity's primary exposures likely being in financials, consumer, "TMT" (technology, media and telecom) and cyclical stocks. Sterling Ridge invests primarily in large and mid-capitalization, liquid stocks, although a Trading

Entity may from time to time also invest a significant portion of its capital in the less liquid stocks of smaller capitalization issuers.

Sterling Ridge may from time to time trade opportunistically in other financial instruments, but its primary emphasis continues to be on publicly-traded equities.

A Trading Entity's portfolio is primarily concentrated in the U.S. equity markets. However, non-U.S. investing (primarily in Europe, but also from time to time in Canada, Asia (including Japan and China) and Latin America (including Argentina and Brazil)) may represent a material component of a Trading Entity's portfolio from time to time. Sterling Ridge generally avoids investing in truly "developing" or "emerging" markets because of the significant uncertainties and risks (extrinsic to the ordinary investment process) involved.

Within the framework of its basic long-short equity investment mandate, there are no material limitations on the instruments or the markets in which the Trading Entities may trade.

Sterling Ridge invests each Trading Entity's capital in a single portfolio managed by Sterling Ridge's Chief Investment Officer ("CIO"). In developing views on individual positions, sectors and the overall market, the CIO relies on his own significant experience as well as the professional judgment of Sterling Ridge's staff, members of which have specialized experience in a variety of different specialized equity market sectors.

Sterling Ridge is under no obligation to cause a Trading Entity to hedge its positions. A Trading Entity's long and short portfolios are not constructed so as to be offsetting (the entity's short positions are not "hedges" for its long positions, or vice versa) but rather to express Sterling Ridge's market view on each of the stocks included in the portfolios — both portfolios could incur contemporaneous and significant losses, with gains on the short portfolio offsetting losses on the long portfolio and vice versa. At times (including, possibly, for sustained periods of time), Sterling Ridge may engage in "beta hedging" of the portfolio — that is, taking long or short positions in stock index derivatives to reduce overall market exposure.

With respect to the Master Fund and certain of the Accounts, in particular, and within the framework of Sterling Ridge's basic long-short equity investment mandate, there are no material limitations on the instruments or the markets in which Sterling Ridge may trade. In contrast, certain Accounts and the Registered Fund Account are or in the future may be subject to guidelines or restrictions on the types or degree of ownership of asset-classes, investments, or instruments they may own, and / or the non-U.S. markets to which they are exposed.

Material Risks

An investment in a Feeder Fund, an Account, or the Registered Fund involves substantial risk of loss and is suitable only for sophisticated persons for which an investment in that entity does not represent a complete alternative investment program (let alone a complete investment program) and who fully understand and are capable of assuming the risks of that investment. An investment in a Feeder Fund, Account, or the Registered Fund will not be a suitable investment for many portfolios. The following considerations — which do not purport to be either comprehensive in their scope or complete in the content of any of the specific descriptions provided — should be carefully evaluated before deciding whether to invest in a Feeder Fund, Account, or the Registered Fund.

1. General Risks

Potential Loss of Investment

As mentioned above, an investment in a Feeder Fund, Account, or the Registered Fund is speculative and involves substantial risks. Investors may lose their entire investment. No subscriber should have any need for any monies invested in a Feeder Fund, an Account, or the Registered Fund to meet current needs or ongoing financial requirements. Alternative investment strategies — such as Sterling Ridge’s strategies — are subject to a “risk of ruin” to which traditional, unleveraged, all-long strategies are not. From time to time in the past, alternative investment strategies which had been consistently profitable for a matter of years have incurred sudden and total losses in a matter of days. The use of leverage by alternative strategies not only increases the risk of loss but also makes these strategies dependent on the willingness of brokers and dealers to continue to extend credit.

Limited Operating History

Sterling Ridge commenced its trading operations on November 1, 2013, and has a limited performance history. The past experience of the CIO and certain of Sterling Ridge’s staff at other advisory firms may not be predictive of Sterling Ridge’s future performance.

Dependence on the CIO

Sterling Ridge is dependent on the services of the CIO. The loss of the services of the CIO would result in the dissolution of Sterling Ridge as well as of the Funds and Accounts, and possibly also of the Registered Fund Account. In addition, while Sterling Ridge is not dependent on the services of any individual staff to the extent that Sterling Ridge is dependent on the CIO, the loss of the services of certain of the staff would adversely affect Sterling Ridge.

No Assurance of Non-Correlation; Limited Value of Non-Correlation Even if Achieved

There can be no assurance that any Trading Entity’s results will be non-correlated with (i.e., unrelated to) the performance of the general U.S. and non-U.S. stock and bond markets. Unless a Trading Entity’s performance is less than perfectly correlated to these markets, the Trading Entity cannot help to diversify an overall portfolio.

Even if a Trading Entity’s performance is generally both profitable and non-correlated to the general stock and bond markets, there may be significant periods during which that Trading Entity’s results are similar to those of an investor’s stock and bond holdings, thereby reducing or eliminating the Trading Entity’s diversification benefits. During unfavorable economic cycles, an investment in a Feeder Fund or Account may increase rather than mitigate a portfolio’s aggregate losses.

Competition; Potential Strategy Saturation

The Trading Entities compete with numerous other private investment funds as well as other investors, many of which have resources substantially greater than those of the Trading Entities. The greater resources available to Sterling Ridge’s competition may be particularly significant given Sterling Ridge’s emphasis on resource-intensive fundamental analysis.

The amount of capital committed to alternative investment strategies — and, in particular, long-short equity strategies — has increased dramatically during recent years. At the same time, market conditions have become significantly more adverse to many of these strategies than they were in previous years. The profit potential of the Trading Entities may be materially reduced as a result of the “saturation” of the alternative investment field.

Financial reforms resulting from the market crisis of 2008–2009 have resulted in the exodus from major investment banks of large numbers of proprietary traders. A number of these traders may well wind up as portfolio managers in the long-short alternative investment sector — potentially materially increasing the competition faced by Sterling Ridge.

The Lehman, Refco and MF Global Bankruptcies

The Lehman Brothers bankruptcy in September 2008 led to widespread chaos in the global financial markets, as well as significant outright losses as numerous market participants found themselves in the position of being general creditors of Lehman Brothers even in respect of assets deposited with Lehman Brothers. The effects of the Lehman Brothers bankruptcy, as well as the ensuing events, led to a dramatic contraction in credit (including even inter-bank lending) and steep monetary losses in the financial sector. Moreover, the Lehman Brothers bankruptcy have demonstrated the systemic risks of any comparable failure. It is not possible to predict if or when one or more of these failures might occur. Were this to happen, the results could be materially adverse to the Trading Entities.

While the Refco and MF Global bankruptcies did not have the same widespread systemic consequences as the Lehman Brothers bankruptcy (see above), they demonstrate a number of systemic risks in trading through commodity brokers. It appears that many clients of both Refco and MF Global believed that their funds on deposit to support their clients’ trading had the benefit of customer protected “segregation” when this was not, in fact, the case.

Another feature of these bankruptcies was that certain investors suffering the largest losses did so not because their capital at Refco or MF Global was lost (although some of it was) but because they were unable to determine with certainty which positions they should hold and which positions had been involuntarily liquidated. In addition, certain investors were unable to execute trades for several days due to the processing time required to open brokerage accounts at other firms, and, accordingly, were unable to mitigate the risks of their open positions during that period.

A Trading Entity’s assets could be lost or impounded during a counterparty’s bankruptcy or insolvency proceedings and a substantial portion or all of the Trading Entity’s assets may become unavailable to it either permanently or for a matter of years. Were a bankruptcy or insolvency involving the same or similar circumstances to occur, Sterling Ridge might decide to liquidate, suspend, limit or otherwise alter trading, perhaps causing the affected Trading Entity (or Trading Entities) to miss significant profit opportunities, and / or to postpone an investor’s ability to withdraw / redeem its investment from the relevant Feeder Fund, Account, or the Registered Fund. Even if a Trading Entity does not lose any of its assets on deposit with a bankrupt or insolvent counterparty, the disruption of the Trading Entity’s trading resulting from the counterparty’s inability to continue to function in that capacity could result in material losses to that Trading Entity. Open positions held by a Trading Entity may not be closed out merely because the entity’s

counterparty is unable to execute transactions, and may result in substantial losses which the Trading Entity is powerless to prevent.

2. Market Risks

Market Risks in General

Sterling Ridge's equity strategies are subject to multiple dimensions of market risk: unexpected directional price movements, momentum pricing continuing to influence economic factors, deviations from historical pricing relationships, changes in the regulatory environment, changes in market volatility, "flights to quality" and "credit squeezes." The particular or general types of market conditions in which the Trading Entities may incur losses or experience unexpected performance volatility cannot be predicted, and the Trading Entities may materially underperform other investment funds with a substantially similar investment objective and approaches.

Declining Equity Markets

Although Sterling Ridge's strategy is based on taking both long and short positions, the Trading Entities' profit potential may be generally diminished during market cycles in which there is a sustained decline in equity price levels.

Market Volatility

Equity prices have been subject to periods of excessive volatility in the past, and these periods can be expected to recur. Price volatility is influenced by many unpredictable factors, such as market sentiment, inflation rates, interest-rate movements and general economic and political conditions. On the other hand, the equities markets from time to time enter into "stagnant" periods of significantly reduced volatility. Sterling Ridge believes that its strategy can be successful in a wide range of volatility environments. However, the profit potential of this strategy could be adversely affected during periods when market volatility approaches extreme levels (either high or low).

Sterling Ridge generally does not focus — as do a number of managers — on controlling the volatility of a Trading Entity's performance, but Sterling Ridge is unlikely to accept significant short-term volatility in return for favorable performance.

Possible Lack of Portfolio Liquidity

Despite the generally heavy volume of trading in most of the instruments traded by the Trading Entities, the market for certain of these instruments may have periods of limited liquidity. Lack of liquidity can make it economically unfeasible for the Trading Entities to recognize profits on open positions or to close out open positions against which the market is moving. In addition, illiquidity can disconnect market values from the historical pricing indicators used in Sterling Ridge's investment analysis, and the fewer transactions that take place, the greater the risk that market values do not reflect true pricing relationships or fair value. The events of 2008–2009 highlighted the adverse effects of market illiquidity on leveraged alternative investment strategies.

The sale of unregistered, restricted or illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than the sale of securities eligible for trading on national securities exchanges or in the over-the-counter (“OTC”) markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Further, these investments may be extremely difficult to value with any degree of certainty.

Market Disruptions

The Trading Entities may incur major losses in the event of disrupted markets. The financial markets appear in general to be in a continuing state of fragility and risk following the events of 2008–2009. It is impossible to predict if and when future market crises may occur, and during periods of crisis, the Trading Entities may incur substantial losses.

Potentially Adverse Effects of “Low-Latency” Trading

It is estimated that over fifty percent (50%) of the equity trades executed by securities exchanges are implemented by “low-latency” computerized strategies trading in massive volume and with high turnover on the basis of technical market factors. This trading has little, if anything, to do with the qualitative analysis of the prospects for an issuer’s success. Low-latency trading not only eliminates mispricing on which the Trading Entities might otherwise capitalize, but also may be a dominant factor in determining market prices, making it difficult for Sterling Ridge’s “bottom up” qualitative investment approach to succeed.

Uncertain Sovereign Finances

The equity markets are roiled from time to time by evolving developments relating to possible sovereign defaults or moratoriums. A sovereign’s financial condition is subject to numerous factors — social programs, political pressure, supra-national economic actions — which are not included in Sterling Ridge’s analytic framework and may from time to time overwhelm idiosyncratic factors (even if correctly identified by Sterling Ridge).

Interest-Rate Risks

The prices of the equities held by the Trading Entities may be sensitive to interest-rate fluctuations. In addition, interest-rate increases generally will increase the costs of the leverage used by the Trading Entities. The operations of the issuers in which the Trading Entities invest may also be sensitive to interest-rate changes. To the extent these issuers rely on financing for working capital needs, their profitability will be materially impacted by changes in interest rates, and the changes can also materially affect consumer demand for many products, especially in the TMT sector.

Sterling Ridge does not purport to have any expertise predicting future interest-rate movements, particularly as interest rates can be materially influenced by government interests reflecting changing political as well as macro-economic factors.

Inflation

There has been an unusually low rate of inflation in the United States and most other developed economies for some time. At the same time, the central governments have been injecting unprecedented amounts of financial stimulus into these economies — historically a recurring cause of serious inflation. Were significant inflation to occur, the effect on the Sterling Ridge’s strategy could be materially adverse (while unpredictable, stocks have traditionally been considered a form of “hedge” against inflation, but that is not always the case, particularly in the case of any individual stock, and the Trading Entities take short as well as long positions).

3. Strategy Risks

Concentration on Equities

Sterling Ridge primarily focuses on long-short equity investing. The equity markets are speculative and highly issuer-specific. Mismanagement or misconduct by corporate officers can cause the complete loss of an equity investment, and the equity markets may be particularly susceptible to subjective investment factors and market sentiment.

Sterling Ridge’s concentration on equities (despite the overall long-short character of the Trading Entities’ portfolios) causes those entities to be less diversified and presumably more vulnerable to the risk of major losses than if it had a more diversified strategy incorporating a range of different markets.

Many different alternative investment strategies have been successful investing in securities other than common stocks. The investment opportunities those strategies attempt to identify are in many cases based on entirely different factors than those which Sterling Ridge incorporates into its strategy, and may be profitable during periods in which the prospects for Sterling Ridge’s strategy being successful are materially diminished by prevailing market conditions and / or other factors. Although the Trading Entities trade in other financial instruments from time to time, Sterling Ridge primarily pursues a long-short equity investment strategy.

Sterling Ridge’s strategy emphasizes the firm’s ability to identify idiosyncratic factors which will cause a stock to under- or over-perform. Analyzing idiosyncratic factors is inherently uncertain, as is predicting whether (and over what time period) these factors will be reflected in market prices. Numerous inter-related and difficult-to-quantify economic factors, as well as market sentiment, subjective and extraneous political, climate-related and other factors, influence the cost of equities and may from time to time dominate over idiosyncratic factors.

Importance of Market Judgment

The market judgment and discretion of Sterling Ridge’s staff are fundamental to the implementation of its strategy. Quantitative filters and valuation models play only a comparatively minor role. The greater the importance of subjective factors (i.e., judgment and discretion), the more unpredictable a trading strategy is typically felt to become.

Combining “Idiosyncratic” and “Factor” Analysis

Sterling Ridge’s fundamental analysis focuses primarily on idiosyncratic, issuer-specific data rather than market “factors” (e.g., growth, momentum or value). However, factors are part of Sterling Ridge’s overall analysis. In certain circumstances, Sterling Ridge’s idiosyncratic and factor analysis may both be wrong, causing the Trading Entities to invest in an issuer which suffers a negative rather than positive correlation and which is adversely affected by general price movements (e.g., a “value” stock in a “growth” stock market).

Fundamental Analysis

The focus of Sterling Ridge’s strategy is on fundamental, “bottom-up” analysis of individual issuers. Fundamental analysis — which is based on the theory that market mispricings exist because market prices do not incorporate all knowable economic and other relevant data (in the case of Sterling Ridge, with particular emphasis on the idiosyncratic factors applicable to individual issuers) — is subject to the risk of inaccurate or incomplete market information, as well as the difficulty of predicting future prices based upon analysis of all known information. Investments made on the basis of fundamental analysis are subject to significant losses when market sentiment leads to market prices being materially discounted from the expected prices indicated by fundamental analysis (as in the case of “flights to quality” when the demand for valuing certain risky investments plummets) or when technical factors, such as price momentum encouraged by trend following, dominate the market.

Fundamental analysis is inherently subject to the risk of not having identified all the relevant economic factors. In the case of Sterling Ridge, this risk is exacerbated by the difficulty of even being aware of all relevant idiosyncratic factors (there may, for example, be dissension among management, illness of one or more key persons, or inaccurate accounting procedures, none of which is within the scope of Sterling Ridge’s universe of data). Also, the macro-economic factors considered by Sterling Ridge are difficult to evaluate or implement even by those traders who base their strategies on doing so (Sterling Ridge considers macro-economic factors in its trading but these are not the primary focus of its research or a core emphasis of Sterling Ridge).

Fundamental analysis is also inherently subject to the unpredictable duration of periods during which market prices and “true value” as determined by that analysis will change. Sterling Ridge may be entirely correct in its analysis of the idiosyncratic factors affecting the price of a stock, but the market may not reflect that “true value” during the period that Sterling Ridge determines a position in the stock can be held. Although Sterling Ridge’s conviction in a particular position factors into Sterling Ridge’s analysis of a likely “event path” through which value may be realized, there can be no assurance that Sterling Ridge will correctly identify that “exit strategy” or “event path.”

Limited Use of Technical Analysis

Sterling Ridge uses technical analysis (i.e., the analysis of historical and current market data into its investment decisions) only sparingly and as a means of selecting issuers for detailed fundamental analysis. Technical analysis posits that at any point in time the market price movements and patterns represent the collective judgments of likely millions of market participants and are the best source for predicting short- to mid-term price movements. This is in direct contrast to Sterling Ridge’s

approach which posits that its analysis of the idiosyncratic factors affecting individual issuers will be able to identify material mispricings in the prevailing market prices.

Periods during which technical factors dominate market pricing recur frequently. During those periods, Sterling Ridge's strategy may incur material losses despite having itself been successfully implemented.

Resource-Intensive Strategy

Sterling Ridge's focus on detailed fundamental analysis is resource-intensive. In seeking to identify investment opportunities for the Trading Entities, Sterling Ridge's staff is competing with other managers with resources many times greater than those of Sterling Ridge.

The Costs of Frequent Trading

Executing Sterling Ridge's strategies may require frequent trading by the Trading Entities, resulting in substantial brokerage commissions and other transaction fees and expenses. These expenses must be offset by investment gains in order for the Trading Entities to be profitable. Furthermore, because Sterling Ridge utilizes "soft dollars" to pay research and brokerage expenses to the extent that Sterling Ridge believes is consistent with the "safe harbor" provided by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, Sterling Ridge has an incentive to trade the Trading Entities' assets in higher volumes than Sterling Ridge otherwise would.

Hedging

In managing the Trading Entities, Sterling Ridge is not obligated to enter into any hedging transactions. Moreover, in the absence of an express undertaking by Sterling Ridge in an Account's or the Registered Fund Account's respective Offering Documents, Sterling Ridge does not generally attempt to hedge all market or other risks inherent in a Trading Entity's positions and hedges certain risks only partially, if at all. Specifically, Sterling Ridge may choose not to hedge certain risks or determine that hedging is economically unattractive — either in respect of particular positions or in respect of a Trading Entity's overall portfolio. A Trading Entity's portfolio composition commonly results in various directional market risks remaining unhedged. Although Sterling Ridge may rely on diversification to control these risks to the extent that Sterling Ridge believes it is desirable to do so, no Trading Entity is subject to any formal diversification policies.

If Sterling Ridge attempts to enter into hedging transactions with the intention of reducing or controlling risk, these hedging transactions, even if successful in achieving their objective, will likely reduce a Trading Entity's returns. Furthermore, hedging strategies may be ineffective in controlling risk, due to unexpected non-correlation (or even positive correlation) between the hedging instrument and the position being hedged, increasing rather than reducing both risks and losses.

To the extent that Sterling Ridge hedges, its hedging positions are not generally static but rather are continually adjusted based on Sterling Ridge's assessment of market conditions, as well as the expected degree of non-correlation between the hedges and the portfolio being hedged. The success of any of Sterling Ridge's hedging strategies will depend on Sterling Ridge's ability to implement the strategies efficiently and cost-effectively, as well as on the accuracy of Sterling Ridge's

ongoing subjective judgments concerning the hedging positions to be acquired by the particular Trading Entity.

No Formal Diversification Policies

The Master Fund is not restricted as to the percentage of its assets that may be invested in any particular issuer, industry, instrument, market or strategy. Moreover, the Master Fund does not and will not maintain any fixed requirements for diversifying its respective portfolio among issuers, industries, instruments, markets, sectors or strategies. Accordingly, Sterling Ridge may concentrate the Master Fund's holdings in those industries, companies, instruments or markets that, in the sole judgment of Sterling Ridge, provide the best profit opportunities consistent with that entity's investment objectives. If the market moves against any concentrated position, significant losses to the Master Fund could result — substantially in excess of those that would have been incurred had the Master Fund's trading been more diversified.

The existence and scope of any diversification policy applicable to an Account depends on the terms of the investment management agreement negotiated by its owner with Sterling Ridge. Diversification requirements applicable to the Registered Fund, if any, are implemented by that entity's sponsor.

Market Participants' Differential Access to Information

Sterling Ridge executes transactions on behalf of the Trading Entities with other market participants who may have access to superior information and market intelligence than Sterling Ridge has. From time to time, the Trading Entities may incur substantial losses caused by an informational disadvantage.

Reliance on Corporate Management and Financial Reporting

Sterling Ridge necessarily relies on the financial information made available by the issuers of the equities in which it invests. Sterling Ridge has no ability to independently verify the financial information disseminated by the issuers in which it invests and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Past and recurring events have demonstrated that investors such as the Trading Entities can incur material losses as a result of corporate mismanagement, fraud and accounting irregularities.

Financing Arrangements

Sterling Ridge does not generally employ a high degree of leverage. However, leverage is integral to Sterling Ridge's strategy, and the Trading Entities depend on the availability of credit in order to provide leverage by financing their respective portfolios. There can be no assurance that any of the Trading Entities will be able to maintain adequate financing arrangements.

As a general matter, the banks and dealers that provide financing to the Trading Entities can apply essentially discretionary margin, haircut, financing, security and collateral valuation policies and, from time to time (for example, during the "market crises" of 1994, 1998 and 2008–2009), have largely eliminated the availability of financing in an attempt to protect their capital. Reductions in available leverage would not only make it difficult for Sterling Ridge to implement its strategies

prospectively, but also would force the relevant Trading Entity to liquidate its existing positions, likely at material losses.

Changes by banks and dealers in the foregoing policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, may result in margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other dealers. Any such adverse effects may be exacerbated in the event that these limitations or restrictions are imposed suddenly and / or by multiple market participants at or about the same time. The imposition of these limitations or restrictions could compel a Trading Entity to liquidate part or all of its portfolio at disadvantageous prices.

Short Sales

An integral component of Sterling Ridge's long-short strategy is selling "short" equities which the Trading Entities do not own and which Sterling Ridge expects to underperform. A short sale is effected by selling a security that the Trading Entity does not own, or selling a security which the Trading Entity owns but that it does not deliver upon consummation of the sale. In order to initiate a "short" sale, a seller must "locate" a source from which the seller can borrow the securities to be sold short and, in order to make delivery to the buyer of a security sold short, the seller must borrow the security. In so doing, the seller incurs the obligation to replace that security, whatever its price may be, at the time it is required to deliver it to the lender. "Short squeezes" are recurrent market events in which certain traders drive up the price and attempt to acquire a substantial percentage of the trading market in a stock, forcing the short sellers to incur major losses in closing out their short positions. When a Trading Entity sells a security, the Trading Entity must also pay to the lender of the security any dividends or interest payable on the security during the borrowing period and may have to pay a premium for the right to borrow the security. This obligation must, unless the Trading Entity then owns or has the right to obtain, without payment, securities identical to those sold short — which the Trading Entity will generally not do — be collateralized by a deposit of cash or marketable securities with the lender.

Short selling is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. There can be no assurance that the securities necessary to cover the short position will be available for purchase by the Trading Entities. In addition, purchasing securities to close out the short position can itself cause the price of the relevant securities to rise further, thereby increasing any loss incurred by the Trading Entities. Furthermore, the Trading Entities may be forced to close out a short position prematurely if a counterparty from which a Trading Entity borrowed securities demands the return of such securities, resulting in a loss on what might otherwise have been a profitable position.

From time to time, various regulatory authorities have imposed "short-selling bans" in selected securities (often, however, a wide population of securities), making it difficult if not impossible to continue to implement certain long-short (as well as other) equity strategies.

Securities exchanges have, as a general matter, reinstated the "uptick rule" — generally prohibiting short sales unless the last recorded sale price of a stock was higher than the previous transaction. Over time, the "uptick rule" could materially increase the Trading Entities' transaction costs by requiring Sterling Ridge to delay executing certain short sales (as well as to execute them at higher

prices than would otherwise be the case), and in certain circumstances could prevent the Trading Entities from acquiring short positions which Sterling Ridge would otherwise have acquired for it.

Disparity between Quoted and Actionable Values

The prices quoted by dealers for certain investments for some purposes may differ materially from the prices at which the dealers are willing actually to execute transactions in those investments. This disparity can result in unexpected losses when the investments are bought or sold at prices that differ from those quoted by dealers. Moreover, dealers have a conflict of interest quoting values for securities which they are financing on margin as the greater the value of the security, the greater the amount of financing the dealer will be able to provide — incentivizing the dealer to quote securities above those that could be realized in an actual transaction. Then, when a transaction does occur at a lower price, the forced reduction in the valuation of the positions remaining outstanding can lead to further margin calls, forced sales and substantial losses.

Although quoted and actionable price disparities are less likely in the large capitalization, highly liquid stocks on which the Trading Entities focus their trading than in many other financial instruments, such disparities can occur.

Portfolio Turnover

While Sterling Ridge has not been a “high frequency” trader, the turnover rate of the Trading Entities’ positions from time to time may be significant, potentially involving substantial brokerage commissions and fees. To the extent the Trading Entities’ positions are themselves leveraged, their respective brokerage and financing costs are further increased.

Trade Execution Risk

The Trading Entities generally acquire a significant number of both long and short equity positions. The cost of doing so are materially affected by the speed and efficiency of the Trading Entities’ transactions. Inefficient executions can generate substantial transaction costs over time, possibly materially reducing the profitability of the Trading Entities’ positions.

Trade Error Risk

Trade errors may occur in the operation of Sterling Ridge’s investment business. In general, trade errors that occur in relation to the management of the Master Fund and Accounts will be for the account of the affected entities, unless they are the result of conduct inconsistent with Sterling Ridge’s standard of care. Even if the individual at Sterling Ridge who is responsible for the trade error may have violated that standard of care personally, Sterling Ridge itself is highly unlikely to be deemed to have done so unless it has inadequate control and supervisory procedures in place.

With respect to the Registered Fund Account, any investment losses resulting from a trade error which cannot be unwound or reimbursed by the broker will be timely reimbursed by Sterling Ridge. Any trading error gains are retained by the Registered Fund Account.

Model Risk

Sterling Ridge makes certain use of quantitative valuation models, seeking to determine which issuers merit further research. As market dynamics shift over time, a previously highly successful model often becomes outdated or inaccurate. There can be no assurance that Sterling Ridge will be successful in obtaining, developing and / or maintaining effective quantitative models or in identifying when its models are no longer effective (at least before substantial losses are incurred).

Non-U.S. Markets

Investing in non-U.S. securities involves certain considerations not typically associated with investing in the securities of U.S. issuers. These considerations include, among others, changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of punitive and retroactive taxes, less market liquidity and less available issuer-specific information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards, and greater price volatility.

Trading Outside the “Most Developed” Markets

The Trading Entities trade and invest from time to time outside of the “most developed” markets (e.g., in Asia, Latin America and certain European markets). Investing in these markets involves considerations and possible risks not typically involved in investing in comparatively more developed markets, including unequal access to market opportunities as well as material information, the possibility of expropriation, limitations on repatriating assets, more limited disclosure than is customary in more developed markets, sudden changes in governmental administration or economic or monetary policy or changed circumstances in dealings between nations. Tax laws applicable outside of the most developed markets (e.g., the imposition of withholding taxes on dividend or interest payments, income taxes and excise taxes) or confiscatory taxation may also affect the Trading Entities’ investment in those securities. Investing in those financial instruments may result in higher expenses to the Trading Entities because of the costs incurred in connection with conversions between various currencies and the fact that brokerage commissions outside the most developed markets may be higher than commissions in the developed markets. Less developed markets also may be less liquid, more volatile and less subject to governmental supervision than developed markets.

The Trading Entities’ investments outside the United States could be adversely affected by other factors not present in developed markets, including potential difficulties in enforcing contractual obligations. Many of the laws that govern private and foreign investment, securities transactions, creditors’ rights and other contractual relationships in a number of countries may be recently developed and largely untested. As a result, the Trading Entities may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, unknowing breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets, and lack of enforcement of existing regulations.

Small- to Medium-Capitalization Companies

Sterling Ridge may invest a significant portion of the Trading Entities' capital in the securities of companies with small- to medium-market capitalizations (subject to guidelines and restrictions applicable to specific Accounts and / or the Registered Fund Account). Although Sterling Ridge believes that these securities may provide significant potential for appreciation, these securities, particularly smaller-capitalization stocks, often involve higher risks than do investments in the securities of larger-capitalization companies. Smaller-capitalization stocks are often more volatile and more illiquid than large-capitalization stocks.

High Growth Company-Related Risks

The Trading Entities may invest in high growth companies, which may allocate, or may have allocated, greater than usual amounts to research and product development. The securities of these companies may experience above-average price movements associated with the perceived prospects of success of their research and development programs. In addition, companies in which the Trading Entities invest could be adversely affected by the lack of commercial acceptance of a new product or products or by technological change and obsolescence. Many of these companies may participate in undeveloped or limited markets, have limited products, rely on proprietary technology that may be difficult to protect from competitors, have no proven profit-making history, operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and / or be in the developmental stages of their businesses.

Financial Services Sector Investments

The Trading Entities may invest in financial services companies. The financial services industry is vulnerable to a number of factors, including, without limitation: extensive government regulation, rapid business changes, general economic conditions, significant competition, and value fluctuations. Many financial services companies suffered substantial losses as a result of the events of 2007–2009 due to heavy losses in proprietary trading. The ongoing volatility in the credit and other market sectors in 2009 and 2010 continues to pose significant financial challenges and risks to financial services companies. Extensive and changing governmental regulation of financial services companies can, among other things, both increase costs and make it difficult to pass the increased costs on to consumers. Far-reaching revisions to the regulation of the financial services industry were adopted in the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”), which could further affect the profitability of companies in that sector. On the other hand, in certain cases, deregulation of financial service companies has resulted in increased competition and reduced profitability.

Investment in the financial services sector may expose the Trading Entities to systemic risk in the financial system. Moreover, the prices of stocks and bonds issued by many financial services companies have historically been more closely correlated with changes in interest rates than the prices of other stocks.

Merger Arbitrage

Although not a primary component of its strategy, Sterling Ridge may from time to time invest in “merger arbitrage” transactions, which involve the purchase of securities of companies that are the

subject of acquisition attempts, exchange offers or cash tender offers. Merger arbitrage is characterized by an asymmetry of returns in that the rates of return achieved on successful deals are generally well below the losses incurred on unsuccessful transactions. Consequently, a principal aspect of Sterling Ridge's merger arbitrage strategy is risk control, attempting to avoid major losses from non-consummation of transactions which could have a long-term effect on the performance of this strategy.

From time to time, Sterling Ridge may cause the Trading Entities to take positions which Sterling Ridge believes will profit from the announcement and possible subsequent consummation of a transaction which has not yet been announced. Investing in "pre-announced transactions" involves an entire dimension of incremental risk to that applicable to investing in announced transactions.

4. Certain Instruments Traded

Other than and to the extent of any guidelines and restrictions applicable to specific Accounts and / or the Registered Fund Account, the Trading Entities trade a wide range of different financial instruments. New financial instruments are continually being developed, each of which presents its own profit opportunities.

Common Stocks

The Trading Entities invest substantially all of their capital in long and short positions in common stock. Common stock prices are directly affected by issuer-specific events, as well as general market conditions. In addition, in many countries investing in common stocks is subject to heightened regulatory and self-regulatory scrutiny as compared to investing in debt or other financial instruments.

European Equities

The Trading Entities may trade in European equities to a material extent. The ongoing European sovereign debt crisis could result in unexpected "shocks" to the European financial markets (perhaps based on largely unpredictable action by European governments, the European Central Bank or other institutions) which could cause substantial losses to the Trading Entities' European holdings (as well as other components of their portfolios).

The same sovereign debt risk which applies in Europe also affects the Asian and Latin American equities markets to which the Trading Entities are likely to have some exposure.

Equity Derivatives and Related Options

Sterling Ridge may trade in equity derivatives. These derivatives are subject to pricing components — including duration, strike price and premiums — to which the underlying stocks are not. Consequently, a Trading Entity's equity derivative positions may be unprofitable even though Sterling Ridge may have correctly assessed the market value of the underlying stocks.

Sterling Ridge may trade in put and call options, which involve qualitatively different risks than owning or selling short the underlying common stock. Because option premiums paid or received

by an investor are small in relation to the market value of the investments underlying the options, trading put and call options is highly leveraged.

Public Offerings

Certain Trading Entities invest in equity securities issued in public offerings — both initial and secondary public offerings. Being included in the “syndicates” assembled by underwriters to acquire public offerings requires access to the underwriters to which other funds competing with the Trading Entities can be expected to have a materially greater degree than the Trading Entities themselves. In addition, the pricing dynamics surrounding public offerings involve a number of considerations not typically included (at least to the same degree) in Sterling Ridge’s fundamental analysis process. The opportunity to participate in a public offering syndicate is often short-lived, and Sterling Ridge will be required to decide whether to participate on short notice and without the opportunity for detailed research. The regulatory scrutiny applied to these offerings is intense, and they may attract significant publicity. While participating in public offerings may offer the chance for opportunistic profits, doing so involves certain risks not generally applicable to Sterling Ridge’s “core” long-short equity investing.

Exchange-Traded Funds (“ETFs”)

The Trading Entities invest in ETFs and options on ETFs. An investment in an ETF generally presents the same primary risks as an investment in a conventional mutual fund that has the same investment objective, strategies and policies. An ETF may fail to accurately track the market segment or index that underlies its investment objective. The price of an ETF can fluctuate within a wide range, and the Trading Entities could lose money investing in an ETF if the prices of the securities or other assets owned by the ETF decrease. In addition, ETFs are subject to the following risks that do not apply to conventional mutual funds: (a) the market price of the ETF shares may trade at a discount to its net asset value; (b) an active trading market for an ETF’s shares may not develop or be maintained; or (c) trading of an ETF’s shares may be halted if the listing exchange’s officials deem that action appropriate.

Each Trading Entity indirectly bears its proportionate share of any management fees and other expenses paid by other investment companies in which it invests. Consequently, an investment in a Trading Entity incurs higher expenses than a direct investment in the ETFs utilized by that Trading Entity.

American Depositary Receipts (“ADRs”)

The Trading Entities may invest in securities of non-U.S. issuers in the form of depositary receipts or other securities that are convertible into securities of non-U.S. issuers. ADRs are receipts typically issued by an American bank or trust company that evidence underlying securities issued by a foreign corporation. The Trading Entities may also invest in unsponsored Depositary Receipts. The issuers of unsponsored Depositary Receipts are not obligated to disclose information that is, in the United States, considered material. Therefore, there may be less information available regarding these issuers, and there may not be a correlation between that information and the market value of the ADRs. ADRs are generally subject to the same risks as the non-U.S. securities that they evidence or into which they may be converted.

Convertible Securities

Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. Convertible securities generally: (i) have higher yields than the dividends on the underlying common stocks, but lower yields than non-convertible securities of a comparable duration; (ii) are less volatile in price than the underlying common stock due to their fixed-income characteristics; (iii) have a significant option component to their value which is directly impacted by the prevailing market volatility and interest rates; and (iv) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The market for convertible securities is typically materially less liquid than that for the underlying common stock and the value of convertible securities more directly at risk to increases in interest rates.

Credit Default Swaps

Certain Trading Entities may purchase and sell credit derivatives contracts — primarily credit default swaps — both for hedging and speculative purposes. In certain situations, trading in credit default swaps may be more economically efficient than trading in equities as a means for Sterling Ridge to express its fundamental view of an issuer and to hedge its positions.

The typical credit default swap contract generally requires the seller to pay to the buyer, in the event that a particular reference entity experiences a specified credit event, a specified notional amount in exchange for securities issued by the reference entity. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. The market for credit default swaps has been materially restricted by Dodd-Frank.

Futures and Forward Contracts

The Trading Entities trade futures primarily for currency hedging purposes, and to speculate on price movements in certain commodities (e.g., precious metals and / or energy). Futures are often inherently highly leveraged (often with margin deposits as low as 2% to 15% of contract value) and can become illiquid due to exchange-imposed price fluctuation limits.

The Trading Entities also trade forward contracts primarily for purposes of exchange-rate hedging. None of the CFTC, NFA, futures exchanges or banking authorities currently regulates forward trading (although that situation is gradually changing due to Dodd-Frank). Although the Trading Entities deal only with major financial institutions as currency forward counterparties, the insolvency or bankruptcy of a currency forward counterparty could subject the affected Trading Entity to the loss of its entire deposit with the counterparty. The forward markets are well established. However, it is impossible to predict how, given certain unusual market scenarios, the unregulated nature of these markets might affect the Trading Entities.

Repurchase Agreements

The Trading Entities may enter into repurchase and reverse repurchase agreements. A repurchase agreement involves the sale of an investment by a Trading Entity and its agreement to repurchase the investment at a specified time and price (thereby financing that Trading Entity's acquisition of that investment). If the party agreeing to repurchase should default, as a result of bankruptcy or otherwise, the relevant Trading Entity may seek to sell the investments which it holds, which action could involve costs or delays in addition to a loss on the investments if their value should fall below their repurchase price. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the Trading Entity's ability to dispose of the underlying investments may be restricted.

Other Instruments

Other than as noted above and in the relevant Offering Documents, there is no limit on the financial instruments which the Trading Entities may trade. Although Sterling Ridge's strategies focus on long-short equity trading, Sterling Ridge may invest from time to time in any available financial instruments on an opportunistic basis (and perhaps with some frequency). Moreover, over time, and subject to the referenced guidelines and restrictions, the strategies implemented for the Trading Entities may expand to include material components not currently included in the Trading Entities' portfolios. These components may involve trading in a wide range of new instruments (particularly as these instruments available for trading are continually changing). Each of these instruments has its own particular risks. Prospective investors should not assume that the Trading Entities will indefinitely invest predominantly in exchange-traded equities.

5. Structural Risks

Restrictions on Withdrawals / Redemptions

Irrespective of the success or failure of Sterling Ridge's strategies, an investor's inability to withdraw or redeem from the relevant Feeder Fund on short notice (and similar restrictions that may apply to investors in an Account and / or the Registered Fund) materially increases the risk of their investment by making it impossible for the investor to limit losses or recognize profits on their interests or shares, because it is not possible to withdraw or redeem in order to recognize profits or mitigate losses before the profits may have been eliminated or the losses significantly accelerated. In addition, the limitations on an investor's ability to withdraw or redeem their investment may make it infeasible to pledge or transfer their interests or shares to third-parties for value (other than at a material discount to the net asset value of those interests or shares).

Effect of Substantial Withdrawals / Redemptions

It is possible that substantial withdrawals or redemptions from either or both of the Feeder Funds, one or more of the Accounts, and / or the Registered Fund over a short time period could necessitate the liquidation of a significant portion of the Trading Entities' trading positions on materially disadvantageous terms. Moreover, the limitation on an investor in a Feeder Fund's ability to withdraw or redeem their investment provides only limited protection against substantial reductions in investor capital, particularly as investors can withdraw or redeem amounts in excess of the limit upon payment of an excess withdrawal / redemption fee. There have been periods in the

past when numerous investors would have been more than willing to pay the equivalent of a 3% excess withdrawal / redemption fee in order to withdraw their capital from various private investment funds. In addition, there are no substantive restrictions on the right of the owners of Accounts and the investors in the Registered Fund to withdraw their capital from those entities.

Investor Concentration Risk

The Funds, Accounts, and the Registered Fund may have a limited number of investors, and several of these investors may have contributed a substantial percentage of the associated Trading Entities' capital. Should one or more of these investors withdraw or redeem its investment — which they may do for reasons entirely unrelated to the performance of the relevant Funds, Accounts, and / or the Registered Fund Account — the effect on the Trading Entities could be materially adverse. The withdrawal / redemption provisions of the Feeder Funds' and Accounts' respective Offering Documents are less restrictive than those of many funds, increasing the risk of loss created by the concentration of the Trading Entities' capital in the hands of one or a strictly limited number of investors. Additionally, a redemption fee is charged by the Registered Fund in respect of shares of the Registered Fund sold within thirty (30) days of purchase.

Fluctuating Capital Base

The Trading Entities' capital base varies with performance, capital contributions and withdrawals / redemptions — each of which can be unpredictable. Although Sterling Ridge will take steps to manage the variations in its capital base and to protect against their impact, changes in the level of the Trading Entities' capitalization may impact the operation and management of the Trading Entities.

Incentive Fees / Profit Allocations

The fact that Sterling Ridge or its affiliate, the General Partner, is eligible to receive incentive fees or profit allocations may create an incentive for Sterling Ridge to make investments on behalf of the Trading Entities that are riskier or more speculative than would be the case in the absence of the potential profit allocation. In addition, the profit allocations received by Sterling Ridge are calculated on the basis of the unrealized, as well as the realized, gains and losses of the Trading Entities. As a result, profit could be allocated to Sterling Ridge in respect of unrealized gains of the Trading Entities that may never be realized.

Fund / Account Expenses

The Trading Entities incur substantial costs in addition to the management fee and the incentive fee (other than in respect of the Registered Fund Account, which pays no incentive fee). The expenses of the Trading Entities may be higher than those incurred by other businesses or by other hedge fund managers. The Trading Entities' respective portfolio turnover is higher than that of many funds, generating brokerage commissions and other transaction fees and expenses.

Side-by-Side Management of Funds and Accounts

Sterling Ridge may enter into Account relationships (including, without limitation, with additional open-end registered management investment companies) which may impose limitations on the

ownership by a particular Trading Entity of securities of a specific issuer, sector and / or jurisdiction (collectively, the “Trading Limitations”). In addition, the Offering Documents for an Account may require liquidity terms (i.e., redemption / withdrawal terms) (collectively, “Account Liquidity Terms”) that are more favorable to the investor(s) in that entity than the liquidity terms to which investments in the Feeder Funds or other Accounts are subject. Complying with Account Liquidity Terms in relation to a specific Account may cause Sterling Ridge to liquidate positions at particular times, which could cause significant losses for that Account which otherwise would have been avoided. Moreover, in order to mitigate the disruptions caused by the need to comply with the Account Liquidity Terms, Sterling Ridge may be required to reduce the relevant Trading Entity’s gross exposure and sector exposure for a significant period of time, resulting in a material distortion to that Trading Entity’s portfolio.

Sterling Ridge has limited experience developing and implementing a strategy which requires that specific Trading Entities adhere to particular Trading Limitations or to Account Liquidity Terms (e.g., to satisfy an Account-owner’s particular withdrawal / redemption rights). Complying with these requirements over time may have materially adverse consequences for Sterling Ridge’s management of the particular Trading Entity’s portfolio — including losses incurred in liquidating positions which Sterling Ridge would otherwise have maintained in order to comply with the Trading Limitations.

The Registered Fund Account and each Account is likely over time to be significantly smaller than the Master Fund. The Registered Fund Account’s and each Account’s smaller capitalization may disadvantage the respective entity in a number of areas, including in relation to credit terms, trade executions and access to certain transactions.

Valuation Risk; Use of Estimates

An unaffiliated third-party administrator values each Trading Entity’s positions. These valuations affect the management fees and incentive fees (where applicable) paid to Sterling Ridge, as well as any bonuses payable to Sterling Ridge’s staff. As substantially all of the Trading Entities’ positions consist of exchange-traded equities for which current prices are readily available, broadly disseminated and agreed, Sterling Ridge does not believe any valuation issues will be significant.

However, in the event of the absence of actionable market prices for certain investments (i.e., prices at which dealers will actually execute transactions) the determination of fair market value may require the use of model-based valuation techniques and estimates of various factors which cannot be quantified based on data (for example, illiquidity discounts).

Exchange-Rate Fluctuations

The Trading Entities may invest in equities denominated in currencies other than the U.S. Dollar, such as Euros, Japanese Yen, U.K. Pounds, Brazilian Reais, Chinese Renminbi, and other currencies as well as in U.S. Dollars; the Trading Entities will be subject to exchange-rate risk on these investments. Sterling Ridge may, but is not obligated to, attempt to hedge some or all of the exchange-rate risk to the Trading Entities subject to their respective non-U.S. Dollar-denominated positions.

Any exchange-rate hedging in which the Trading Entities engage will be simplistic — Sterling Ridge has no capability of evaluating likely future exchange-rate movements; the Trading Entities will generally simply acquire U.S. Dollar / other functional currency forwards or future contracts with notional amounts reflecting the value of the equities being held and “roll” those contracts as of the beginning of each month or quarter. In general, no attempt will be made to adjust these hedges to reflect market developments, intra-market or intra-quarter profits or losses or any other factors.

Any exchange-rate hedging in which the Trading Entities may engage could result in significant additional costs to the Trading Entities, and will not purport or attempt to eliminate exchange-rate risk. In the past, there have been a number of sudden, material exchange-rate movements among the U.S. Dollar and other currencies, and these can be expected to continue.

Custody Risk

The Trading Entities, their respective Prime Brokers (as defined herein), and their respective Custodians (as defined herein) may appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of the relevant Trading Entity. The Trading Entities’ primary custodians may not be responsible for cash or assets held by sub-custodians in certain non-U.S. jurisdictions, or for any losses suffered by the Trading Entities as a result of the misconduct, bankruptcy or insolvency of any such sub-custodian. The Trading Entities may therefore have potential exposure on the default of any sub-custodian and, as a result, many of the protections which would normally be provided to the Trading Entities by a custodian will not be available to the Trading Entities.

Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of the regulation of custodial activities and custodian bankruptcies in certain non-U.S. jurisdictions, the ability of the affected Trading Entity to recover assets held by a sub-custodian in the event of that sub-custodian’s bankruptcy would be in doubt. Even where a custodian, including a registered broker-dealer, is located and regulated in the United States, U.S. protections and regulations may be insufficient, and the affected Trading Entity unable to recover its assets — at least on a timely basis.

The Trading Entities may change their respective brokerage and custodial arrangements without prior notice to, and without the consent of, investors.

6. Regulatory Risks; Tax Risks; Indemnification; Conflicts of Interest

Risk of Litigation / Regulatory Actions

Although the Trading Entities generally do not take control positions or engage in proxy fights, the Trading Entities may be subject to litigation from time to time. The outcome of these proceedings, which may materially adversely affect the value of the holdings of one or more of the Trading Entities, may be impossible to anticipate, and these proceedings may continue without resolution for long periods of time. Any litigation may consume substantial amounts of Sterling Ridge’s time and resources to an extent materially disproportionate to the amounts at stake in the litigation.

From time to time, certain of Sterling Ridge's, a Fund's, an Account's, and / or the Registered Fund's (and / or the Registered Fund Account's) activities may be subject to regulatory inquiries, investigations and / or enforcement proceedings from U.S. and non-U.S. governmental agencies, regulatory bodies and securities commissions, which can be costly and occupy significant staff time and resources of Sterling Ridge.

A number of long-short equity managers have been subject to regulatory investigations and proceedings (as was Diamondback Capital Management, LLC, the advisory firm at which the CIO and certain staff of Sterling Ridge worked before joining Sterling Ridge). These actions, even if the ultimate conclusion is that no violation has occurred, could materially adversely affect Sterling Ridge, the Funds, and the Accounts. It is impossible to predict whether, when or how extensive any investigations or proceedings could be.

There has recently been considerable regulatory scrutiny focused on the "pari passu" trading of institutional managed accounts or collective investment vehicles (e.g., "funds of one"), such as one or more of the Accounts, that implement substantially the same strategy as a master fund in a master-feeder fund structure (a "flagship fund"). Sterling Ridge's management of any of the Accounts that are intended to trade on a "pari passu" basis with the Master Fund is likely to attract unique and additional regulatory scrutiny.

The Trading Entities' auditors have severely limited their liability under the terms of their engagement by the Trading Entities by foreclosing each Trading Entity's rights of possible recourse against the auditors.

Each of the Trading Entities has given a broad indemnity to Sterling Ridge against a wide range of losses relating to their activities on behalf of the Trading Entities, provided that such activities are not finally determined to violate the applicable standard of care (as defined in the Offering Documents).

Limited Regulatory Oversight

None of the Funds or Accounts will (or could) register as an investment company under the Company Act or any comparable regulatory requirements, and none of the Funds or Accounts intends to so register, nor is any Fund or Account subject to regulation comparable to the statutory provisions and related regulations of the Company Act. Accordingly, the provisions of these regulations, which among other things generally require investment companies to have a majority of disinterested directors, require securities held in custody to be maintained at all times in segregated accounts and regulate the relationship between the investment company and its asset manager, are not applicable to an investment in a Feeder Fund or an Account. In addition, none of the Funds or Accounts is subject to regulation comparable to the Company Act in any non-U.S. jurisdiction. Therefore, investors in the Feeder Funds and / or the Accounts do not have the benefit of the protections afforded, nor is any of the Funds or Accounts subject to the restrictions imposed, by such registration and regulation.

Notwithstanding the foregoing, compliance with the new regulatory regime of Dodd-Frank may entail burdensome reporting and registration requirements, minimum capital and variation margin requirements, adherence to business conduct standards, and recordkeeping requirements — and all

without providing additional regulatory protections which are of any substantive benefit to the Funds or Accounts.

The Dodd-Frank Wall Street Reform and Consumer Protection Act

Dodd-Frank, among other things, includes provisions that comprehensively regulate the over-the-counter (“OTC”) derivatives markets for the first time. The regulatory requirements under Dodd-Frank are expected to increase derivative dealers’ costs, which are expected to be passed along, at least partially, to other participants in the derivatives market in the form of higher fees. Dodd-Frank may result in an increased regulatory burden and associated costs borne by execution brokers and other financial intermediaries with which the Trading Entities transact and these burdens and costs may result in operational difficulties or increased costs to the Trading Entities and the Sterling Ridge. The overall impact of Dodd-Frank on any of the Funds and / or Accounts is highly uncertain.

The “Volcker Rule” component of Dodd-Frank materially restricts proprietary speculative trading by banks, “bank holding companies” and other regulated entities. As a result, the alternative investment sector is seeing a significant influx of new portfolio managers who had previously traded institutional proprietary accounts. This influx can only increase the competition for the Trading Entities from other talented portfolio managers trading in the same investment sector(s).

The restrictive effect of Dodd-Frank on these markets may have adverse ramifications for the equity markets in which the Trading Entities trade as well as for the financial markets in general.

Possibility of Additional Government or Market Regulation

Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies during recent years have led to increased governmental as well as self-regulatory scrutiny of private investment (“hedge”) funds and the “hedge fund” industry in general. Such intervention has in certain cases been implemented on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition — as one would expect given the complexities of the financial markets, and the limited time frame within which governments have felt compelled to take action — these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies. Any such regulation could have a material adverse impact on the profit potential of the Trading Entities.

The Trading Entities may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Trading Entities from their respective banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to the Trading Entities. Market disruptions may from time to time cause dramatic losses for the Trading Entities, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

The ramifications of Dodd-Frank will not be able to be evaluated for some time, and subsequent events such as the convictions of a number of hedge fund managers for “insider trading,” the sovereign debt crisis in Europe, and the MF Global bankruptcy, among other developments, may result in additional statutory and regulatory restrictions being imposed on the markets.

Even if the new regulatory regime does not directly restrict Sterling Ridge from implementing its strategy, this regime will impose substantially increased costs on the Trading Entities in doing so.

European Union Directive on Alternative Investment Fund Managers

The European Union Alternative Investment Fund Managers Directive (the “AIFMD”) applies to alternative investment fund managers (“AIFMs”) which manage and / or market alternative investment funds (“AIFs”) in the European Economic Area (“E.E.A.”). For an AIFM established in a jurisdiction outside the E.E.A. (a “non-E.E.A. AIFM”) (e.g., Sterling Ridge), marketing an AIF established in a jurisdiction outside the E. E.A. (a “non-E.E.A. AIF”) (e.g., the Offshore Fund), the AIFMD requires that, at a minimum, the non-E.E.A. AIFM must provide certain disclosures to investors in the non-E.E.A. AIF, as well as provide reports on a regular basis to the regulator in each E.E.A. Member State where the non-E.E.A. AIF is marketed. In addition, the AIFMD includes a requirement that there must be cooperation arrangements in place between the regulator in each of: (i) the jurisdiction where the non-E.E.A. AIFM is established; (ii) the jurisdiction where the non-E.E.A. AIF is established (if different from (i)); and (iii) each E.E.A. Member State into which the non-E.E.A. AIF is being marketed. Individual E.E.A. Member State regulators may also impose additional marketing restrictions on a national basis.

The provisions of the AIFMD limit — perhaps materially — Sterling Ridge’s ability to market the Feeder Funds in the E.E.A.

Tax Risks

General

The income and gain for each Feeder Fund for each taxable year will be allocated to, and includible in, an investor’s taxable income whether or not cash or other property is actually distributed. Furthermore, Sterling Ridge does not anticipate that the Trading Entities will make distributions. Accordingly, each investor subject to U.S. taxation should have alternative sources from which to pay its U.S. federal income tax liability or be prepared to withdraw the amounts from the Onshore Fund and / or relevant Account, as the income and gain will likely exceed distributions to that investor for a taxable year.

The Funds, one or more Accounts, and / or the Registered Fund Account may take positions with respect to certain tax issues that depend on legal conclusions not yet addressed by the courts. Should any of these positions be successfully challenged by the Internal Revenue Service (the “IRS”), an investor in the Onshore Fund, relevant Account, and / or the Registered Fund might be found to have a different tax liability for that year than that reported on its U.S. federal income tax return.

In addition, an audit of the Onshore Fund, a relevant Account, and / or the Registered Fund may result in an audit of the returns of some or all of the investors in that Fund, Account, and / or the

Registered Fund, and that examination could result in adjustments to the tax consequences initially reported by the Onshore Fund, Account, and / or the Registered Fund, and affect items not related to an investor's investment in the Onshore Fund, Account, and / or the Registered Fund. If the adjustments result in an increase in the investor's U.S. federal income tax liability for any year, that investor may also be liable for interest and penalties with respect to the amount of underpayment. The legal and accounting costs incurred in connection with any audit of the Onshore Fund's, Account's, or the Registered Fund's tax return will be borne by the Onshore Fund, relevant Account, and / or the Registered Fund. The cost of any audit of an investor's tax return will be borne solely by that investor.

The Onshore Fund or relevant Account will provide Schedules K-1 within ninety (90) days of the end of the applicable fiscal year. However, it may be necessary for investors to obtain extensions of the filing date for their income tax returns at the U.S. federal, state and local level as a result of their investment in the Onshore Fund or the relevant Account.

The Funds, Accounts, and the Registered Fund will be required to disclose identifying information to the IRS regarding each investor, including each investor's name, address and taxpayer identification number.

Dividend and interest payments on foreign securities may be subject to foreign withholding taxes, which could reduce net proceeds to the Trading Entities.

The taxation of partnerships and partners is complex. Potential investors are strongly urged to review the Offering Documents carefully and to consult their own tax advisers.

U.S. Source Payments to the Trading Entities May Be Subject to Withholding Under the HIRE Act

The Hiring Incentives to Restore Employment Act (the "HIRE Act") provides that a 30% withholding tax will be imposed on certain payments of U.S. source income and certain payments of proceeds from the sale of property that could give rise to U.S. source interest or dividends, unless the Funds and / or relevant Accounts enter into an agreement with the IRS to disclose the name, address and taxpayer identification number of certain U.S. persons that own, directly or indirectly, an interest in the Funds and / or relevant Accounts, as well as certain other information relating to that interest. The IRS has released regulations and other guidance that provide for the phased implementation of the foregoing withholding and reporting requirements.

On November 29, 2013, the United States Department of the Treasury signed a Model 1 non-reciprocal intergovernmental agreement ("Model 1 IGA") with the Cayman Islands. The Model 1 IGA modifies the foregoing requirements but generally requires similar information to be disclosed to the Cayman Islands government and ultimately to the IRS. Although the Funds and relevant Accounts will attempt to satisfy any obligations imposed on them to avoid the imposition of this withholding tax, no assurance can be given that the Funds and / or Accounts will be able to satisfy these obligations. If the Funds and / or Accounts become subject to a withholding tax as a result of the HIRE Act, the returns of all investors may be materially affected. Investors are encouraged to consult with their own tax advisers concerning the foregoing matters.

Accounting for Uncertainty in Income Taxes

Accounting Standards Codification Topic No. 740, “Income Taxes” (in part formerly known as “FIN 48”) (“ASC 740”), provides guidance on the recognition of uncertain tax positions. ASC 740 prescribes the minimum recognition threshold that a tax position is required to meet before being recognized in an entity’s financial statements. It also provides guidance on recognition, measurement, classification and interest and penalties with respect to tax positions. Prospective investors should be aware that, among other things, ASC 740 could have a material adverse effect on the periodic calculations of a Fund’s, Account’s, and / or the Registered Fund Account’s net asset value, including, without limitation, by reducing the net asset value of the relevant Fund, Account, and / or the Registered Fund Account to reflect reserves for income taxes, such as foreign withholding taxes, that may be payable by that Fund, Account, and / or the Registered Fund Account. This could cause material benefits or detriments to certain investors, depending upon the timing of their entry and exit from that Fund, Account, or the Registered Fund.

Restrictions on Investments by Benefit Plan Investors

In order to avoid causing assets of the Feeder Funds to be “plan assets” (as defined in the U.S. Employee Retirement Income Security Act of 1974, as amended, and the relevant regulations thereunder (“ERISA”)), each of the Feeder Funds intends to restrict the aggregate investment by benefit plan investors to under 25% of the total value of each class of equity interests of the relevant Fund (not including the investments of Sterling Ridge, any director of Sterling Ridge, any senior employee of Sterling Ridge, any person who provides investment advice for a fee (direct or indirect) with respect to the assets of that Fund, and any entity (other than a benefit plan investor) that is directly or indirectly through one or more intermediaries controlling, controlled by or under common control with any of those entities (including, without limitation, a partnership or other entity for which Sterling Ridge is the general partner, investment adviser or provides investment advice), and each of the principals, officers and employees of any of the foregoing entities who has the power to exercise a controlling influence over the management or policies of that entity or of the relevant Fund). Furthermore, because the 25% test is ongoing, it not only restricts additional investments by benefit plan investors, but also can cause the affected Fund to require that existing benefit plan investors withdraw / redeem from that Fund in the event that other investors withdraw / redeem. If rejection of subscriptions or mandatory withdrawals / redemptions are necessary, as determined by the affected Fund, to avoid causing the assets of that Fund to be “plan assets,” then the relevant Fund will effect the rejections or withdrawals / redemptions in the manner as the Fund, in its sole discretion, determines.

Ineligible Purchasers

In general, no plan may invest in a Feeder Fund if Sterling Ridge, the Administrator, any Prime Broker, any placement agent, any of their respective affiliates, or any of their respective employees either: (i) has investment discretion with respect to the investment of the plan’s assets; (ii) has authority or responsibility to give or regularly gives investment advice with respect to the plan’s assets, for a fee, and pursuant to an agreement or understanding that the investment advice will serve as a primary basis for investment decisions with respect to the plan’s assets and that the advice will be based on the particular investment needs of that plan; or (iii) is an employer maintaining or contributing to that plan. A party that is described in clause (i) or (ii) of the preceding sentence is a fiduciary under ERISA and the Internal Revenue Code (“IRC”) with respect to the plan, and any

purchase of interests in a Feeder Fund might result in a “prohibited transaction” under ERISA and the IRC.

Except as otherwise set forth, the foregoing statements regarding the consequences under ERISA and the IRC of an investment in the Fund are based on the provisions of the IRC and ERISA as currently in effect, and the existing administrative and judicial interpretations relating to those provisions. No assurance can be given that administrative, judicial or legislative changes will not occur that may make the foregoing statements incorrect or incomplete.

Indemnification

The terms of each Fund’s Offering Documents generally limit the liability of the Sterling Ridge and its affiliates (each, an “Indemnified Party”), and provide that the Funds shall indemnify the Indemnified Parties against all liabilities, damages, losses, costs and expenses resulting from or arising out of (a) any act of the Indemnified Party; (b) the operations or activities of the Funds; (c) the Funds’ governing documents; or (d) the offer or sale of interests in a Fund, except by reason of acts or omissions of an Indemnified Party that are explicitly found by a court of competent jurisdiction, upon entry of a final judgment rendered and unappealable, to constitute actual fraud, bad faith, gross negligence or reckless or intentional misconduct. The terms of agreements governing Accounts to which Sterling Ridge is a party, in addition to the sub-advisory agreement relating to the Registered Fund Account, also contain provisions limiting Sterling Ridge’s liability for losses incurred by the client to specific and limited circumstances, to the extent permitted by applicable law.

Investors should read the Offering Documents of the relevant Fund, Account, the Registered Fund, and the Registered Fund Account carefully and consult their professional advisors about these and other provisions before investing.

Conflicts of Interest

Sterling Ridge is subject to material conflicts of interest in managing the Feeder Funds and Accounts.

Side-by-Side Management of Accounts and Master-Feeder Fund Structure

As noted in this Brochure, Sterling Ridge manages the Funds alongside the Accounts and the Registered Fund Account, which generally follow investment strategies substantially similar to one or more sector or other portfolios of the type utilized by the Master Fund. Sterling Ridge may have a conflict of interest in managing the Funds, Accounts, and the Registered Fund Account. For example, Sterling Ridge may determine, due to market conditions, not to liquidate certain assets held by the Master Fund while simultaneously liquidating the same assets held by an Account and / or the Registered Fund Account (e.g., to adhere to particular Account Liquidity Terms). Although Sterling Ridge generally makes investment decisions with respect to the Trading Entities based solely on what Sterling Ridge perceives to be in the best interests of each Trading Entity, Sterling Ridge may nevertheless implement policies and procedures designed to limit potential conflicts, and those policies may result in an Account and / or the Registered Fund Account not purchasing or liquidating assets at a time they might otherwise do so (for example, if the policies require a pro rata allocation of available positions among the Master Fund’s investors, and the Feeder Fund’s pro rata

amount, together with an Account's and / or the Registered Fund Account's amount, was not the full amount which Sterling Ridge would otherwise have purchased or liquidated for that entity).

Moreover, the Accounts may be, and the Registered Fund Account is, subject to lower management and performance fees (or the equivalent, if any) than those to which investments in the Feeder Funds are subject. Furthermore, in order to accommodate the more liberal investor liquidity provisions of the Accounts and the Registered Fund as well as to comply with the Account Liquidity Terms (referenced above), Sterling Ridge will be required to avoid most if not all of the less liquid instruments which Sterling Ridge trades for the Master Fund. Correspondingly, the Master Fund may have both greater profit potential and greater revenue-generating potential for Sterling Ridge than an Account and / or the Registered Fund Account.

Sterling Ridge is subject to a conflict of interest because investors may invest in an Account and / or the Registered Fund rather than in the Master Fund (indirectly, through the Feeder Funds). Trading the Account(s) and the Registered Fund Account, as well as the Master Fund, raises trade allocation, timing, aggregation, and other issues which would not be applicable were Sterling Ridge to manage only the Master Fund.

Other Clients of Sterling Ridge / Sterling Ridge Parties

Sterling Ridge devotes as much of its time and effort to the affairs of the Feeder Funds, Accounts, and the Registered Fund Account as may, in its judgment, be necessary to accomplish the investment objectives of those entities. The investment management agreement among each of the Funds and Sterling Ridge specifically provides that the Sterling Ridge Parties may conduct any other business including, without limitation, any business within the securities or private investment fund industry. As noted elsewhere in this Brochure, Sterling Ridge serves as investment manager for the Feeder Funds, which invest substantially all of their assets in the Master Fund, as well as to one or more Accounts and to the Registered Fund Account. Any Sterling Ridge Party may also serve as investment manager to other entities, accounts, or investors and may conduct investment activities for their own accounts (those accounts are collectively referred to as the "Other Clients").

The Sterling Ridge Parties may have conflicts of interest in allocating their time and activity between the Feeder Funds, Accounts, the Registered Fund Account, and Other Clients, in allocating investments between and among the Feeder Funds, Accounts, and the Registered Fund Account, and among the Feeder Funds, Accounts, the Registered Fund Account, and Other Clients, and in effecting transactions for the Feeder Funds, Accounts, the Registered Fund Account, and Other Clients, including, without limitation, transactions in which certain Sterling Ridge Parties may have a greater financial interest. The Other Clients may have investment objectives or may implement investment strategies similar to those of the Feeder Funds, Accounts, and / or the Registered Fund Account, and may invest in the same or similar positions as those of one or more of the Trading Entities. The Sterling Ridge Parties may give advice or take action with respect to the Other Clients that differs from the advice they give or actions they take with respect to the Trading Entities.

Purchase and sale transactions (including, without limitation, swap transactions) may be effected between the Trading Entities and Other Clients subject to the following guidelines: (i) the transactions will be effected for consideration at current market prices; (ii) no brokerage commission or fee (except for customary transfer fees or commissions) or other remuneration will be paid in

connection with the transaction; and (iii) the transaction will comply with applicable law, including, for example, the provisions of the Company Act applicable to the Registered Fund Account.

Management Fees; Profit Allocations; Performance Fees

Sterling Ridge's receipt of an asset-based management fee gives Sterling Ridge an incentive to accept additional assets into the Feeder Funds and Accounts, even if doing so degrades the rates of return achieved (which would, however, adversely impact the incentive fee received by Sterling Ridge from those entities).

In addition, the General Partner receives a profit allocation from the Feeder Funds. This allocation effectively provides an asymmetrical priority prior allocation of gains with a corresponding asymmetrical allocation of losses relative to other investors in the Feeder Funds. The General Partner also monetizes that profit allocation as of each December 31, which investors in the Feeder Funds would be able to redeem only subject to payment (or waiver of) the excess withdrawal fee (referenced above). Sterling Ridge also is entitled to receive a performance fee from the Accounts. Profit allocations and performance fees may give Sterling Ridge an incentive to invest Feeder Fund or Account assets in investments that are riskier or more speculative than would otherwise be the case.

Valuation Policies

Although the Trading Entities' portfolios typically are valued based on pricing information from independent sources such as brokers, the Trading Entities are entitled to rely on pricing information from Sterling Ridge. Because Sterling Ridge is eligible to receive incentive allocations (or incentive fees) from certain Accounts consisting of a percentage of new appreciation in the value of the interest (or shares) which includes unrealized gains allocable to an investor's interests (or shares), Sterling Ridge's involvement in the valuation of the Trading Entities' portfolios may present a potential conflict of interest. Furthermore, higher valuations would improve the apparent performance of the Trading Entities.

Sterling Ridge determines the fair market value of the assets and liabilities of the Funds and of certain Accounts. Sterling Ridge generally determines the value of each relevant Trading Entity's investments to the extent possible based on quotes provided by brokers and other independent third-party pricing sources. However, Sterling Ridge is authorized, but not required, to use its own valuations, rather than quotes supplied by independent pricing sources, if Sterling Ridge believes that its valuations are more accurate.

The Trading Entities' less liquid investments may not have a readily-determinable market value. To the extent of its involvement in valuing these investments, Sterling Ridge will use internal Sterling Ridge-provided models, independent valuation consultants as well as Sterling Ridge's market judgment, and will have the same conflict of interest in doing so as described in the preceding paragraph. No Fund or Account has retained a third-party service provider to conduct an independent verification of Sterling Ridge's "marks" or of a Fund's or Account's overall valuations.

One of the more of the Accounts, as well as the Registered Fund Account, utilize the services of a third-party to value their respective investments.

Incentive Fee

The allocation of a percentage of new appreciation to Sterling Ridge may create an incentive for Sterling Ridge to cause the Master Fund and Accounts to make investments that are riskier or more speculative than would be the case if this allocation were not made.

The incentive allocation (or incentive fee) is realized annually. The more frequent realization of the incentive allocation (or incentive fee) payable by a Feeder Fund or Account may provide added incentive for Sterling Ridge to invest in a more speculative fashion than it otherwise would.

“Soft Dollars”

Sterling Ridge utilizes “soft dollars” to pay for certain products or services (see also Item 12). Research services obtained from the commissions arising from the Trading Entities’ portfolio transactions may be used by Sterling Ridge in its other investment activities. The Trading Entities may not, in any particular instance, be the direct or indirect beneficiary of the research services so provided. The Trading Entities may also enter into arrangements under which certain direct expenses of a Fund, Account, and / or the Registered Fund Account may be paid with or from “soft dollar” credits from brokers. While Sterling Ridge believes these arrangements are generally favorable to the Trading Entities, the costs of the products and services in question are less transparent than would be the case if they were paid directly.

Trade Errors

Sterling Ridge will from time to time make trade errors in managing the Trading Entities’ portfolios. Trade errors are not errors in judgment, strategy, market analysis, or economic outlook, but rather errors in implementing specific trades that Sterling Ridge has determined (rightly or wrongly) to make for a Trading Entity. Examples of trade errors would be: buying 10,000 shares of an issue rather than the 1,000 that was intended; or taking a long rather than the intended short position in a particular issue. Trade errors can result from clerical mistakes, miscommunications between Sterling Ridge’s personnel and other reasons. Trade errors are not the function of poor strategies, inaccurate valuation models, economic expectations, undue speculation, unauthorized trades or the like, but rather of the incorrect implementation of specific trades which Sterling Ridge had decided to make. Trade error costs can be significant — including market losses resulting from the position incorrectly acquired as well as the additional brokerage costs of closing out or reversing the error. The opportunity cost (lost profits) of not having made the trade intended to be made is not considered a trade error cost.

Other than in relation to the Registered Fund Account, Sterling Ridge determines whether to have the costs arising from trade errors borne by the Trading Entities or Sterling Ridge by applying the same standard of liability which would apply to any other action or omission by Sterling Ridge in the course of its management. See also Item 8 above. Sterling Ridge has a conflict of interest in determining whether a trade error has occurred, as well as whether the costs of the trade error should be for the account of the relevant Fund or Account or Sterling Ridge.

“Cross Trades”

Sterling Ridge may cause a Trading Entity to purchase securities from or sell securities to one or more Other Clients when Sterling Ridge believes these transactions are in the interests both of the relevant Trading Entity and the Other Client(s). Sterling Ridge will receive no compensation from or for causing a Fund, Account, or the Registered Fund Account to engage in any “cross-trades.”

Principal Trades

Sterling Ridge may cause a Trading Entity to purchase securities from or sell securities to the Sterling Ridge Parties if Sterling Ridge believes the transactions are in the best interests of that Fund, Account, and / or the Registered Fund Account. All of these principal trades require the consent of an investor representative under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). In analyzing these principal trades, Sterling Ridge has a conflict between acting in the best interests of the affected Trading Entity and assisting itself or an affiliate by purchasing or selling a particular security from that Trading Entity.

6. Material Inherent Limitations on Disclosure

The descriptions in this Brochure of Sterling Ridge’s strategies, the markets and instruments in which the Trading Entities trade, the risk factors and conflicts of interest involved in doing so and other aspects of the Trading Entities’ operations are subject to material inherent limitations and do not purport to be complete. Moreover, as referenced elsewhere in this Brochure, all discussions of the Funds, Accounts, and the Registered Fund Account in this document, including, but not limited to, their respective investments, the strategies used in managing the Trading Entities, the fees and other costs associated with an investment in the Funds, one or more Accounts, and / or the Registered Fund, and conflicts of interest of Sterling Ridge and its affiliates in connection with the management of the Funds, Accounts, and the Registered Fund Account, are qualified in their entirety by reference to each Fund’s, Account’s, and the Registered Fund’s respective Offering Documents, including, in the case of the Registered Fund, its prospectus and statement of additional information.

In investing in a Feeder Fund, Account, and / or the Registered Fund, prospective investors are entrusting their capital to the subjective, discretionary market judgment of Sterling Ridge, trading in changing, volatile and uncertain markets. No prospective investor should invest in a Feeder Fund, Account, and / or the Registered Fund if that investor is not — entirely independently of the disclosures made in this Brochure — capable of understanding and evaluating the risks of that investment.

Item 9. Disciplinary Information.

Sterling Ridge has no information to report with respect to this item.

Item 10. Other Financial Industry Activities and Affiliations.

The managing member of Sterling Ridge, Sterling Ridge Capital LLC, and the General Partner of the Onshore Fund are both affiliates of Sterling Ridge. They possess the flexibility to create other

pooled investment vehicles, choose to hire Sterling Ridge to provide investment advisory services, or choose other advisers to manage assets of the Funds and Accounts. In addition, from time to time Sterling Ridge personnel may invest on a side-by-side basis in Accounts managed by Sterling Ridge.

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

Sterling Ridge is responsible for managing the portfolios of the Trading Entities. Sterling Ridge and its employees may, from time to time, engage in activities, including financial advisory activities, that are independent from, and may, from time to time, conflict with those of the Funds, Accounts, and the Registered Fund Account. Also, as mentioned above, from time to time Sterling Ridge personnel may invest on a side-by-side basis in Accounts managed by Sterling Ridge. When Sterling Ridge determines that it would be appropriate for more than one of the Trading Entities to participate in an investment opportunity, Sterling Ridge will seek to execute orders for all of the participating accounts in a manner it considers fair, reasonable and equitable.

In addition, situations may occur where one or more of the Funds, Accounts, and / or the Registered Fund Account could be disadvantaged because of various activities conducted by Sterling Ridge. These situations may be based on, among other things, the flexibility of Sterling Ridge's employees to participate in an investment opportunity in a company for which Sterling Ridge or its employees may possess non-public information. To avoid any potential conflicts of interest involving the misuse of material, non-public information or personal trading for the benefit of Sterling Ridge or its employees, Sterling Ridge has adopted a written Code of Ethics (the "Code") intended to address and avoid potential conflicts of interest as required by Rule 204A-1, promulgated under the Advisers Act.

Rule 204A-1 requires that Sterling Ridge to adopt a written code of ethics that sets forth a standard of business conduct and compliance with federal securities laws by all of its employees. The Code contains policies and procedures intended to ensure that trading of securities and commodity interests by employees of Sterling Ridge for their personal accounts is conducted in such a manner as to avoid actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility. In general, the Code restricts the types of securities and commodity interests which an employee may purchase or sell for his or her own account without the prior written approval of the CIO and Sterling Ridge's Chief Compliance Officer ("CCO"). The Code also prohibits an employee from participating in a private placement without the prior written approval of the CIO and the CCO, and requires periodic reporting of employees' personal securities and commodity interest transactions and holdings. In addition, the Code prohibits any employee from giving to, or receiving from, any person or firm with whom Sterling Ridge transacts business a gift with a value greater than \$100 without the prior written approval of the CCO. Finally, the Code requires prompt internal reporting of violations of the Code.

If requested, Sterling Ridge will provide to any client or prospective client, at no cost, a copy of its Code of Ethics. Please feel free to contact Sterling Ridge by telephone at (212) 492-5656 or cglick@sterlingrcm.com should you have any questions concerning the Code.

Item 12. Brokerage Practices.

A. Broker / Counterparty Selection

Sterling Ridge has no internal brokerage allocation requirements designating specific percentages of brokerage commissions to particular firms. It is Sterling Ridge's policy to select brokers or counterparties (as defined below) to execute transactions in a manner that is consistent with the best interests of the Funds, Accounts, and the Registered Fund Account, and to employ trading processes that attempt to maximize the value of a Trading Entity's portfolio within the relevant Fund's, Account's, and the Registered Fund Account's stated investment objectives and constraints.

Sterling Ridge's senior personnel involved in order execution are responsible for carrying out these responsibilities. These staff members evaluate sufficient factors to support making a reasonable assessment of the broker-dealer's or counterparty's likely performance, considering, as deemed appropriate, the factors listed below and / or other comparable factors. Please note that the factors identified below are intended to be illustrative rather than exclusive; all or even a majority of the factors may not be relevant in evaluating a particular broker-dealer or counterparty, and a broker or counterparty will not be excluded from receiving business because it has not been identified as satisfying a particular factor or factors below. Further, one trader may weigh these and other factors differently from another trader in determining which executing broker and / or counterparty may offer best execution for a particular transaction, series of transactions, or type of transaction. As a result, it is possible that one trader may consider using a broker or counterparty for a particular type of transaction while another trader would not consider using the same broker or executing counterparty for the same or similar types of transactions. Moreover, some of these factors will be more relevant to certain types of securities, or orders, or in certain circumstances.

Trading expertise. The ability of the broker or counterparty to:

- complete trades;
- execute and settle difficult trades (e.g., large or small trades);
- obtain liquidity to minimize market impact and accommodate unusual market conditions;
- maintain anonymity; and
- account for its own trade errors and correct them in a satisfactory manner.

Infrastructure and Financial Strength / Stability. The infrastructure and financial background of the broker or counterparty, including its or their:

- order-entry systems;
- adequate lines of communication;
- timely order execution reports;
- the efficiency and accuracy of the clearance and settlement process;
- creditworthiness; and
- capacity to accommodate unusual trading volume.

Ability to minimize trading costs. The ability of the broker or counterparty to minimize total trading costs while maintaining its financial health, such as whether they can:

- maintain and commit adequate capital when necessary to complete trades;
- respond during volatile market periods; and
- minimize the number of incomplete trades.

Ability to provide research and execution services. The broker's or counterparty's ability to provide research and execution services, including:

- advice as to the value or advisability of investing in or selling securities;
- analyses and reports concerning matters such as companies, industries, economic trends and political factors;
- providing access to offerings or investment opportunities; or
- services incidental to executing securities trades, including clearance, settlement and custody, if applicable.

Ability to accommodate special transaction needs. The broker's or counterparty's ability to provide services to accommodate special transaction needs, such as the ability to:

- execute and account for soft dollar arrangements;
- participate in secondary share offerings; and
- participate in initial public offering shares.

With respect to trading in fixed income securities, Sterling Ridge communicates with broker-dealers in a competitive bid and offer process to seek best execution. Sterling Ridge's trading personnel may utilize Bloomberg and other data and information sources to monitor trading level activity and generally utilize proprietary and / or commercially available databases of historical yield-spread histories with which to analyze and compare relative value and identify mispricing opportunities.

Because fixed income trading presents unique challenges, the price of a security or other instrument is the primary criteria used in selecting brokers for fixed income trades. Brokers who exhibit the ability to effect trades that most closely conform to the price expectations of Sterling Ridge's trading staff are favored. However, Sterling Ridge may also review the financial information of a proposed broker to determine whether to permit the addition of that firm to the approved list of brokers and counterparties (discussed generally below) for fixed income securities.

Generally, in selecting counterparties to execute transactions, Sterling Ridge considers the same selection criteria set forth above for broker-dealers and may make reasonable inquiries into the counterparty's financial condition to prevent jeopardizing Trading Entity assets. For purposes of this document, the term "counterparties" means entities that are used to buy and / or sell financial instruments in transactions that have non-standard settlement periods. Transactions in repurchase agreements, reverse repurchase agreements, dollar rolls, stock borrowing, stock lending, futures contracts (exchanges involved), currency forwards, bond forwards, options, and swaps typically involve the use of "counterparties."

Sterling Ridge need not solicit competitive bids when selecting brokers and counterparties, and does not have an obligation to seek the lowest available commission cost, although Sterling Ridge will make a good faith determination that the amount of commissions paid is reasonable in relation to the products or services provided by a broker. Commission rates are generally negotiable and selecting brokers and counterparties on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable.

Sterling Ridge maintains an approved list of broker-dealers and counterparties (including futures commission merchants) through which Sterling Ridge effects transactions. In considering whether to add a particular broker-dealer or counterparty to the approved list, senior staff of Sterling Ridge review the proposed relationship. The execution quality of brokers and counterparties on the approved list is assessed quarterly by Sterling Ridge's Execution Committee (the "Execution Committee").

B. Soft Dollars

Sterling Ridge intends to utilize "soft dollars" to pay only for research and brokerage products or services that it reasonably believes satisfy the definition of "research" or "brokerage" under Section 28(e). Section 28(e) is a "safe harbor" that permits an investment manager to use commissions or "soft dollars" to obtain certain research and brokerage services in connection with the investment decision-making process. Under Section 28(e), research obtained with "soft dollar" credits generated by the Trading Entities may be used by Sterling Ridge to service accounts other than those of the Feeder Funds and Accounts. Where a product or service provides both research and non-research assistance to Sterling Ridge, a portion of the cost of the product or service, based upon a reasonable allocation between the two types of uses, may be paid for with "soft dollars."

Research services within Section 28(e) may include, but are not limited to: research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts, including legal analysts and advice to the extent that the legal advice relates to a particular investment or investment strategy (e.g., legal advice relating to the possibility that legal anti-trust issues could impact a proposed merger arbitrage trade or the likelihood of success of litigation by third-parties against a company in which a Trading Entity has invested); meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

Sterling Ridge may engage non-discretionary third-party consultants for the use of proprietary software, research or other services. Any compensation to these consultants based on the success of their ideas and certain operating expenses related to these relationships may be paid directly by the Trading Entities or Feeder Funds, or with “soft dollars.”

Research and brokerage services obtained by the use of commissions arising from a Trading Entity’s portfolio transactions may be used by Sterling Ridge in its other investment activities. The Trading Entities may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided in consideration of the “soft dollars” generated by the Trading Entities’ trading.

The Trading Entities may, but are not obligated to, enter into arrangements under which certain of their respective direct expenses may be paid for with “soft dollar” credits from brokers. For the avoidance of doubt, a Trading Entity’s brokers may pay expenses on that entity’s behalf that are billed to the Trading Entity. Sterling Ridge will enter into these arrangements where it believes it is administratively or operationally expedient to do so or where they are more favorable to the Trading Entities and Feeder Funds than an arrangement under which the products or services in question are paid for with cash. However, these arrangements make it more difficult for investors to evaluate the cost structure of the Funds, Accounts, and the Registered Fund Account because the costs of the products or services are not broken out separately.

In some cases, at the end of a calendar year, certain brokers may provide a cash refund of unused “soft dollar” credits. In this event, Sterling Ridge intends to credit the refund to the Feeder Funds, any relevant Account, and the Registered Fund Account pro rata in accordance with their respective net asset values.

From time to time, the Sterling Ridge's personnel may speak at conferences and programs which are sponsored by the Prime Brokers for potential investors interested in investing in hedge funds. These conferences and programs may be a means by which Sterling Ridge can be introduced to potential investors in the Feeder Funds and / or Accounts. Currently, neither Sterling Ridge nor the Feeder Funds or Accounts compensates the Prime Brokers specifically for organizing “capital introduction” events or for any investments ultimately made by prospective investors attending those events (although any of them may do so in the future). While those events and other services provided by a Prime Broker may influence Sterling Ridge in deciding whether to use the Prime Broker in connection with brokerage, financing and other activities of the Trading Entities and Funds, Sterling Ridge will not commit to allocate a particular amount of brokerage to a broker-dealer in any of these situations.

C. Trade Allocation and Aggregation

Sterling Ridge is obligated to treat each Trading Entity fairly and equitably over time with respect to the allocation of investment opportunities. Sterling Ridge makes allocation decisions to the Trading Entities on a pro rata or non-pro rata basis, generally based on its consideration of numerous factors, including (as examples only) the particular Trading Entity’s investment objectives, portfolio composition, portfolio concentration restrictions, current portfolio holdings, increases and decreases in the Trading Entity’s assets under management, and any relevant investment guidelines. Based on its consideration of these and other factors, Sterling Ridge may determine that, under a particular set of circumstances, a certain investment should be made by a Trading Entity and not by another

advisory client. This outcome could create different economic consequences for each of the Adviser's advisory clients participating in the same investment opportunity.

In addition, when appropriate, Sterling Ridge may, but is not required to, aggregate orders to achieve more efficient execution or to provide for equitable treatment among Funds, Accounts, and the Registered Fund Account. Please note that Sterling Ridge may decide not to aggregate trades when it otherwise has the opportunity to do so; where this occurs, it is possible that the Trading Entities will pay higher brokerage costs. The Trading Entities participating in aggregated trades generally will be allocated securities based on the average price achieved for those trades.

The allocation of investment opportunities among Sterling Ridge's advisory clients is assessed quarterly by the Execution Committee.

Item 13. Review of Accounts.

The CIO allocates capital only to experienced investment management staff; each employee who has trading discretion reports directly to the CIO. The CIO and certain staff of Sterling Ridge monitor on the profit-and-loss of each account. Additionally, the CIO receives reports on a daily basis that generally include the exposure(s) and profit-and-loss of each account for which trading discretion is exercised. Sterling Ridge's Investment Risk Committee, which includes the CIO and certain members of Sterling Ridge's trading and non-trading staff, also meets monthly to review profit-and-loss and exposure information, among other categories of data relating to the Trading Entities.

Item 14. Client Referrals and Other Compensation.

From time to time, Sterling Ridge, a Fund and / or an Account may be a party to a solicitation or referral agreement whereby Sterling Ridge compensates a person unaffiliated or affiliated with Sterling Ridge for referring potential investors to Sterling Ridge. Generally under these arrangements, Sterling Ridge pays a cash fee to the person referring the investor. The amount of the fee is typically based on the amount of capital invested by the investor introduced to Sterling Ridge. In addition, as noted in Item 12, from time to time, Sterling Ridge's personnel may speak at conferences and programs which are sponsored by the Prime Brokers for potential investors considering an investment in hedge funds. These conferences and programs may be a means by which Sterling Ridge can be introduced to potential investors in the Feeder Funds and Accounts. Currently, neither Sterling Ridge nor the Feeder Funds or Accounts compensates the Prime Brokers specifically for organizing these "capital introduction" events or for any investments ultimately made by prospective investors attending those events (although any of them may do so in the future). While those events and other services provided by a Prime Broker may influence Sterling Ridge in deciding whether to use the Prime Broker in connection with brokerage, financing and other activities of the Funds and Accounts, Sterling Ridge will not commit to allocate a particular amount of brokerage to a broker-dealer in any of these situations.

Item 15. Custody.

The Trading Entities utilize brokers not affiliated with Sterling Ridge to custody their assets. The Master Fund's prime brokers are Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co., Inc. and Morgan Stanley & Co. Incorporated (collectively with the brokers utilized by the Accounts, the "Prime Brokers"). Accordingly, each Trading Entity maintains accounts at the Prime Brokers in that

Trading Entity's name, through which the Trading Entity executes trades, borrows funds in connection with trades, clears and settles its securities transactions, and maintains custody of its securities. The Feeder Funds' unencumbered cash is held in a custodial account at JPMorgan Chase Bank, N.A., 1 Chase Manhattan Plaza, New York, NY 10005 (collectively with the cash-custodians utilized by the Accounts, the "Custodian"). The Custodian may also hold certain collateral of the Trading Entities and some of their respective counterparties with respect to certain of the Trading Entities' OTC trades. The Trading Entities reserve the right to change their respective brokerage and custodial arrangements (including using additional prime brokers and custodians or terminating the services of any of the Prime Brokers or the Custodian) without prior notice to and without the consent of investors.

The Funds and Accounts also distribute audited financial statements within 120 days of the end of their fiscal year to their investors, thereby satisfying the custody rules under the Advisers Act. Audited financial statements for the Registered Fund are distributed by that fund's sponsor.

In addition, the Administrator, a third-party not affiliated with Sterling Ridge, is required to provide investors in the Feeder Funds (and may be required to provide investors in the Accounts) directly with periodic account statements. Investors should carefully review the account statements they receive from the Administrator. Sterling Ridge also urges investors to compare the account statements they receive from the Administrator with any statements they receive from Sterling Ridge.

Item 16. Investment Discretion.

Sterling Ridge buys and sells securities, commodity interests, and other instruments for the Feeder Funds through the Master Fund, and for the Accounts and the Registered Fund Account, on a discretionary basis in a manner consistent with each Feeder Fund's, Account's, and the Registered Fund Account's investment objectives and restrictions, as set forth in the Offering Documents of each Feeder Fund, Account, and the Registered Fund. Sterling Ridge is authorized to make the following determinations in accordance with each Feeder Fund's, Account's, and the Registered Fund Account's respective objectives and restrictions without obtaining prior consent from the Feeder Funds, Accounts, the adviser to the Registered Fund, or their respective investors: (1) determining which securities, commodity interests, or instruments to buy or sell; (2) determining total amount of securities, commodity interests, or instruments to buy or sell; (3) selecting the executing broker or dealer for any transaction; and (4) negotiating the commission rates or commission equivalents charged for transactions.

Sterling Ridge is authorized to determine the broker or dealer to be used for each securities transaction on behalf of the Trading Entities. Sterling Ridge seeks to obtain the best execution regarding brokerage commissions in securities transactions for the Trading Entities. The response to Item 12 includes a non-exhaustive list of criteria Sterling Ridge considers in selecting brokers and counterparties. Also as mentioned in the response to that Item, Sterling Ridge need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost, although Sterling Ridge makes a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker. Commission rates are generally negotiable and selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable.

As mentioned elsewhere in this document, the Prime Brokers may introduce investors or potential investors in the Feeder Funds or Accounts to Sterling Ridge (and those brokerage firms may in turn compensate their employees as a result).

As mentioned in response to Item 15, the Trading Entities maintain accounts at the Prime Brokers in the relevant Trading Entity's name, through which that Trading Entity executes trades, borrows funds in connection with trades, clears and settles its securities transactions, and maintains custody of its securities. The Feeder Funds', Accounts', and the Registered Fund Account's unencumbered cash and securities are held in one or more custodial accounts at the Custodian. The Custodian also holds certain collateral of the Trading Entities and some of their respective counterparties with respect to certain of the Trading Entities' OTC trades. The Trading Entities reserve the right to change their respective brokerage and custodial arrangements (including using additional prime brokers and custodians or terminating the services of any of the Prime Brokers or the Custodian) without prior notice to and without the consent of investors.

Item 17. Voting Client Securities.

Proxy Voting

Sterling Ridge provides investment advisory services to and invests the assets of the Trading Entities in securities issued by public and private issuers. Sterling Ridge has authority to vote proxies relating to those securities on behalf of the Trading Entities. Sterling Ridge's general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities, including interests in private investment funds, if any (collectively, "proxies"), in a manner that serves the best interests of the Funds, Accounts, and the Registered Fund Account, as determined by Sterling Ridge in its discretion, and taking into account relevant factors, including, but not limited to: the impact on the value of the securities; the anticipated costs and benefits associated with the proposal; the effect on liquidity; and customary industry and business practices. Sterling Ridge generally defers to integrated recommendations provided by a third-party not affiliated with Sterling Ridge, Glass, Lewis & Co., LLC ("GLC"), with respect to vote recommendations. Sterling Ridge has also engaged another third-party not affiliated with Sterling Ridge, Broadridge Investor Communications Solutions, Inc. ("Broadridge"), to vote proxies for the Trading Entities on Sterling Ridge's behalf. Broadridge provides Sterling Ridge with certain data and reporting from GLC, including proxy analysis and voting recommendations; quarterly reports indicating how individual votes have been cast; and vote execution according to GLC's guidelines which reflect Sterling Ridge's general policy to vote proxies in the best interests of the Funds, Accounts, and the Registered Fund Account. Proxy voting is generally carried out by Broadridge on behalf of each Trading Entity. Sterling Ridge believes that the use of a third-party proxy voting service's internal policy regarding conflicts of interest, including the third-party's use of information barriers, adequately satisfies concerns regarding potential conflicts of interest. Sterling Ridge has also reserved the right manually to vote proxies in a manner that Sterling Ridge has determined is in the best interests of the Funds, Accounts, and the Registered Fund Account irrespective of the voting recommendations provided by GLC.

Clients may request a copy of the proxy voting policy or information with respect to a specific client proxy vote, at no cost. Please feel free to contact the Sterling Ridge at (212) 492-5656, or by email at cglick@sterlingrcm.com.

Class Action Administration

Other than in respect of the Registered Fund Account, Sterling Ridge may participate in class actions involving issuers in which the Trading Entities held positions in during the relevant class period. Sterling Ridge has engaged Broadridge to track securities class actions and file proofs of claim on behalf of certain Trading Entities.

Item 18. Financial Information.

As of the date of this document, and to the knowledge of Sterling Ridge, no financial condition exists that would be reasonably likely to impair Sterling Ridge's ability to meet its contractual commitments to the Funds, Accounts, or to the Registered Fund Account.