

# Silver Rock Financial LP

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Form ADV Part 2A

2425 Olympic Boulevard  
Suite 4060W  
Santa Monica, CA 90404

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This brochure provides information about the qualifications and business practices of Silver Rock Financial LP (“Silver Rock”). If you have any questions about the content of this brochure, please contact Michael Skarda, the Chief Compliance Officer, at [mskarda@silver-rock.com](mailto:mskarda@silver-rock.com). Silver Rock is an investment adviser registered with the U.S. Securities & Exchange Commission (“SEC”). The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Silver Rock will also be available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

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Since March 18, 2016, the date of Silver Rock's first brochure, which was filed contemporaneously with its registration as an investment adviser with the United States Securities and Exchange Commission, Silver Rock commenced business operations on May 1, 2016 and the investment management agreements between Silver Rock and the Funds (as defined herein) and Silver Rock and the Managed Accounts (as defined herein) became effective. Accordingly, Silver Rock has updated information throughout the brochure to reflect this event. Please review this brochure carefully and in its entirety.

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## Item 4. Advisory Business

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Silver Rock Financial LP (“Silver Rock” or the “Firm”) was formed in December 2015. The Firm’s headquarters is located in Santa Monica, California. Carl Meyer has majority voting control of Silver Rock. Mr. Meyer is the Chief Executive Officer and Chief Investment Officer of the Firm. He makes all investment decisions and directs the Firm’s investment strategies and policies.

Silver Rock is the investment adviser to the Silver Rock Opportunistic Credit Fund LP, the master fund, and its Delaware onshore and Cayman offshore feeder funds (collectively, the “Funds”).

In addition to the Funds, Silver Rock also serves as investment adviser to separately managed accounts (“Managed Accounts”). These Managed Accounts include entities owned by high net worth individuals and U.S. tax exempt organizations. The Funds and Managed Accounts are collectively referred to as the “Clients” herein.

For information about the investment strategy of Silver Rock, see the discussion under “*Methods of Analysis, Investment Strategies and Risks of Loss*”. Further, details regarding the investment objective for the Funds can be found in the offering memoranda and other governing documents.

Shares or limited partnership interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”); nor are they registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, interests or shares in the Funds are offered and sold exclusively to Limited Partners satisfying the applicable eligibility and suitability requirements, either in private transactions within the United States or in offshore transactions.

## Item 5. Fees and Compensation

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### Funds

Silver Rock charges a management fee plus an incentive fee in accordance with the Funds’ Limited Partnership Agreements (“LPAs”). The information provided in this brochure regarding fees and expenses is not intended to be complete or final and is qualified in its entirety by the LPAs for the Funds. Limited Partners should read and review the governing documents of the respective Fund to fully understand the types of fees and expenses that are paid for by the Fund.

Except as noted below, the Funds, as to each Limited Partner, pay Silver Rock a monthly management fee calculated at an annual rate of 1.5% based on the net assets attributable as to each Limited Partner as of the last day of each calendar month. The management fee is adjusted for contributions and withdrawals made during the month.

Except as noted below, the Funds, as to each Limited Partner, also pay a performance-based fee calculated at an annual rate of 20% of the net profits allocated to each Limited Partner’s capital account subject to a high water mark. The performance-based fee includes unrealized gains and losses, if any. When calculating the performance-based fee, net profits are reduced by the management fee and losses and expenses incurred by the Funds, as more particularly described in the LPA of each Fund.

Silver Rock reserves the right to vary the fees as to particular Limited Partners by separate agreement and to reduce or waive any fees at any time. Silver Rock waives or reduces the fee for the capital of the Funds' respective general partners and that of Silver Rock's constituent partners, affiliates, and employees, and family members of the foregoing.

Silver Rock may in the future form and/or manage other funds or collective investment vehicles for similar or other strategies or for individual investors. The management and incentive fees and expense reimbursement provisions for such other funds or collective investment vehicles will be individually negotiated.

### Expenses

In addition to the fees noted above, the Limited Partners also indirectly bear the fees and expenses charged to the Funds. The Funds bear certain costs in connection with their organization, as more particularly described in the LPA of each Fund.

The Funds generally bear their own operating costs. Such fees and expenses will vary but generally include the following: commissions and other trading-related costs (discussed further in the *Brokerage Practices* section); interest and borrowing charges on securities sold short and margin and other borrowings; costs of systems, facilities, and third-party services for order placement, order management, and related functions; certain costs related to the researching, acquiring, holding and/or monitoring of assets and potential investments (including, among other things, costs arising out of such activities as third party investigative, analytical, and/or reporting services, systems that conduct portfolio analytics, and participation in creditors' or equity-holders committees, both formal and informal); costs of quotation or pricing services/software; audit, accounting, tax preparing and reporting, third-party administration, and other professional fees and expenses; legal fees (including fees paid to Silver Rock's counsel for services for the Funds' benefit); transfer, withholding, income, stamp, and other taxes and duties; custodial and bank service fees; costs of reporting to Limited Partners; costs of Fund meetings and other governance activities; reimbursable expenses of the members of any Advisory Committee; registration, filings, and licensing costs by governmental and self-regulatory organizations and costs of compliance with regulatory or reporting requirements applicable to the Fund (including Schedules 13D or 13G, Forms D, and Forms 3 and 4); the Fund's allocable share of the costs of directors and officers, errors and omissions, and other types of insurance maintained by Silver Rock or the Funds; and fees and expenses paid or reimbursed to the Administrator; and all other reasonable expenses related to the Fund's operations or the purchase, sale or transmittal of assets.

Since Silver Rock manages accounts other than the Funds, if a particular cost relates to the Funds and to those other accounts, Silver Rock allocates the cost between the Funds and those accounts in a manner it considers equitable to all accounts.

The Funds may pay their costs directly, or Silver Rock may advance costs and be reimbursed by the Funds. Silver Rock may bear any of those costs out of its own assets or revenues, but its decision to do so as to some costs or for some periods will not obligate it to do so as to any other costs or to continue doing so for any other periods.

Limited Partners should refer to the respective Fund's governing documents for a detailed discussion on the fees and expenses paid by the Fund.

### Managed Accounts

While Managed Accounts are charged management fees and generally pay performance-based fees, the fee terms will be negotiated on an individual basis and will be outlined in their investment management agreements.

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

As mentioned above, in addition to the management fee for portfolio management, Silver Rock will also be paid a performance-based fee, subject to a high water mark, from the Funds and certain Managed Accounts, when achieved.

The fact that Silver Rock is compensated based on trading profits may create an incentive for Silver Rock to make investments, on behalf of Clients, that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance-based fees received by Silver Rock will be based both on realized and unrealized gains and losses. As a result, the performance-based fees earned could be based on unrealized gains that Clients may never realize.

The Investment Advisers Act of 1940 restricts the payment of performance-based fees to investment advisers registered under such act. However, SEC Rule 205-3 permits the payment of performance-based compensation to registered investment advisers provided that the clients (including Limited Partners in investment vehicles such as the Funds) meet certain financial qualifications.

The offerings of interests in the Funds have been structured to comply with this rule and accordingly the Funds only accept subscriptions from Limited Partners who meet the qualifications set forth in Rule 205-3. Limited Partners in the Funds should refer to the respective Funds' offering documents for complete information on the corresponding fees charged by Silver Rock.

Managed Accounts should refer to their investment management agreement with Silver Rock for complete information on the corresponding fees charged by Silver Rock.

In addition, it is important to note that a conflict of interest may exist as Silver Rock has an economic incentive to allocate potentially more favorable investment opportunities to accounts that have a performance-based fee structure. To address that risk, Silver Rock has adopted policies and procedures to ensure the fair allocation of investment opportunities among all of its Clients.

## **Item 7. Types of Clients**

As previously described, Silver Rock provides investment advice to private investment funds and separately managed accounts.

A Limited Partner in the Fund must be a “qualified purchaser” within the meaning of the Investment Company Act of 1940 and an “accredited investor” within the meaning of Regulation D of the Securities Act of 1933.

Generally, a Limited Partner in the Fund will be required to open an account with a minimum of US\$5 million. The minimum investment may be raised, reduced, or waived by the Fund’s General Partner.

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

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### **METHODS OF ANALYSIS**

Silver Rock focuses on traditional valuation techniques for fixed income and equity securities. Each of Silver Rock’s analysts is assigned to cover multiple market sectors in which they focus on monitoring trends in the sector and identifying potential opportunities for investment. Silver Rock prioritizes three main areas in its analysis: company cash flow performance, capital structure analysis, and management/ownership.

Silver Rock engages in a thorough analysis of a company’s historical financial statements in order to understand and appreciate how the company operates in different environments. Silver Rock focuses on growth in revenue, cost structure, capital needs, cash flow, balance sheet (including book value, replacement value, and liquidation value), and any other extraneous factors that may influence a company’s ability to generate free cash flow on a going forward basis. This will often times include an understanding of the industry structure, competitors, suppliers, customers, and end markets of any given business.

Silver Rock focuses on the capital structure of a company to determine if it fits with the company’s financial profile. Silver Rock studies the structure of the company, including debt maturity profile, covenants, security, liquidity, and legal/jurisdictional issues that may impact that company’s capital structure. In addition, to protect against downside risks, Silver Rock analyzes how the capital structure and its components would withstand a reorganization or liquidation.

Silver Rock spends significant amounts of time with company management and business owners to understand their motivations and goals for the company both in the short and long term. This is likely to include attending company sponsored events and visiting with management teams both at industry wide conferences and at their offices. Silver Rock studies management’s financial incentives as well as their historical actions as it relates to organic growth and acquisition activity. Silver Rock also notes the membership of the board of directors of potential investments to understand the depth of capabilities and insight the board may offer the company. Silver Rock’s interaction with ownership groups, be it large equity holders, activist investors, or private equity, contributes to Silver Rock’s understanding of a company’s trajectory. Silver Rock focuses on situations where the Fund’s interests are aligned with that of the ownership group in order to maximize the probability of success.

Silver Rock compares investments across industries and asset classes to determine the best risk/rewards available in the marketplace. Silver Rock applies rigorous standards of monitoring to each of its portfolio

investments to raise warnings regarding potential credit risks or changes to its investment thesis. Silver Rock actively manages the portfolio based on these indicators. The Fund's portfolio has guidelines regarding position concentration, geographic exposure, and equity risks which Silver Rock monitors. In addition, Silver Rock manages portfolio investments for tax efficiency when appropriate.

### **INVESTMENT STRATEGY**

Silver Rock pursues a value-oriented, opportunistic, credit-focused investment strategy. The core of the investment strategy is a value-based philosophy underpinned by downside protection. Silver Rock believes that a bottoms-up approach to investing that focuses on rigorous fundamental research covering all aspects of a corporate credit opportunity will lead to the best investment outcomes. Silver Rock's fundamental research is combined with a holistic view of the overall markets and macro-economic backdrop to derive an appropriate valuation of any given instrument. When Silver Rock's intrinsic valuation differs materially from the market price, Silver Rock considers making an investment. Silver Rock's conclusions rely heavily on diligence with industry experts, management teams, other investors, sell-side and buy-side analysts, and participants in the markets or the company's businesses. Silver Rock analyzes the issuer's entire capital structure to determine where pricing inefficiencies may exist. Silver Rock considers investments in bank loans, senior or subordinated bonds, equities, trade claims, distressed, or stressed securities.

In addition to secondary markets, Silver Rock is also active in primary credit markets. Silver Rock believes that through building relationships with management teams and investment banks by offering consistent and thoughtful feedback on capital structure, Silver Rock can be a value-added participant in new issue offerings it finds attractive.

The Funds and Managed Accounts will hold cash balances as a form of liquidity to take advantage of dislocations within the market. Cash balances for the Funds and Managed Accounts may vary significantly over time, depending on Silver Rock's investment outlook and its ability to find investments that meet Silver Rock's criteria. Cash is typically held in short term money market funds and may be invested in yield-to-call bonds that provide attractive returns relative to Silver Rock's perception of risk.

Generally speaking, throughout the investment time horizon, Silver Rock strives to manage individual investments to maximize the after-tax return for its investors. This management may include holding positions with capital gains until they become eligible for more favorable long-term tax treatment, or selling positions to harvest capital losses.

Overall, Silver Rock takes a balanced approach to its selection of investments for the Fund that first and foremost focuses on the downside risks. Silver Rock believes that through a combination of detailed fundamental analysis and focus on downside, the Fund can generate attractive returns over a full market cycle while protecting capital throughout.

Silver Rock has wide latitude in choosing investments and trading activities for the Funds and Managed Accounts. Although Silver Rock intends to pursue the strategy and processes described above, neither the Funds' partnership agreements nor the investment management agreements for the Funds and the Managed Accounts ("Investment Management Agreements") expressly requires it to do so. In fact, these documents impose no limits on the types of securities or other instruments in which the Funds and



Managed Accounts may invest, the types of positions they may take, the concentration of investments (by country, sector, industry, company, or asset class) or the amount of leverage they may employ, including through short selling, margin borrowing, derivatives transactions, and otherwise. There will be times when the Fund's portfolio and positions are not within the generally expected ranges described above or include instruments not specified above. Depending on conditions and trends in securities markets, Silver Rock may pursue other strategies or employ other techniques it considers appropriate and in the client's best interests. Client assets at times may be fully invested in securities and, at other times, may include a high percentage of cash or cash equivalents.

### **RISK OF LOSS**

Securities investments risk the loss of capital; there can be no assurance that the Funds or Managed Accounts will not incur losses.

The descriptions contained below are a brief overview of different market risks related to Silver Rock's investment strategy; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operation of the Funds or Managed Accounts.

Investments in the Funds will be suitable only for investors who can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investments and who meet the conditions set forth in the Fund's offering documents. There can be no assurance that the Funds will achieve their investment objectives. Investment in the Funds will involve significant risks and while the following summary of certain of these risks must be carefully evaluated before making an investment in the Funds, the following does not intend to describe all possible risks of such an investment. Limited Partners should refer to the respective Fund's offering documents for further information.

### **GENERAL INVESTMENT RISKS**

Reliance on Key Personnel. The Funds' and Silver Rock's operations are substantially dependent upon the skill, judgment and expertise of Carl Meyer and other investment personnel. The death, disability, departure, or other unavailability of Mr. Meyer or any other key personnel could have a material and adverse effect on the Funds and Silver Rock.

Changes in Investment Strategies. Silver Rock has broad authority to expand, contract, or otherwise change activities of the Funds and Managed Accounts without notice to, or the consent of, Limited Partners or the Managed Account holders. Over time, the strategies Silver Rock implements could be expected to expand, evolve, and change, perhaps materially. Silver Rock will not be required to implement any particular strategies and may discontinue employing any particular strategy, whether or not that strategy is specifically described in the Investment Management Agreements or a Funds' governing documents and without notice to investors. Any change in strategies could expose the Managed Accounts' and Funds' capital to additional risks.

Concentration of Investments. The Funds and Managed Accounts will not be as diversified as many investment funds. While Silver Rock intends to limit investments that could create excessive concentration in a particular company or industry, the Investment Management Agreements do not so require, nor will the Funds or Managed Accounts divest positions when appreciation (or other positions'

depreciation) causes them to comprise an outsized portion of their respective portfolios. The Funds and Managed Accounts may at times have a relatively large portion of their capital exposed to a relatively small number of positions and/or a particular industry. Losses in one or more large positions, or a downturn in an industry in which the Funds and Managed Accounts are concentrated, could materially adversely affect performance and could have a materially adverse effect on the overall financial condition of the Funds and Managed Accounts.

Idle Funds. While Silver Rock will endeavor to keep Clients' assets invested, there may be periods when Clients have a significant portion of Client assets in cash or cash equivalents. The investment return on such "idle funds" will not be expected to meet the overall return objective Silver Rock seeks through its Clients' investment programs.

Inside Information; Substantial Positions. Silver Rock personnel may receive material nonpublic information about or relating to issuers of securities in which Clients invest or propose to invest. Under various securities laws (or Silver Rock's internal policies), this could restrict Silver Rock's ability to cause a Client to buy or sell securities of a company for substantial periods when doing so could generate a profit or avoid a loss. If the Client were to acquire more than certain percentages of the outstanding securities of some companies (determined, under certain circumstances, in combination with amounts held by other accounts such as the Managed Accounts), Silver Rock and/or the Client could become subject to public reporting requirements and, in some cases, legal and regulatory limits on disposition of those securities. Limits of those kinds could prevent the Client from disposing of those securities when it otherwise would or at favorable prices.

Distressed Investments. Clients may invest in "distressed" securities – claims and obligations of issuers that are experiencing significant financial or business difficulties. Investments may include loans, loan participations, trade claims held by trade or other creditors, stocks, partnership interests and similar financial instruments, executory contracts, and options or participations therein not publicly traded. Clients may lose a substantial portion or all of their investment in a distressed situation or may be required to accept cash or securities with a value less than its investment. Among the risks inherent in investments in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of the issuers. These investments also may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate, or disenfranchise particular claims. The market prices of distressed entity investments are subject to abrupt and erratic market movements and above average price volatility and the spread between the bid and asked prices of these investments may be greater than normally expected. In trading distressed securities, litigation is sometimes required, which can be time-consuming and expensive and can frequently lead to unpredicted delays or losses. To the extent a Client invests in distressed sovereign debt obligations, it will be subject to additional risks and considerations not present in private distressed securities, including the uncertainties involved in enforcing and collecting debt obligations against sovereign nations, which may be affected by world events, changes in U.S. foreign policy and other factors outside of Silver Rock's control.

Special Situations. Silver Rock expects that among its distressed securities investments will be investments in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations,

bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving these types of special situations, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security with a value less than the Client's purchase price for the security or other financial instrument in respect of which the distribution is made. Similarly, if an anticipated transaction does not occur, the Client may be required to sell its investment at a loss. As with other distressed company investments, a Client could lose its entire investment in special situation investments.

Limited Liquidity of Investments. Many of the Clients' investments may be relatively illiquid. An investment may be illiquid because it is thinly traded or because the Client's position in it is large in relation to the overall market for the security. The Client may own (or have a short position in) securities that are relatively liquid when acquired (or sold short) but that later become illiquid. The Client may not be able to liquidate illiquid positions if the need were to arise; rapid sales of such securities could depress the market value of those securities, reducing the Client's profits, or increasing its losses, in the positions (and rapid purchases to cover short positions could have the corollary effect). In addition, while it does not currently intend to, the Client may buy securities that are not immediately saleable in the public markets.

Redemptions funded out of the most liquid portion of the Client's assets could cause the illiquid portion to be a greater percentage of the Client's portfolio than would otherwise be optimal.

The value assigned to illiquid securities (including thinly traded securities) and large blocks of securities for purposes of determining NAV Account sharing percentages and determining net profit and net loss may differ from the value the Fund is ultimately able to realize on those securities.

The Funds may, but are not required to, designate one or more illiquid investments as Designated Investments. Doing so would reduce the amount of capital a Limited Partner may withdraw until the related Designated Investments are liquidated or deemed liquidated.

Active or Suggestive Investing. Particularly in connection with distressed investments, Silver Rock may communicate with the issuer of a security in an attempt to influence the issuer's decisions or strategies and enhance the value of the Fund's investment. This could occur when the Funds and Managed Accounts, together, have or seek to take a position in an issuer's securities that is material relative to other holders of the issuer's outstanding securities. Silver Rock's efforts may be ineffective for a variety of reasons, including: (i) opposition by the issuer's management or shareholders of the subject company; (ii) "preemptive" defensive efforts by the issuer, including a merger with, or a friendly tender offer by, another company; (iii) material changes in securities prices; (iv) intervention by a governmental agency; or (v) the issuer's corporate governance mechanisms. Successful advocacy with an issuer may also depend on the active cooperation of shareholders and others with an interest in the issuer, which may not materialize or may change. Even if Silver Rock's efforts succeed, market reactions may not be what was anticipated or hoped for and, particularly if the Funds' and Managed Accounts' position in the issuer is material relative to other security holders, the Funds or Managed Accounts may be unable to exit its position at a favorable price.

Hedging. Silver Rock may use hedging strategies to the extent it considers appropriate in light of current circumstances and portfolio composition. It may do so using short positions in one instrument to

hedge long positions in another instrument, and vice versa. Hedging strategies in general are intended to limit or reduce investment risk, but they can also be expected to involve transaction costs and may inherently limit or reduce the potential for profit. Hedges are often imperfectly inversely correlated with the underlying exposure the Client seeks to hedge and, to the extent that is the case, can subject the Client to additional risk, if prices involved in the hedging position move against the Client. Other risks that may be involved in hedging include: (i) possible illiquidity in the market for closing out a hedging position; (ii) interest rate, spread, or other broad market movements not anticipated by Silver Rock; (iii) the Client's obligations to meet margin or other payment requirements; (iv) a counterparty's default or refusal to perform; and (v) impact that required segregation of the Client's assets to cover hedge-related obligations may have on portfolio management or the Client's ability to meet short term obligations. The Client will not attempt to hedge all market or other risks inherent in its positions and will hedge certain risks, if at all, only partially. The Client's portfolio composition will commonly result in various directional market risks remaining unhedged. In addition, the Client may trigger events of default or termination events under various counterparty agreements due to, among other things, reductions in net asset value. If the Client is unable to obtain waivers from the relevant counterparties, such counterparties could exercise numerous remedies under the affected agreements, including liquidation of posted collateral and termination of outstanding trades.

Portfolio Leverage. Leverage in the Client portfolios could increase both the possibilities for profit and the risk of loss. If a Client were to borrow to leverage its investments (margin borrowing), that borrowing would probably be secured by the Clients' Fund's securities and other assets. Margin borrowings typically allow the lender to demand an increase in the collateral that secures a Client's obligations, and if a Client were unable to provide additional collateral, the lender could liquidate the collateral to satisfy the Client's obligations. Forced liquidation could have extremely adverse consequences, including sales at disadvantageous times and prices and the acceleration of tax consequences.

Risks of Investing in Non-U.S. Securities. Clients may invest and trade in securities of non-U.S. companies or governmental entities, and in securities, commodity interests, and derivative contracts and instruments denominated in currencies other than U.S. dollars. Such securities and other instruments can subject the Client to risks not typically associated with investing in securities and commodity interests in the United States.

## **Item 9. Disciplinary Information**

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Silver Rock and its employees have not been involved in any disciplinary events in the past 10 years that would be material to a Client or Limited Partner's evaluation of the Firm or its personnel.

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

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The general partners of the Funds are related entities of Silver Rock. Additionally, the Funds themselves may be considered as related entities of Silver Rock.

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

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Silver Rock's principals and certain employees have invested in the Fund and therefore may have an indirect financial interest in the underlying components of the Fund. Silver Rock has adopted a *Code of Ethics* (the "Code") policy expressing the Firm's commitment to ethical conduct. Silver Rock's Code describes the Firm's fiduciary duties and responsibilities to its clients, and sets forth Silver Rock's practice of supervising the personal securities transactions of supervised persons with access to client information.

Individuals associated with Silver Rock must seek pre-approval before transacting in reportable securities out of their personal accounts.

To supervise compliance with its Code, Silver Rock requires all employees to provide initial and annual securities holdings reports and monthly transaction reports to the Firm's Chief Compliance Officer.

Silver Rock requires that all individuals must act in accordance with all applicable U.S. federal and state regulations governing registered investment advisory practices. Silver Rock's Code includes a policy prohibiting the use of material non-public information.

Any individual not in observance of the above may be subject to discipline.

Silver Rock will provide a complete copy of its Code to any Limited Partner in the Funds or Managed Account Client upon request to the Chief Compliance Officer, whose contact information can be found on the cover page of this brochure.

## **Item 12. Brokerage Practices**

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As investment adviser to the Funds and Managed Accounts, Silver Rock has been granted the discretionary authority in the relevant organizational documents and/or Investment Management Agreements to determine which securities and the amounts of securities that are bought or sold, as well as the broker dealer to be used and the commission rates to be paid.

### **Broker Selection and Best Execution**

Silver Rock has the authority to determine the broker-dealer to be used for each securities transaction for the Funds and Managed Accounts. In selecting broker-dealers to execute transactions, Silver Rock's policy is to seek the best execution of orders at the most favorable price in light of the overall quality of brokerage and research services provided. In determining the broker-dealer to be used for each securities transaction, Silver Rock adheres to the provisions of any relevant organizational documents and/or Investment Management Agreements.

In selecting broker-dealers and negotiating compensation arrangements, Silver Rock typically takes into account a range of qualitative and quantitative factors, including: historical net prices (after markups, markdowns and other transaction-related compensation); Transacting Parties' execution, clearance and settlement and error correction capabilities generally and in connection with instruments of the type and

in the amounts to be bought or sold; their willingness to commit capital; their reliability and financial stability; the size of the transaction; the availability of securities to borrow for short sales; the market for the instrument in question; and the nature, quantity, and quality of research and other services and products the Transacting Party provides. Silver Rock may place transactions with a broker-dealer that (i) provides the Firm with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers clients or limited partners to other products advised by Silver Rock, if otherwise consistent with seeking best execution; provided Silver Rock is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of clients/limited partners. Clients may at times pay more than the lowest transaction cost available in order to obtain services and products other than the execution of securities transactions.

#### Soft Dollars

Silver Rock has not entered into, and does not intend to enter into, any formal soft dollar arrangements but may receive products or services from broker-dealers and other counterparties that to the best of Silver Rock's knowledge are generally made available to all institutional clients doing business with these counterparties. These products and services are made available to Silver Rock on an unsolicited basis and without regard to transaction costs paid by the Funds or Managed Accounts or the volume of business Silver Rock directs to these counterparties.

The Funds or Managed Accounts will not pay higher rates than those charged by other brokers in return for research. Silver Rock will use broker-provided research for the benefit of all its Clients.

#### Allocation and Aggregation of Orders

Although not required, Silver Rock may aggregate transactions on behalf of more than one Client. If so, such transactions will be allocated to all participating Client accounts in a fair and equitable manner. Consistent with each participating Client's offering document or investment management agreement, Silver Rock may aggregate orders for more than one Client to facilitate best execution, including negotiating more favorable prices, obtaining more timely or equitable execution, or reducing overall commission charges. From time to time, Silver Rock may form special purpose vehicles ("SPVs") to acquire illiquid investments on behalf of multiple Clients where direct ownership is impracticable. No fees or material costs are incurred by use of these SPVs.

Pro-rata allocation is pursued when the size of the security being purchased provides for an equal opportunity to all participating Client accounts to share in the security based on each account's assets under management without creating odd-lots for the other accounts. In the event of a partial fill, the order is generally allocated among the participating Client accounts based on the size of each account's original order, subject to rounding in order to achieve round lots. If the partial fill is too small to allocate in a meaningful manner, Silver Rock may decide to allocate the shares to a single client.

Notwithstanding the above, pro-rata is not always the allocation method utilized for purchases or sales because it is not always appropriate in light of the relevant Client account's strategic mandates, including, but not limited to, the size of the account, the size of the position, liquidity, leverage, cash availability and cash needs, and whether the account is new and in a "ramp-up" stage. Purchases of credits are allocated in lots of 1000. Sales are generally allocated on a pro-rated basis based on position size. Again, in all such

cases, Silver Rock intends to allocate purchase and sale opportunities in a fair and equitable manner and maintain appropriate documentation of the allocation methodology.

Silver Rock retains discretion to select an alternative means of allocation. Where a trade is allocated in a manner other than as described above, Silver Rock will ensure that the chosen means of allocation is documented prior to settlement of the transaction and that the allocation method chosen has been approved by the Chief Compliance Officer.

#### Cross Trades

Silver Rock may (but is not obligated to) engage in cross transactions in which a security is crossed between Client accounts. Silver Rock will only engage in the cross transaction if the transaction is deemed advantageous for each participant. In these instances, Silver Rock shall use an unaffiliated broker-dealer or custodian to cross investments between Client accounts. Cross transactions will be effected by Silver Rock only to the extent permitted by applicable law. In no instance will Silver Rock receive additional compensation when crossing trades for Client accounts. Silver Rock will seek to ensure that the terms of the transaction, including the consideration to be paid or received, are fair and reasonable, and the transactions are done for the benefit of the participating Clients.

#### Trade Errors

Silver Rock has established trade processes and procedures designed to reduce the likelihood of errors and, in its sole discretion, will determine what constitutes a trade error.

Silver Rock's general policy will seek to identify and correct any trade errors promptly and in a way that mitigates any losses. Trade errors in a Fund or Managed Account will be borne by the Fund or Managed Account, as applicable, unless an error is the result of gross negligence, willful misconduct or violation of applicable laws by Silver Rock. Silver Rock does not provide reimbursement for lost opportunity costs.

### **Item 13. Review of Accounts**

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Positions held by Silver Rock's Funds and Managed Accounts are continuously monitored and reviewed by the investment advisory personnel of Silver Rock. Accounts are reviewed in the context of the Clients' stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the Funds' or Managed Account's individual circumstances, or the market, political or economic environment.

Limited Partners are provided a monthly performance report by Silver Rock and a monthly capital statement by the Funds' administrator, Citco Funds Administration Limited. In addition, Limited Partners are provided with audited financial statements within 120 days of the end of the respective Fund's fiscal year and any other information necessary to enable each Limited Partner to prepare its income tax returns. Final tax return information may be delayed past April 15 from time to time. Silver Rock may also prepare and deliver to such Limited Partners any additional information that Silver Rock deems pertinent or any information upon request. Managed Account Clients will receive statements, no less than

quarterly, directly from their custodians and, if applicable, access to reports generated by third party account administration service providers.

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

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Silver Rock may, from time to time, compensate third-party individuals or entities for client and limited partner referrals. To the extent deemed applicable, such arrangements will be entered into in accordance with the terms and conditions of Advisers Act Rule 206(4)-3. Prospective clients and limited partners will be advised in advance of the nature of and compensation payable in connection with such referral arrangements.

## **Item 15. Custody**

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Silver Rock is deemed to have custody of the Funds because it has the authority to obtain funds or securities, for example, by deducting advisory fees from the Funds or otherwise withdrawing assets from the Funds. Accordingly, Silver Rock will be subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). The Funds' assets are held in custody by unaffiliated, long-standing broker-dealers or banks, all of whom are qualified custodians as the term is defined in the Custody Rule. The Funds are subject to an audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The Funds' audited financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and sent to Limited Partners within 120 days of the end of the Funds' fiscal year.

As previously described, Managed Account Clients will receive statements directly from their custodians and, if applicable, access to reports generated by third party account administration service providers.

## **Item 16. Investment Discretion**

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Silver Rock accepts discretionary authority to manage securities accounts on behalf of its Clients.

As investment adviser to the Funds and Managed Accounts, Silver Rock has been granted the discretionary authority in the relevant organizational documents and/or Investment Management Agreements to determine which securities and the amounts of securities that are bought or sold, as well as the broker-dealer to be used and the commission rates to be paid.

## **Item 17. Voting Client Securities**

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In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, Silver Rock has adopted and implemented written policies and procedures governing the voting of Client securities. All proxies that Silver Rock receives are treated in accordance with these policies and procedures.



Proxies must be voted with diligence, care, and loyalty. Silver Rock votes each proxy in accordance with its fiduciary duty to its Clients. Silver Rock seeks to vote proxies in a way that maximizes the value of Clients' assets. Each proxy vote is ultimately cast on a case-by-case basis, as Silver Rock considers the contractual obligations under organizational documents and investment management agreements, and all other relevant facts and circumstances at the time of the vote.

Silver Rock documents and abide by any specific proxy voting instructions conveyed by a Client with respect to that Client's securities.

The Chief Investment Officer with the assistance of other investment personnel has the responsibility to identify any material conflicts of interest and resolve the conflicts in the best interest of the Client.

Clients may obtain a copy of Silver Rock's Proxy Voting policy and procedures or information with respect to a specific proxy vote as it relates to their account by submitting a request to the Chief Compliance Officer, whose contact information can be found on the cover page of this brochure.

## **Item 18. Financial Information**

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Silver Rock has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage the Funds or the Managed Accounts.