

Exhibit 43



Merrill Lynch Wealth Management Alternative Investments

FUND OF FUNDS BUSINESS DUE DILIGENCE REPORT

Sterling Stamos Capital Management, LP

Sterling Stamos Absolute Return Diversified Funds
Sterling Stamos Absolute Return Select Funds
Sterling Stamos Equity Diversified Funds
Sterling Stamos Equity Select Funds
"The Core Funds"

Sandra Lee

February 2011



EXECUTIVE SUMMARY

Summary: Sterling Stamos Capital Management LP was founded in 1998. Sterling Stamos began operating as a family office as Peter Stamos managed the money of the Katz, Wilpon and Stamos families. Fred Wilpon and Saul Katz are the founders of Sterling Equities ("Sterling"), which they launched in 1972. Mr. Wilpon and Mr. Katz are brothers-in-law. In 2002, the firm opened to external investors and began to take in client money. The current firm ownership breakdown is 46% Merrill Lynch; 24% Sterling Equities (Wilpon/Katz); 25% Sterling Stamos principals and employees; and 5% non-operating partners (Stamos Family). The firm is registered with the Securities and Exchange Commission.

The most significant change for Sterling Stamos for 2010 has been the Bank of America private equity sub-advisor agreement. On April 22, 2010, given the government pressure to curb private equity investments, Bank of America sold \$1.9 billion of proprietary private equity and real assets to AXA SA. The Bank of America team who had managed these assets joined Sterling Stamos as employees and they would continue to manage via sub-advisory agreement to manage the AXA portfolio, as well as receive management fee from Bank of America to manage a majority of the remaining proprietary balance sheet assets (\$1.8 billion PE portfolio and \$700 million hedge fund portfolio from BAML). As a result of this transaction, the firm added \$4.5 billion to its firm AUM, opened a Charlotte office and added 16 employees covering private equity. The AXA/BAML portfolios' operations functions will continue to be handled by Bank of America.

Rating: Based on our due diligence analysis and a review of the funds' documents, we continue to give the Sterling Stamos' core funds, a **Green Light** rating for investment.

Strengths	Concerns/Weaknesses
<ul style="list-style-type: none"> The firm addressed employee turnover issues by implementing an employee retention program in early 2010 where key employees (MD and above) have signed 5-year contracts in exchange for firm equity. There were 17 new equity holders in 2010. There are still a handful of managing directors who did not sign the contract as they are fearful of the long-term commitment. Merrill Lynch's equity ownership was recently diluted down from 50% in order to give certain senior employees, equity ownership as part of their employee retention plan, which also provides stronger alignment of interest with investors. The firm's AUM as of October 2010 was \$9.7 billion, which is a 70% increase from \$5.7 billion in AUM as of December 2009. The main source of increase in assets was from the addition of the three funds from Bank of America/AXA transactions mentioned previously: i) BAML PE Portfolio (\$1.8 billion); ii) BAML HF Portfolio (\$700 million) and iii) AXA PE Portfolio (\$1.8 billion). Given the firm has closed a number of funds, the number of managers on the Approved List has been reduced to 51, which is much more manageable for the operational due diligence team. Currently, approximately 30% of the Approved List is considered aged and expect to be only 12% aged by the end of 2nd quarter 2011. Sterling Stamos stopped making cross investments effective December 2009; thereby, eliminating the conflict of interest concerns we addressed in our previous annual review. Sterling Stamos has appointed Citi Global Transaction Services as their custodian who is responsible for processing subscriptions and 	<ul style="list-style-type: none"> Irving Picard is seeking to recover alleged profits made from the Madoff scheme from Sterling Equities Inc. (Wilpon and Katz). The Wilpons and the Katzs have invested in Madoff in a separate venture from the funds. Though there should be no impact to the funds, there is a possibility that Sterling Equities may sell back their 24% ownership stake in the firm in the event they are unable to cover the payment from the lawsuit. The subscriptions and redemptions into the Sterling Stamos onshore funds continue to be processed internally by the fund administration group, rather than the transfer agent. Previously, Sterling Stamos explored the idea of changing the onshore funds' process to be the same as the offshore funds; however, given the large volume of wires for the onshore funds, they no longer feel this is the best option and are continuing to explore other options. Sterling Stamos continues to have staff turnover issues. In 2010, there were 37 new hires and 34 departures. Notable departures in 2010 were Ashok Chachra, absolute return (partner) in March 2010, Rohit Kumar, risk management (partner) in May 2010 and Binu George, head of operational due diligence (managing director) in June 2010. The operational due diligence team experienced a 100% turnover. The current operational due diligence team is comprised of three analysts: i) Mark Cleere (joined May 2010); ii) Scott Halper (joined September 2010); and iii) Eric Wortman (joined December 2010). Please note that once the capital statements are finalized, Citi Hedge Fund Services sends the PDF version to Sterling Stamos' system, which



<p>redemptions into the underlying funds for both onshore and offshore funds.</p> <ul style="list-style-type: none">• Sterling Stamos plans to hire a third party firm to conduct a mock audit every two years going forward beginning at the end of 2011 or beginning of 2012.	<p>automatically generates emails to investors in a "batch" process. Note that best practice is to have the capital statements sent to investors directly from the administrator.</p>
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FUNDS FOR REVIEW				
	Legal Name	Inception Date	Legal Structure	AUM (as of 1/2011)
Entity Names:	Sterling Stamos Capital Management, LP	1998	Delaware LP	\$9,414MM
Fund Names:	1) Sterling Stamos Equity Fund - Select LP	2006	Delaware LP (3-C-7)	\$568MM
	2) Sterling Stamos Equity (Offshore) Fund – Select Ltd.	2008	Cayman Ltd	\$34MM
	3) Sterling Stamos Equity Diversified Fund, LP	2002	Delaware LP (3-C-7)	\$74MM
	4) Sterling Stamos Equity Diversified (Offshore) Fund, Ltd.	2003	Cayman Ltd	\$26MM
	5) Sterling Stamos Absolute Return Diversified Fund, LP	2002	Delaware LP (3-C-7)	\$114MM
	6) Sterling Stamos Absolute Return Diversified (Offshore) Fund, Ltd.	2003	Cayman Ltd	\$101MM
	7) Sterling Stamos Absolute Return Diversified Fund – Select LP	2005	Delaware LP (3-C-7)	\$280MM
	8) Sterling Stamos Absolute Return Diversified (Offshore) Fund – Select Ltd.	2005	Cayman Ltd	\$228MM
Strategy Classification:	Fund of hedge funds	Sub-Strategy:	N/A	
SUMMARY OF MEETING				
Date:	1. December 14, 2010 (onsite) 2. February 16, 2011 (conference call) 3. February 22, 2011 (conference call)	Location:	450 Park Avenue New York, NY 10022	
Merrill Lynch Attendees:	1. Sandra Lee and Lance Fraser 2. Sandra Lee 3. Sandra Lee and Lance Fraser	Fund Attendees:	1. Kevin Barcelona, CFO Matt Frymier, president Mark Cleere, operational due diligence analyst Jared Kanover, GC/CCO Kristina Brenna, MD of finance Nicole Feig, senior accountant 2. Kevin Barcelona, CFO Kristina Brenner, MD of finance 3. Jared Kanover, GC/CCO	
VENDOR RELATIONSHIPS				
Prime Broker:	N/A			
Custodian:	Citi Global Transaction Services			
Administrator:	Citi Hedge Fund Services			
Legal:	Walkers (Cayman) Schulte Roth & Zabel LLP (US) Mori Hamada & Matsumoto (Japan)			



Counterparties:	Bank of Montreal and Citi (credit facilities)		
Auditor:	E&Y		
ADVISOR / MANAGING MEMBER INFORMATION			
Principal Investment Adviser/GP:	SSP Associates GP, LLC		
Manager:	Sterling Stamos Capital Management LP		
Registered Investment Advisor:	Yes		
FUND INFORMATION			
Master / Feeder Fund:	No	Fiscal YE:	December 31
1940 Act Exemption:	Yes	Manager AUM:	\$9,669MM as of Oct 2010
TERMS/FEEES			
Management Fee:	Varies by fund, but generally 1%	Subscription Frequency:	Varies by fund, but generally quarterly
Incentive Fee:	Varies by fund, but generally between 5%-10%	Placement Fee:	None
How Often is the Incentive Fee Realized:	Annually	Timing of Receiving Documents and Cash:	Varies by fund, but generally 1st business day of the quarter
Are Losses Carried Forward for Incentive Fee Calculations:	Yes	Redemption Frequency:	Varies by fund, but generally quarterly
High Water Mark:	Yes	Notice Period:	Varies by fund, but generally 90 days
Hurdle Rate:	Varies by fund, but generally between 5%-10%	Lockup Periods:	Varies by fund
Does the Manager or Fund have an Error Policy:	Yes	Redemption Penalty:	None
Side Letters:	Yes	Gating Policy:	Varies by fund
AUDITS			
Recent Changes in Firm Auditor:	None		
Internal Audits:	No	Qualified Opinions:	None for funds invested by ML
Are there Previous Audits on Record:	Yes	Timing of Audit Reports:	Within six months after fiscal year end
DOCUMENTS REVIEWED			
Offering Document:	Sterling Stamos Security Fund – Select LP (December 2008) Sterling Stamos Security (Offshore) Fund – Select Ltd. (December 2008) Sterling Stamos Growth Fund LP (December 2008) Sterling Stamos Growth (Offshore) Fund Ltd. (December 2008) Sterling Stamos Equity Fund – Select LP (April 2008) Sterling Stamos Equity (Offshore) Fund – Select Ltd. (May 2008) Sterling Stamos Security Fund LP (December 2008) Sterling Stamos Security Fund (Offshore) Ltd. (December 2008)		
	Including supplements for additional share classes for the above funds.		
DDQ:	None received		
Presentation:	Sterling Stamos Capital Management, LP Core Absolute Return and Equity Funds November 2010; SS Core Systems Nov 2010		



Audited Financial Statement:	2009 Sterling Capital Management LP 2009 Sterling Stamos Security Fund – Select LP 2009 Sterling Stamos Security Select Liquidating Trust 2009 Sterling Stamos Security (Offshore) Fund – Select Ltd. 2009 Sterling Stamos Security (Offshore) Fund - Select SPV, Ltd. 2009 Sterling Stamos Growth Fund LP 2009 Sterling Stamos Growth Liquidating Trust 2009 Sterling Stamos Growth (Offshore) Fund Ltd. 2009 Sterling Stamos Equity Fund – Select LP 2009 Sterling Stamos Equity (Offshore) Fund – Select Ltd. 2009 Sterling Stamos Security Fund LP 2009 Sterling Stamos Security Liquidating Trust 2009 Sterling Stamos Security Fund (Offshore) Ltd. 2009 Sterling Stamos Security Fund SPV, Ltd.
Letters:	None received
Other:	AUM History; 08.27.09 Signed Updated Admin Agreement; Funds Ownership Chart (Dec 2010); Sterling Stamos Joiners and Leavers 2004-2010; Senior Management Bios 12-10; Organizational Structure 2010; SS Disaster Recovery and Business Continuity Plan Nov 2010; SS Basic IA Compliance Manual 6-2010; SS – AML Policies and Procedures (9-2007); SS – Best Execution Policies and Procedures (06-2008); SS – Client Privacy Notice (09-2006); SS – Code of Ethics (10-2009); SS – Email Review Procedures (08-2005); SS – Order Aggregation and Allocation Policy (05-2005); SS – Privacy Policies and Procedures (05-2005); SS – Proxy Voting Procedures (06-2006); SS – Record Retention Chart (1-2009); SS – Soft Dollar Procedures (05-2005); SS – Technology Use Policy (08-2009); and SS – Trade Error Policy (09-2006).



ORGANIZATIONAL STRUCTURE AND OWNERSHIP

Manager and Ownership

- Sterling Stamos Capital Management LP was founded in 1998. Sterling Stamos began operating as a family office as Peter Stamos managed the money of the Katz, Wilpon and Stamos families. Fred Wilpon and Saul Katz are the founders of Sterling Equities, which they launched in 1972. Mr. Wilpon and Mr. Katz are brothers-in-law. In 2002, the firm opened to external investors and began to take in client money.
- The manager provided an updated firm ownership breakdown as follows:
 - 45.7% Merrill Lynch LP Holdings Inc.
 - 23%-24% Sterling Equities (Wilpon and Katz)
 - 25% Sterling Stamos principals and employees
 - 10% Peter Stamos, Co-managing partner/Chairman/CEO
 - 7% Michael Chisek, chief investment officer
 - 6% Active management
 - 1-2% senior management
 - 25-50 bps managing directors
 - 5% Non-operating partners (Stamos Family)
- Merrill Lynch continues to hold a non-controlling ownership stake. The manager reported that Merrill Lynch's equity ownership was recently diluted down from 50% in order to give certain senior employees (managing directors and above) equity ownership as part of their employee retention plan, which is further discussed in the staffing section of this report.
- SSP Associates GP, LLC, a Delaware limited liability company, serves as the general partner of the Sterling Funds. Peter Stamos controls the general partner through its managing member and is primarily responsible for the management of the portfolios. Sterling Stamos Capital Management, LP, a Delaware limited partnership that is controlled by Peter Stamos through its general partner, provides management and administrative services to the funds.
- Sterling Stamos continues to have two legacy strategic partners as placement agents: i) First Long Island (FLI) and Ueda Yagi Tanshi Co. FLI has introduced \$100 million in client capital and Ueda has introduced \$50 million. In return for the referral, they both receive 40% performance and management fee in return for those allocations. The manager reported that they are looking into alternative strategic partners for distribution in 2011.
- The management company is audited by E&Y every year. We received a copy of the management company's 2009 audited financial statements. Please also refer to the audited financials section of this report.
- The operating partners' investment in the funds was reported to be between \$35 and \$45 million.

Fund Structure

- The below is a summary of the core fund offerings:

Onshore Funds							
	Fund Name	Jurisdiction	Date Fund Commenced Operations	Subscription frequency	Min initial Subs	Min Add'l Subs	Series of interest
1	Sterling Stamos Equity Fund Select LP	DE	Oct 1, 2006	A, B, C: Quarterly D, E, F, G: Monthly	\$5M	\$1M	A, B, C, D, E (affiliates), F, G
2	Sterling Stamos Security Fund – Select LP	DE	July 1, 2005	A, B, D, G, H, I, J, K: Quarterly C, E, F: Monthly	\$5M	\$1M	A, B, C, D (affiliates), E, F (A-F no longer offered); G,
3	Sterling Stamos Security Fund LP	DE	July 1, 2002	Quarterly	\$5M	\$1M	A, B, C, D (A-D no longer offered); F,
4	Sterling Stamos Growth Fund LP	DE	Dec 2002	Quarterly	\$5M	\$1M	N/A



Offshore Funds							
	Fund Name	Jurisdiction	Date Fund Commenced Operations	Subscription frequency	Min initial Subs	Min Add'l Subs	Share classes
1	Sterling Stamos Equity (Offshore) Fund – Select Ltd.	Cayman Islands	July 1, 2008	Quarterly	\$5M	\$1M	A, B, C, D, E, F, G, H and S (special)
2	Sterling Stamos Security (Offshore) Fund	Cayman Islands	July 1, 2005	Quarterly	\$5M	\$1M	A-H (no longer offered); I, J,
3	Sterling Stamos Security Fund (Offshore) Ltd.	Cayman Islands	Oct 1, 2004	Monthly	\$5M	\$1M	A-J (no longer offered); K,
4	Sterling Stamos Growth (Offshore) Fund Ltd.	Cayman Islands	January 2, 2004	Quarterly	\$5M	\$1M	A, B, C, D, E, F, G, H, I, J, K, L

- In 2008, the firm experienced \$2.5 billion in asset decline. As a result, the manager created special purpose vehicles (SPV) to hold illiquid positions (due to gates or suspended redemptions) for the below funds. In addition, SPV II Security Onshore was created in July 2010 due to liquidity constraints. The following table shows the total distributions made from the SPVs as of December 2010.

Fund Name	SPV Amount at inception	Total Distributions	% of SPV distributed as of Dec 2010
SPV Security Onshore	\$ 400,246,578	\$ 178,333,281	45%
SPV II Security Onshore	\$ 140,291,766	\$ 22,291,766	16%
SPV Security Offshore	\$ 105,671,521	\$ 52,680,000	50%
SPV Select Onshore	\$ 62,406,925	\$ 27,715,000	44%
SPV Select Offshore	\$ 69,528,869	\$ 26,820,000	39%
SPV Growth Onshore	\$ 36,430,733	\$ 13,760,000	38%

- Note that the investors are not charged any fees for the investments in the SPVs. Please also refer to Appendix A for an entity organizational chart.
- The board of directors for the offshore funds are the following:
 - David Bree (dms Management Ltd.)
 - Peter M.O. Young (President/Founder of Advanced Fund Administration Cayman Ltd.)
 - Peter Stamos (chairman/CEO of Sterling Stamos)
- There have been no changes to the board members in the past 12 months. The board of directors meet formally at least once per year.
- Merrill Lynch is an affiliated broker dealer since Merrill Lynch also has equity stake in the firm (also disclosed in Form ADV Part II). There are no conflicts of interest with any of the service providers.

Board of Directors

Affiliated Parties/Conflict of Interest

STAFFING AND COMPENSATION

Staffing

- The firm currently has 73 employees, which has stayed about the same since September 2009 when they had 72 employees. There are 32 investment professionals (absolute return, equities, fixed income, private equity, real assets, operational due diligence, risk); 26 administrative support (admin, finance, fund admin, HR, IT, legal) and 15 sales and business development (client management, business development,



- endowment solutions, marketing/communications and global institute).
- Sterling Stamos has three office locations currently in New York City, Menlo Park and Charlotte. The New York office has approximately 35-40 employees covering absolute return, fixed income, public equity, risk management, finance, operations, legal, compliance and partner relations. The Menlo Park, CA office has approximately 20-25 employees covering real assets, private equity, partner relations, corporate philanthropy and global institute. The Charlotte, NC office has approximately 16 employees covering private equity (BoFA transaction). The Charlotte office is newly opened as part of the Bank of America agreement and the office is sub-leased from Bank of America. In addition, Sterling Stamos closed the Tokyo office in the middle of 2009. The Tokyo office had one individual who was focused on fund raising in Japan.
 - Sterling Stamos continues to have staff turnover issues. In 2010, there were 37 new hires and 34 departures. Notable departures in 2010 were Ashok Chachra, absolute return (partner) in March 2010, Rohit Kumar, risk management (partner) in May 2010 and Binu George, head of operational due diligence (managing director) in June 2010. The staff turnover issue was also previously discussed in the July and September 2010 business due diligence updates. Kevin Barcelona, CFO, reported that the staff turnover has stabilized and there are no pending departures to the best of his knowledge. Please refer to Appendix B for a detailed list of employees joining and leaving the firm in 2010.
 - As for significant hires, on April 22, 2010, Bank of America, under government pressure to curb private-equity investments, has sold \$1.9 billion of proprietary private equity and real assets to AXA SA. The Bank of America team who had managed these assets joined Sterling Stamos as employees and they would continue to manage via sub-advisory agreement to manage the AXA portfolio, as well as receive management fee from Bank of America to manage a majority of the remaining proprietary balance sheet assets (\$1.8 billion PE portfolio and \$700 million hedge fund portfolio from BAML). The AXA/BAML portfolios' operations functions will be handled by Bank of America. Of the employees joining from Bank of America, at least 3 of the 10 members were given equity ownership.
 - Sterling Stamos performs background investigations on all employees prior to hire. The scope of the background investigations includes criminal, civil, previous employment and education verification.
 - All employees are subject to 1-year non-compete and non-solicitation clauses. However, the CFO reported that it is not enforceable in the state of California so the Menlo Park employees (20-25 employees) are not subject to these clauses.
 - In order to address staff turnover issues, the firm implemented an employee retention program in early 2010 whereby key employees (MD and above) have signed 5-year contracts in exchange for firm equity. Kevin Barcelona, CFO, reported that they now have 17 new equity owners. There are still a handful of managing directors who did not sign the contract as they are fearful of the long-term commitment.

Compensation

- Employees are compensated with base salary and discretionary bonus. In 2006, the firm implemented an incentive plan by which up to 20% of the incentive fee generated by the funds is allocated as profit shares to key employees (excluding Peter Stamos and relatives). The 20% of the amount allocated to an employee is paid up front (50% for partners) and the balance is vested over a 5-year period.

Key Person Risk

- The funds' offering memorandums offer key man provision for Peter Stamos. Investors may elect to redeem/withdraw from the fund in the event Mr. Stamos dies, becomes incompetent or disabled (i.e. unable, by reason of disease, illness, or injury, to perform his functions as the management member for 90 consecutive days), or otherwise ceases to be involved in the activities of the fund. Investors may exercise the special redemption/withdrawal rights by written notice to the general partner within 30 days after they are notified of any of the events described previously, and such redemption/withdrawal would be effective as of the end of the first full calendar month after such 30 days notice period expires. Investors will be paid 95% of their capital account promptly following the end of such calendar month. The estimated balance will be paid with 10 days after the completion of a special audit as of the end of such



calendar month with interest. Investors will not be subject to any lock-up period.

FUND LIQUIDITY

AUM and Investor Composition

- The firm's AUM as of October 2010 was \$9.7 billion, which is a 70% increase from \$5.7 billion in AUM as of December 2009. The main source of increase in assets was from the addition of the three funds from Bank of America/AXA transactions mentioned previously: i) BAML PE Portfolio (\$1.8 billion); ii) BAML HF Portfolio (\$700 million) and iii) AXA PE Portfolio (\$1.8 billion). Please refer to Appendix C for the breakdown of firm AUM by funds. There are a number of Sterling Stamos funds that are liquidating, which are denoted with an asterisk on Appendix C.
- Sterling Stamos is in the process of winding down the Absolute Return Funds (fka Security Funds). The liquidation schedule is on target with what was communicated to investors via the monthly letters. For the offshore fund, the fund has distributed 30% of capital to date, another 20% will be distributed by February and 6-7% in March 2011. By the end of the first quarter 2011, the fund would have distributed 50-60% of assets and 70-75% by the end of 2011. The SPV is continuing to be wound down and 90% of the liquid pool would have been liquidated by December 31, 2011. For the onshore fund, there have been two distributions to date, which totaled 50% of assets. They expect to have distributed 65% by the end of 2011. The remaining are uncertain (private equity positions) and will continue to distribute through 2012 and beyond.
- The investor base for the funds as of September 30, 2010 is summarized as follows:

Sterling Stamos Equity Fund Select LP	Sterling Stamos Equity (Offshore) Fund - Select Ltd.
<u>Investor Base</u>	<u>Investor Base</u>
86% HNWI	25% HNWI
14% Institution - Financial	75% Institution - Financial
15% Largest investor	72% Largest investor
51% Top 5 investors	100% Top 5 investors
134 Total investors including GP	4 Total investors

Sterling Stamos Security Fund LP	Sterling Stamos Security (Offshore) Fund, Ltd.
<u>Investor Base</u>	<u>Investor Base</u>
74% HNWI	69% Institution - Pension
26% Institution - Financial	18% HNWI
	12% Institution - Financial
	1% Institution - Non-Profit
26% Largest investor	51% Largest investor
46% Top 5 investors	85% Top 5 investors
88 Total investors including GP	18 Total investors

Sterling Stamos Growth Fund LP	Sterling Stamos Growth (Offshore) Fund Ltd.
<u>Investor Base</u>	<u>Investor Base</u>
65% HNWI	44% Institution - Financial
35% Institution - Financial	36% HNWI
	20% Institution - Pension
56% Largest investor	35% Largest investor
76% Top 5 investors	86% Top 5 investors
39 Total investors including GP	13 Total investors



Sterling Stamos Security Fund - Select LP		Sterling Stamos Security (Offshore) Fund - Select, Ltd.	
Investor Base		Investor Base	
82%	HNWI	56%	Institution - Pension
18%	Institution - Financial	22%	Institution - Insurance
		21%	HNWI
		1%	Institution - Financial
25%	Largest investor	24%	Largest investor
61%	Top 5 investors	78%	Top 5 investors
84	Total investors	27	Total investors

- According to Kevin Barcelona, CFO, no one has better liquidity terms except Merrill Lynch clients in the IQ products (feeder funds into the core funds). Aside from Merrill Lynch's MFN provision, there are 1 or 2 MFN side letters with other investors. There is one large institutional investor in the Select Arb Fund who receives similar liquidity terms as Merrill Lynch, who has pre-dated Merrill Lynch's investment.

Redemption Terms

- A summary of the redemption terms for the core funds are as follows:

Onshore Funds					
	Fund Name	Lock-up period	Redemption Frequency	Notice Period	Gate
1	Sterling Stamos Equity Fund Select LP	A, E: 3-year lock up B, C: None D, F, G: 1-year lock up	A, E: Annually B, C: Quarterly G: Semi Annually (6/30 and 12/31) D, F: Semi Annually (6/30 no greater than \$50M or 12/31)	A, E: 185 days B, C, G: 90 days D, F: 90 days if redeeming on 12/31 or 185 days if redeeming on 6/30	A, E: 20% calc at share class level. B,C: None D: 20% of A+D share classes in aggregate. F: 20% of A+F share classes in aggregate. G: 20% of A+G share classes in aggregate.
2	Sterling Stamos Security Fund - Select LP	A, D, G, J: 2-year lock up C, E, F, H, K, L: 1-year lock up	A, D, G, H, J: Annually C, E, K: Semi Annually (6/30 no greater than \$50M or 12/31) F, L: Semi-Annually (6/30 and 12/31)	A, D, G, J: 185 days F, H, L: 90 days C, E, K: 90 days if redeeming on 12/31 or 185 days	None
3	Sterling Stamos Security Fund LP	B, G: 1-year lock up A, B, C, D, F, H, I: None	Quarterly	90 days	None
4	Sterling Stamos Growth Fund LP	Investments made on or after May 1, 2008: 1-year lock up Investments made prior to May 1, 2008: None	Quarterly	90 days	10% gate at the fund level for 2Q (June 30th) redemption date.



Offshore Funds					
	Fund Name	Lock-up period	Redemption Frequency	Notice Period	Gate
1	Sterling Stamos Equity (Offshore) Fund – Select Ltd.	A, E: 3-year lock up B, C, H: None D, F, G: 1-year lock up	A, E: Annually B, C, H: Quarterly G: Semi Annually (6/30 and 12/31) D, F: Semi Annually (6/30 no greater than \$50M or 12/31)	A, E: 185 days B, C, G, H: 90 days D, F: 90 days if redeeming on 12/31 or 185 days if redeeming on 6/30	A, D, E, F, G: 20% calc at share class level. B, C, H: None
2	Sterling Stamos Security (Offshore) Fund – Select Ltd.	A, D, E, I, L, M: 2-year lock up B, C, H, J, K, P: 1-year lock up F, G, N, O, Q:	A, D, E, I, L, M: Annually B, C, H, J, K, P: Semi Annually F, G, N, O, Q: As of the last day of February, June 30 or December 31.	A, D, E, I, L, M: 185 days B, C, F, G, H, J, K, N, O, P, Q: 90 days	None
3	Sterling Stamos Security Fund (Offshore) Ltd.	A, B, K, L: 1-year lock up C, D, E, F, G, H, I, M, N, O, P, Q, R, S, T: None	Quarterly	90 days	None
4	Sterling Stamos Growth (Offshore) Fund Ltd.	All share classes except K, L: None K, L: 1-year lock up	All share classes except A & B: Quarterly A, B: Last business day of i) second fiscal quarter of each year and ii) each fiscal year end.	90 days	A, B: 10% calc at share class level for A and B in aggregate for 2Q (June 30th) redemption date. K, L: 20% gate calc at share level for A, B, K, L in aggregate.

- Redemptions requests received for December 31, 2010 were as follows:
 - 15% or \$97M – Sterling Stamos Equity Fund Select LP
 - 14% or \$5M – Sterling Stamos Equity (Offshore) Fund – Select Ltd.
 - 24% or \$89M – Sterling Stamos Security Fund – Select LP
 - 6% or \$15M – Sterling Stamos Security (Offshore) Fund – Select, Ltd.
 - 33% or \$49M – Sterling Stamos Security (Offshore) Fund, Ltd.
 - 13% or \$11M – Sterling Stamos Growth Fund, LP
 - 22% or \$7M – Sterling Stamos Growth (Offshore) Fund Ltd.
- Pending redemptions received for March 31, 2011 were not material. Of the core funds, the Sterling Stamos Growth Funds received \$10 million and \$325,000 in redemptions from offshore and onshore, respectively.
- The current portfolios have the following characteristics:

Asset Liquidity

	Equity Fund Select LP	Equity Fund Select Ltd	Absolute Return Select LP	Absolute Return Select LP SPV	Absolute Return Select Ltd.	Absolute Return Select Ltd. SPV	Equity Diversified LP	Equity Diversified LP SPV	Equity Diversified Ltd.
AUM (in \$MM)	\$568	\$34	\$280	\$40	\$228	\$42	\$73	\$27	\$26
ML exposure	73%	44%	83%	24%	10%	3%	62%	4%	48%
Largest position	12.4%	11%	8%	28%	8%	29%	10%	32%	14%
Liquidity terms for largest position	Annually with 45 days notice	Every 3 years with 90 days notice	Every 3 years with 120 days notice	Liquidating	Semi-annual with 60 days notice	Liquidating	Semi-annual with 60 days notice	Liquidating	Every 3 years with 90 days notice
Top 5 positions	43%	42%	34%	86%	30%	74%	41%	85%	42%
% of fund allocated to side pockets	32%	17%	73%	N/A	14%	N/A	19%	100%	7%
Cash	0.11%	20%	6%	4%	20%	10%	5%	13%	5%



	Absolute Return LP*	Absolute Return Liq Trust	Absolute Return Liq Trust II	Absolute Return Ltd.	Absolute Return Ltd. SPV
AUM (in \$MM)	\$114	\$279	\$119	\$101	\$60
ML exposure	24%	4%	15%	25%	
Largest position	N/A	21%	18%	6%	19%
Liquidity terms for largest position	N/A	Long dated fund	Semi-Annual with 60 days notice	Other	Liquidating
Top 5 positions	N/A	67%	34%	22%	5%
% of fund allocated to side pockets	0%	0%	2%	16%	
Cash	2%	5%	58%	32%	17%

*The Absolute Return Fund LP is in the process of being liquidated and the fund currently has investments into the two SPVs.

- Note that the firm's risk management team is responsible for generating liquidity schedules and analyzing the asset liquidity to monitor redemptions and to avoid having to create SPVs in the future.
- After having to create SPVs in 2008, Sterling Stamos has begun to allocate to more liquid strategies going forward and also invest in funds with a lock up period of no longer than 1 year.

SERVICE PROVIDERS/COUNTERPARTIES

Counterparties

- The funds have a syndicated senior secured revolving credit facility with two lenders: Bank of Montreal and Citibank to meet short term cash needs to bridge gaps between subscriptions and redemptions from investors or investments. According to Kevin Barcelona, CFO, Sterling Stamos has used 10-20% of the credit facility in the past.
- Kevin Barcelona, CFO, is responsible for negotiating financing agreements.
- Sterling Stamos has recently renewed their credit facility terms in June 2010 and added Citibank to the agreement. The credit facility with Bank of Montreal (\$125M) and Citibank (\$125M) total \$250 million across all Sterling Stamos funds. The key terms of the credit facility are summarized as follows:
 - The commitment fee is 75 basis points on any undrawn amount calculated daily and payable quarterly in arrears.
 - The structuring fee is 20 basis points payable on or about trade date.
 - The base rate is one month LIBOR plus 2.6% the applicable margin.
 - The facility needs to be repaid in full on the maturity date, which is defined as trade date plus 364 days.
 - The maximum LTV ratio¹ is 25% and the target LTV ratio is 20%.
 - The collateral will generally consist of all the borrower's investments in hedge funds held in its securities and cash account with the custodian for the account of the borrower and pledged to the lender. The borrower shall obtain prior written approval from the lenders, where it wishes to instruct: i) aggregated orders in the relevant calendar month in excess of 25% of its NAV; or ii) instruct aggregated cash

¹ LTV ratio: The ratio of the aggregate outstanding advance balance under the facility to the collateral value.



- payments (unrelated to subscriptions) in the relevant calendar month in excess of 2% of its NAV.
- The value of the collateral for purposes of determining the LTV ratio will be determined by the calculation agent, Citi.
- Termination events include (but not limited to) non-payment, breach of covenant, misrepresentation, cross-default, insolvency, material judgment, failure of security, wrong doing, change of control of borrower, change in investment manager, LTV breach etc.
- The facility will be subject to customary covenants, including, but not limited to: i) positive covenants – authorization, compliance with law, senior ranking on collateral; ii) negative covenants – negative pledge on collateral, financial indebtedness, accounts, change of business, mergers, acquisitions, loans and ERISA. Include a carve-out for the custodian lien and cash margin posted under a permitted hedging transaction; and iii) information covenants – financial statements, books and records. Maximum net asset value per share drop: 5% monthly and 12.5% twelve month rolling with the exception of Equity Select and Equity (Offshore) Fund – Select, where the TTM is 15%.
- Excess cash is invested in Black Rock Funds, which invests primarily in treasuries. Excess cash is not swept automatically; instead it is a manual process. A trade is placed to buy shares in the Black Rock Funds, which can be authorized by either Kevin Barcelona, CFO; Kristina Brenner, managing director of finance; or Nicole Feig, senior accountant.

Administrator

- Citi Hedge Fund Services continues to be the funds' administrator. Previously, the administrator was International Fund Services (IFS) from 2002-2003. The change to move to Rothstein Kass Fund Administration was driven by Kevin Barcelona, CFO, when he joined Sterling Stamos from Rothstein Kass in 2004. Note that BISYS acquired Rothstein Kass in 2005 and Citi acquired BISYS in 2007.
- Citi Hedge Fund Services' Roseland, New Jersey office performs fund accounting and the Cayman office performs share registration services.
- Kevin Barcelona, CFO, reported that they are currently happy with the services provided by Citi and have no plans to change administrators in the near term.
- On January 21, 2011, Citi Hedge Fund Services completed our fund of funds administrator questionnaire. The administrator confirmed the November 30, 2010 fund net assets, which were consistent to the fund net assets received from the manager²:

Sterling Stamos Funds	30-Nov-10 Net Assets
Sterling Stamos Security - Select Fund, L.P.	\$356,418,880.00
Sterling Stamos Growth Fund, LP	\$82,774,848.00
Sterling Stamos Security Fund, LP	\$142,400,046.00
Sterling Stamos Equity Fund- Select, L.P.	\$644,546,052.00
Sterling Stamos Security (Offshore) Fund - Select, Ltd.	\$240,223,031.00
Sterling Stamos Growth (Offshore) Fund, Ltd	\$32,212,640.44
Sterling Stamos Security (Offshore) Fund, Ltd.	\$148,958,274.36
Sterling Stamos Equity Select (Offshore) Fund, Ltd.	\$38,005,280.52

Auditor

- E&Y continues to be the funds' auditor and has been since inception. All of Sterling Stamos' funds are audited by E&Y. E&Y's New York office is responsible for performing the field work and the Cayman office signs the audit opinions for the offshore funds.
- Kevin Barcelona, CFO, stated that the funds' audited financial statements have never

² Please note that there are slight variances due to the fact that the manager provided fund net assets as of October 31, 2010 and the administrator provided fund net assets as of November 30, 2010.



	<p>been delayed. Generally, the audited financial statements are issued within 180 days by June 30th.</p> <ul style="list-style-type: none">• When asked whether any of the funds managed by Sterling Stamos have received a qualified opinion, Mr. Barcelona, CFO, reported that the Sterling Stamos Security Levered Fund has received a qualified opinion in 2009 because E&Y could not get a third party confirmation on a structure note product. However, none of the funds Merrill Lynch has investments in have received a qualified opinion.• The auditor relationship was indirectly confirmed through the fund administrator, Citi Hedge Fund Services. We also received a copy of the 2010 auditor engagement letter from Sterling Stamos.
Legal	<ul style="list-style-type: none">• The funds' legal counsels are Walkers in Cayman, Schulte Roth & Zabel in the U.S. and Mori Hamada & Matsumoto in Japan.

Operational Due Diligence	
Team	<ul style="list-style-type: none">• As mentioned in previous reports, the operational due diligence team experienced a 100% turnover. The operational due diligence team is currently comprised of three analysts: i) Mark Cleere (joined May 2010); ii) Scott Halper (joined September 2010); and iii) Eric Wortman (joined December 2010). The team generally has limited direct operational due diligence experience.• Mark Cleere joined Sterling Stamos in May 2010 as a director level analyst. Mark Cleere has previous relevant experience at both AIG and Commertzbank where he worked as both an investment analyst and operational due diligence analyst for their fund of funds businesses. At AIG, Mark participated in approximately 20 operational due diligence meetings as both a lead analyst and a junior analyst. At Commertzbank, operational reviews were combined with investment reviews. Mark Cleere has conducted onsite visits with a handful of new managers before the firm decided to wind down their fund of funds business.• Scott Halper joined Sterling Stamos in September 2010 as a senior associate. He is a 2003 college graduate with previous experience in finance, alternatives and some direct operational due diligence experience.• Eric Wortman joined Sterling Stamos in December 2010 and is considered a junior analyst with three years previous experience in public accounting at Rothstein Kass. He graduated in 2007 with a B.S. in accounting from Yeshiva University.• After the departure of the operational due diligence team's head, Binu George in June 2010, Sterling Stamos contemplated hiring a senior person to replace Mr. George. However, during our onsite visit it was made clear that they no longer intend to hire a senior individual to head the group. Instead, Kevin Barcelona, CFO will oversee the group with Mark Cleere appointed as the head of the operational due diligence team. Kevin Barcelona reported that he is involved in the analysis and approval of every new investment as well as analysis of every existing active manager. He also mentioned that he will devote 50% of his time on operational due diligence matters and in certain circumstances spend majority of certain weeks on operational due diligence (i.e. London trip in January and Asia trip in February 2011), depending on the pipeline. In addition, Mr. Barcelona meets with the operational due diligence team daily to get an update from the group on their progress, meeting schedules or calls. Kevin Barcelona, CFO, reports to the investment committee.
Process	<ul style="list-style-type: none">• The operational due diligence team continues to hold onsite meetings in person prior to investments being made and updates are conducted annually (every 12-18 months). A semi-annual standard questionnaire is still being sent out to hedge fund managers to complete. Kevin Barcelona, CFO, reported that they plan to always have two people conduct the onsite meetings (primary and secondary coverage), where possible. There has been one case where Mark Cleere visited a manager in Stockholm and Kevin Barcelona participated in the meeting via conference call. The onsite meetings will always have a combination of Kevin Barcelona, Mark Cleere or Scott Halper. Eric Wortman is still training and will provide support function for the team for the time being.



- Kevin Barcelona stated that there are currently 51 managers on the approved list, 19 liquidating and five redeeming in full. In addition, there are 10 new managers currently in the pipeline. He expects the number of managers on the approved list to normalize around 65-75 range within the next 12-18 months. Given that Sterling Stamos has closed a number of products, the approved list has also been reduced.
- For the 19 liquidating funds, Sterling Stamos conducts a lighter onsite due diligence on the top 10 underlying hedge funds and a brief report is written.
- Kevin Barcelona, CFO, reported that currently 30% of the approved list (or 15 funds) is considered aged. They expect to close this gap by the end of the second quarter, where he conservatively estimates that they will be behind by 6 funds.
- Key areas covered during the onsite meetings have not changed and are the following: i) trading; ii) settlement; iii) reconciliation; iv) valuation; v) reporting/accounting; vi) legal/compliance; vii) financial statement review; viii) organization/team; ix) service providers; x) administrators; and xi) business continuity plan.
- Effective 2008, the team developed a process for the review of financial statements enlisting the assistance from the finance team. Nicole Feig, senior accountant, heads this effort. The finance team is responsible for completing the templates for each underlying fund. The Ops DD team is also responsible for conducting their own review of the financials. They then meet to discuss their findings, after which the finance team signs off on the review.
- Starting in 2011, Sterling Stamos will contact the fund's prime broker(s) and fund administrator to confirm the relationship. The team has not visited any of the fund administrators to date.
- The team also conducts background investigations on the entity and key principals using Financial Risk Mitigation³ for new managers; Check Fund Manager for UK managers; Interfor for Asia managers and Fidelifax for U.S. managers. Background investigations are refreshed every three years, but they are considering changing this to every two years.
- The following are the members of the investment committee and each hold veto power:
 - Peter Stamos, chairman/CEO
 - Mike Chisek, CIO
 - Kevin Barcelona, CFO
 - Jared Kanover, General Counsel/CCO
 - Josh Shapiro, CRO
- Going forward, Sterling Stamos will not invest in new managers that are self-administered or receive NAV light services from the administrator. Currently, there are no NAV light funds, but there are four legacy self-administered funds. Two of the four are private equity funds held in a side pocket in Sterling Stamos Global Credit Opportunities Fund. There is one fund in the Absolute Return Funds and another fund in the Equity Select Funds.

Legal Due Diligence

- The legal due diligence review is outsourced to Morrison & Forrester. Jared Kanover, general counsel/CCO developed a checklist for the legal due diligence review process. Morrison & Forrester will review the legal documents and highlight any issues and will generally turn the report around within a few days. Mr. Kanover reported that generally it costs approximately \$3,000-\$5,000 per fund. Once the report is finalized, the operational due diligence team together with Jared Kanover will review the report. Please also note that Mr. Kanover has veto power.

TRADING

³ Merrill Lynch's Business Due Diligence team also uses Financial Risk Mitigation as their background investigation vendor. Our contact at FRM has disclosed that there may be some conflicts of interest if the subjects we submit to run background checks are also FRM's client.



Portfolio Composition

- Please see the following for a breakdown of the strategy allocation as of January 2011 by funds:

Equity Select	
36%	L/S Value
27%	L/S GARP
15%	L/S Sector
8%	Activism Value
7%	Long-biased Value
4%	Tactical Trading
3%	L/S Event Driven/Special Situations
100%	

Absolute Return Select (fka Security Select)	
26%	Credit
23%	Multi-Strategy
20%	Event Driven
14%	Tactical Trading
12%	Arbitrage
5%	Cash
100%	

Equity Diversified (fka Growth)	
33%	L/S Value
24%	L/S GARP
19%	L/S Sector
12%	Arbitrage
4%	Tactical Trading
2%	Special Situations
5%	Cash
1%	L/S Event Driven/Special Situations
100%	

Trade Capture

- Once a trade ticket is generated, it is validated and executed. Execution is tracked and verified using Citi Hedge Fund Services, Cogency and Geneva.

Reconciliation

- The operations team is responsible for cash and position reconciliations. Cash and positions are reconciled daily internally using Cogency and monthly by the administrator.

Systems

- **Cogency System**
 - Complete general ledger and fund of fund accounting solution
 - Partnership accounting and reporting
 - Portfolio management/tracking
 - Liquidity analysis for risk management
- **Back Stop**
 - Aggregates all qualitative information regarding underlying managers
 - Incorporates a complete portfolio management system for tracking hedge fund holdings. Updates for manager reported returns, holding NAVs, and portfolio level income and expenses can all be managed via one consolidated interface.
 - Single point of collaboration for different team members to find and share information.
- **Tamale**
 - Aggregates all qualitative information regarding underlying managers
 - Automatic email categorization, calendar and contacts integration and firm



- o wide repository for investment ideas and documents
- o Single point of collaboration for different team members to find and share information.
- **Pack Hedge (also used as risk management)**
 - o Used to build, track and analyze the historical evolution of fund of funds balance sheets, including cash, number of shares, NAV prices, positions and other assets, expenses, fees and shares outstanding.
 - o Portfolio construction & simulation, including rebalancing and asset allocation breakdown. Portfolio optimization using efficient frontier construction with user defined constraints, indicating dynamic efficient portfolio composition at any point of the frontier and calculating the correlation matrix.
 - o Group and peer group creation & analysis allowing explicit or implicit (as defined by query criteria) group creation and quartile analysis.
- **Cognity**
 - o Market risk solution that directly addresses the real world phenomenon of fat tails, volatility clustering, skewness and correlation asymmetry.
- **MatLab (risk management)**
 - o Statistical analysis used for fat tail scenario examination.
- **Fund Runner Marathon**
 - o Investor relations management software for investor organization wide contact management and reporting.
 - o Tracks relationships reporting contacts, reports preferences and mailing instances.
 - o Helps to achieve SEC compliance as registered advisor
- **FundInsight (ODD)**
 - o Used by the ODD team to generate reports from meeting notes.

VALUATION AND NAV CALCULATION

Valuation

- Sterling Stamos' funds continue to be valued independently by their administrator, Citi Hedge Fund Services. Citi Hedge Fund Services receives NAV statements directly from the underlying hedge fund managers and calculates the NAV. In addition, Citi Global Transaction Services, custodian also receives NAV statements and performs reconciliations between their records versus Sterling Stamos' records.
- Sterling Stamos' valuation committee was established to review the valuation of side pockets, co-investments and direct investments. There are two direct investments collectively comprising \$2-3 million and they no longer plan to make direct investments going forward. Co-investment exposure is limited to their co-investment focused fund, which is closed to outside investors since last year. The members of the valuation committee are as follows: i) Peter Stamos; ii) Mike Chisek; iii) Kevin Barcelona; iv) Jared Kanover; v) Mike Castner; vi) Cathy Tse and the heads of illiquid teams.

NAV Calculation

- Sterling Stamos maintains parallel accounting records including fees and accruals with the administrator at the fund level in Cogency System.
- The internal NAV estimate is available to investors by the 8th business day and the final NAV is issued between 30-35 business days post month end. Sterling Stamos reported that there are a handful of managers who will only provide quarterly NAV statements. As part of the month end process, the accounting group performs a variance analysis between the estimated NAV and the final NAV. Kristina Brenner reported that the variances are generally due to the liquidating trusts.
- The fund accountants are responsible for reviewing the administrator's final NAV package (cash activity, capital activity, investment activity, general ledger bookings, pricing and accrued expenses). The management and incentive fees are recalculated on excel. In addition, capital statements are reviewed. Kristina Brenner, MD of finance and Kevin Barcelona, CFO will then sign off on the final NAV package.
- Please note that once the capital statements are finalized, Citi Hedge Fund Services sends the PDF version to Sterling Stamos' system, which automatically generates emails to investors in a "batch" process. According to the manager, Citi Hedge Fund



Services delivers the statements via their web-portal, but for those select few who require emails, the manager feels they can provide a more customized solution. For example, for an investor with 15 different accounts, instead of sending 15 individual emails Sterling Stamos can send out one aggregated email.

- Sterling Stamos has incurred one instance of NAV restatements in August 2005. The funds' 10% balance with Bayou was written down (the 10% audit holdback). The firm went back and adjusted the funds' NAV from February to August 2005. This was done upon consulting with E&Y and their legal counsel, SRZ. As no investor had fully redeemed from the firm in that period, they were able to adjust the investors' capital balances. Bayou was in the onshore and offshore vehicles for **Absolute Return Diversified (fka Security Select) and Equity Diversified (fka Growth)**.

CASH CONTROLS

Cash Controls

- The offshore funds' subscriptions and redemptions are processed through Citibank and controlled by Citi Hedge Fund Services. Sterling Stamos initiates the wire by notifying Citi Hedge Fund Services. Citi Direct (online cash management system) generates a cash memo and sends to Sterling Stamos for approval. The two authorized signatories are Kevin Barcelona, CFO and Kristina Brenner, managing director of finance. Both signatories need to sign the memo physically.
- The onshore funds' subscriptions and redemptions are processed through Citi Private Bank, which is controlled by Sterling Stamos. Sterling Stamos' fund administration group is responsible for completing the subscription/redemptions documentations (rather than the transfer agent). The onshore funds use Citi Business Online web portal to facilitate cash movements. There are two different people required to i) input the wire instructions and ii) authorize the payment within the system. The individuals authorized to input wires are the finance team, led by Kristina Brenner. The authorized signatories for online authorization are Kevin Barcelona, CFO and Kristina Brenner, MD of finance. For paper wires, additional authorized signatories are Peter Stamos, CEO/Chairman and Jared Kanover, GC/CCO. Previously, Sterling Stamos explored the idea of migrating the onshore funds to the Citi Direct system so that the process will be the same as the offshore funds. However, given the large volume of wires for the onshore funds, they no longer feel this is the best option and are continuing to explore other options.
- All investment activities are processed through the funds' custodian, Citibank Global Transaction Services. Sterling Stamos will notify the custodian with a trade ticket.
- Third party expenses are reviewed by Jared Kanover, GC/CCO and are processed internally by the operations team with two signatures out of the respective operating accounts according to the onshore and offshore cash controls. In addition, copies of invoices are sent to the administrator as support.

COMPLIANCE AND REGISTRATIONS

Regulatory

- Sterling Stamos continues to be registered with the U.S. Securities and Exchange Commission (SEC). The SEC has visited the firm twice, in June 2005 and January 2009. The January 2009 review lasted six months and 30 days after the review, the firm received a deficiency letter from the SEC. Jared Kanover, general counsel/CCO, verbally summarized the SEC findings as follows:
 - The SEC has requested that Sterling Stamos no longer use superlatives in their marketing materials such as "top tier."
 - For the RCM (managed accounts) funds, Merrill Lynch was used as a broker; the SEC wrote that Sterling Stamos should disclose that Merrill Lynch is an affiliated broker dealer.
 - The day after the Madoff confession, Sterling Stamos had published a press release stating, "Our firm did not make an investment in Madoff." However, it turned out that the Ezra Merkin Funds (through feeder funds) had indirect



investment in Madoff. The SEC stated that the statement should be corrected to Sterling Stamos had no "direct" investment in Madoff. The firm has put in a policy that all press releases need to be reviewed and signed off by key individuals at the firm before going to the press.

- o There was one Sterling Stamos employee who had a personal investment (as part of the employee's trust) in Madoff, which was a violation of the firm's personal trading policy. The employee had misinterpreted the personal trading policy and did not know it needed to be reported. Jared Kanover reported that this employee is no longer with the firm.
- Jared Kanover, GC/CCO, mentioned that there were two employee related legal claims that were both settled through mediation within the last 1.5 years:
 1. An employee was fired for cause and a legal claim was filed against the firm.
 2. An employee was laid off after returning from maternity leave three months prior and she filed a claim against the firm.
- There have been several news articles in the recent months that the trustees of Madoff are seeking to recover alleged profits made from Madoff scheme from Sterling Equities Inc., which is controlled by Fred Wilpon and Saul Katz (also the owners of The New York Mets). Jared Kanover, GC/CCO, emphasized that Mr. Wilpon and Mr. Katz collectively own 24% economic interest in the GP and this gives them limited set of rights including being able to appoint one board member in a six member board. The trustee is claiming \$300 million in alleged profits and \$700 million in punitive damage. The manager reported that the Wilpon and Katz families have invested in more than 100 Madoff entities in a separate venture from the Sterling Stamos Funds. The burden is on the trustee to prove to the judge in the bankruptcy court, that Wilpon and Katz are sophisticated investors who should have known that Madoff was a fraud. Jared Kanover, GC/CCO, stated that Sterling Stamos' involvement in the case will be that of a witness. In the event that the Sterling Equities Inc. loses the lawsuit and their assets are seized, Sterling Stamos does not expect this to impact the funds in any way. This would mean that the trustee would take over the Sterling Equities Inc.'s 24% stake, which would in turn mean that Sterling Stamos would have a representative from the trustee sit on the board. Since the main objective of the trustee is to recover assets, they expect the trustee to sell the 24% stake back to Sterling Stamos, which is viewed positively from Sterling Stamos' point of view. At this point, the firm's main concern regarding the lawsuit is maintaining their image as there has been some confusion around the names: Sterling Equities and Sterling Stamos.
- As mentioned in the previous BDD annual report, Sterling Stamos settled all litigation regarding their investment in Bayou (10% audit holdback).
- Sterling Stamos also had indirect investments in Madoff through feeder funds, Gabriel and Ariel. Jared Kanover, GC/CCO, reported that there are no pending legal claims against the firm in relation to their exposure to Madoff.

Compliance

- Jared Kanover is the firm's general counsel and chief compliance officer. Mr. Kanover joined Sterling Stamos in 2005 after having worked as an Associate with Schulte, Roth & Zabel LLP (the firm's outside counsel) in their Investment Management Group. Before joining SRZ, Mr. Kanover was an Associate with Dewey Ballantine LLP in their Private Equity, Venture Capital, and Investment Management Group. Mr. Kanover received a BS from Cornell University and a JD from the New York University School of Law.
- Mr. Kanover attends various seminars to stay updated with any regulatory and compliance changes and issues.
- Sterling Stamos intends to hire a third party to perform a mock audit every two years going forward. The first audit will likely occur at the end of 2011 or in the beginning of 2012.
- Sterling Stamos has a comprehensive compliance manual in place, which includes code of ethics. Jared Kanover, GC/CCO, is responsible for updating the compliance manual. The compliance manual is considered a live document and is updated on an as needed basis. The BDD team has received the firm's compliance manual dated June 2010.



<p>Personal Trading Policy</p>	<ul style="list-style-type: none"> • Employees are prohibited from trading individual securities, but are permitted to trade ETFs and mutual funds with pre-approval in their personal accounts. Employees' personal accounts need to be with First Republic Bank. • New employees who joined the firm with an existing portfolio are permitted to sell with pre-approval from the CCO. • Duplicate brokerage statements are collected monthly and quarterly.
<p>Trade Error/AML/Trade Allocation Policy</p>	<ul style="list-style-type: none"> • Sterling Stamos' trade error policy is as follows: losses as a result of trade errors will be reversed and the firm will make the fund whole and any gains as a result of trade errors will stay in the fund. There have not been any material trade errors. • Citco is responsible for the AML procedures for the offshore funds and Sterling Stamos is responsible for the AML procedures for the onshore funds. The designated AML officer in-house is Kevin Barcelona, CFO. Sterling Stamos checks the investors against the OFAC list using an independent third party vendor, National Registration Services (NRS). In addition, they also perform Lexis Nexis searches for any negative news. • According to the trade allocation policy, trades are allocated pro-rata based on assets. Any deviations from the trade allocation policy must be documented stating the rationale for the deviation and the compliance team's sign off is required.

FUND ACCOUNTING AND REPORTING	
<p>Audited Financials</p>	<ul style="list-style-type: none"> • 2009 Sterling Capital Management LP (management company) <ul style="list-style-type: none"> - Audit signoff date June 25, 2010 - Unqualified opinion received - Some highlights from the footnotes are as follows: <ol style="list-style-type: none"> The partnership rebates to certain investors of certain funds basis points of the management fees paid with respect to the participating capital account held by the investor in the funds. For the year ended December 31, 2009, such rebate amounted to \$1,255,340. The partnership earns a monthly fee for sub-advising certain Merrill Lynch affiliated client accounts. The fee sharing arrangements vary in monthly management fees from .0333% (.40% per annum) or .0625% (.75% per annum). For the year ended December 31, 2009, such management fees amounted to \$2,898,867. Investment fund expenses in the consolidated statement of income consist of non-investment related operational and administrative expenses of certain funds, which exceed 10 basis points (1.2% annualized), that are reimbursed by the partnership. For the year ended December 31, 2009, the partnership reimbursed \$292,560 for such expenses. The partnership paid discretionary bonus to employees in the amount \$3,127,225 for the year ended December 31, 2009. • 2009 Sterling Stamos Security Fund – Select LP (name changed to Sterling Stamos Absolute Return Diversified Fund – Select LP) <ul style="list-style-type: none"> - Audit signoff date June 29, 2010 (180 days post fiscal year end) - Unqualified opinion received - Fund net assets: \$347,139,128 - Expense ratio: 17 basis points - As of December 31, 2009, the fund had 22 portfolio fund investments. Approximately 1% of assets (\$3,471,391) were invested in side pockets of underlying funds and 2% of assets (\$6,942,782) were invested in funds in liquidation. - In December 2008, the manager created the Select Liquidating Trust (SPV) to hold illiquid assets (\$62,406,928 original SPV amount). As of December 2009, the fair value of the participated funds held by the SPV was \$45,266,055. The fund owns approximately 71.4% of the Select Liquidating Trust. - As of December 31, 2009, the fund did not have an outstanding balance on the facility and interest expense amounted to \$7,719.



- **2009 Sterling Stamos Security Select Liquidating Trust**
 - Audit signoff date June 29, 2010 (180 days post fiscal year end)
 - Unqualified opinion received
 - Fund net assets: \$49,798,391
 - Expense ratio: 33 basis points
 - As of December 31, 2009, the trust had 12 portfolio fund investments.

- **2009 Sterling Stamos Security (Offshore) Fund – Select Ltd. (name changed to Sterling Stamos Absolute Return Diversified Select (Offshore))**
 - Audit signoff date June 30, 2010 (181 days post fiscal year end)
 - Unqualified opinion received
 - Fund net assets: \$240,952,627
 - Expense ratio: 22 basis points
 - As of December 31, 2009, the fund had 15 portfolio fund investments.
 - In December 2008, the manager created the Select SPV to hold illiquid assets (\$69,528,869 original SPV amount). As of December 2009, the fair value of the participated funds held by the SPV was \$46,333,742. The fund owns approximately 85.8% of the Select SPV.
 - As of December 31, 2009, the fund did not have an outstanding balance on the facility and interest expense amounted to \$3,299.

- **2009 Sterling Stamos Security (Offshore) Fund - Select SPV, Ltd.**
 - Audit signoff date June 29, 2010 (180 days post fiscal year end)
 - Unqualified opinion received
 - Fund net assets: \$47,899,796
 - Expense ratio: 27 basis points
 - As of December 31, 2009, the fund had 13 portfolio fund investments.

- **2009 Sterling Stamos Growth Fund LP (name changed to Sterling Stamos Equity Diversified Fund LP)**
 - Audit signoff date June 29, 2010 (180 days post fiscal year end)
 - Unqualified opinion received
 - Fund net assets: \$97,749,701
 - Expense ratio: 30 basis points
 - As of December 31, 2009, the fund had 15 portfolio fund investments. Approximately 64 bps of assets (\$625,598) were invested in side pockets of underlying funds and 39 bps of assets (\$381,223) were invested in funds in liquidation.
 - In December 2008, the manager created the Growth Liquidating Trust (SPV) to hold illiquid assets (\$36,430,733 original SPV amount). As of December 2009, the fair value of the participated funds held by the SPV was \$24,782,033. The fund owns 16% of the Growth Liquidating Trust.
 - Bayou settlement payment of \$3,152,500 was made by the fund. The settlement was accounted for in 2009 and was applied only to shareholders who invested in the Sterling Funds during the period that the Sterling funds invested in Bayou (2005). As of December 31, 2009, certain withdrawn shareholders have not repaid the fund the amount \$645,963 for their pro rata share of the settlement expense.
 - As of December 31, 2009, the fund did not have an outstanding balance on the facility and the fund did not draw down on the facility during the year.

- **2009 Sterling Stamos Growth Liquidating Trust**
 - Audit signoff date June 29, 2010 (180 days post fiscal year end)
 - Unqualified opinion received
 - Fund net assets: \$28,749,866
 - Expense ratio: 27 basis points
 - As of December 31, 2009, the trust had 7 portfolio fund investments, 3 of which are affiliated funds managed by Sterling Stamos, which the trust participated in through the receivable.



- **2009 Sterling Stamos Growth (Offshore) Fund Ltd. (name changed to Sterling Stamos Equity Diversified (Offshore) Fund, Ltd.**
 - Audit signoff date June 30, 2010 (181 days post fiscal year end)
 - Unqualified opinion received
 - Fund net assets: \$31,066,792
 - Expense ratio: 48 basis points (a bit high due to the small fund net assets)
 - As of December 31, 2009, the fund had 19 portfolio fund investments. Approximately 2.4% (\$745,603) of assets were invested in side pockets of underlying funds and 6% (\$1,864,007) of assets were invested in funds in liquidation.
 - As of December 31, 2009, the fund did not have an outstanding balance on the facility and interest expense amounted to \$5,740.

- **2009 Sterling Stamos Equity Fund – Select LP**
 - Audit signoff date June 29, 2010 (180 days post fiscal year end)
 - Unqualified opinion received
 - Fund net assets: \$576,513,027
 - Expense ratio: 14 basis points
 - As of December 31, 2009, the fund had 21 portfolio fund investments. Approximately 63 basis points of assets (\$3,632,032) were invested in side pockets of underlying funds and 86 basis points of assets (\$4,958,012) were invested in funds in liquidation.
 - As of December 31, 2009, the fund did not have an outstanding balance on the facility and interest expense amounted to \$34,382.

- **2009 Sterling Stamos Equity (Offshore) Fund – Select Ltd.**
 - Audit signoff date June 30, 2010 (181 days post fiscal year end)
 - Unqualified opinion received
 - Fund net assets: \$24,145,175
 - Expense ratio: 46 basis points (a bit high due to the small fund net assets)
 - As of December 31, 2009, the fund had 15 portfolio fund investments. Approximately 2.5% basis points of assets (\$603,629) were invested in side pockets of underlying funds and 1.5% of assets (\$362,178) were invested in funds in liquidation.
 - As of December 31, 2009, the fund did not have an outstanding balance on the facility and the fund did not draw down on the facility during the year.

- **2009 Sterling Stamos Security Fund LP (name changed to Sterling Stamos Absolute Return Diversified LP)**
 - Audit signoff date June 29, 2010 (180 days post fiscal year end)
 - Unqualified opinion received
 - Fund net assets: \$190,735,690
 - Expense ratio: 36 basis points
 - As of December 31, 2009, the fund had 13 portfolio fund investments. Approximately 6.4% of assets (\$12,207,084) were invested in side pockets of underlying funds and 6.5% of assets (\$12,397,819) were invested in funds in liquidation.
 - In December 2008, the manager created the Security Liquidating Trust (SPV) to hold illiquid assets (\$400,246,510 original SPV amount). As of December 2009, the fair value of the participated funds held by the SPV was \$279,186,606. The fund owns 15% of the Security Liquidating Trust.
 - Bayou settlement payment of \$6,598,900 was made by the fund. The settlement was accounted for in 2009 and was applied only to shareholders who invested in the Sterling Funds during the period that the Sterling funds invested in Bayou (2005). As of December 31, 2009, certain withdrawn shareholders have not repaid the fund the amount \$1,404,156 for their pro rata share of the settlement expense.
 - As of December 31, 2009, the fund did not have an outstanding balance on the facility and interest expense amounted to \$138,603.

- **2009 Sterling Stamos Security Liquidating Trust**
 - Audit signoff date June 29, 2010 (180 days post fiscal year end)
 - Unqualified opinion received
 - Fund net assets: \$305,168,353



- Expense ratio: 17 basis points
- As of December 31, 2009, the trust had 35 portfolio fund investments, 7 of which are affiliated funds managed by Sterling Stamos, which the trust participated in through the receivable.

- **2009 Sterling Stamos Security Fund (Offshore) Ltd. (name changed to Sterling Stamos Absolute Return Diversified (Offshore) Fund, Ltd.)**

- Audit signoff date June 30, 2010 (181 days post fiscal year end)
- Unqualified opinion received
- Fund net assets: \$197,851,514
- Expense ratio: 22 basis points
- As of December 31, 2009, the fund had 26 portfolio fund investments. Approximately 1.6% of assets (\$3,165,624) were invested in side pockets of underlying funds and 1.4% of assets (\$2,769,921) were invested in funds in liquidation.
- In December 2008, the manager created the Security SPV to hold illiquid assets (\$105,671,521 original SPV amount). As of December 2009, the fair value of the participated funds held by the SPV was \$67,260,903. The fund owns 68% of the Security SPV.
- As of December 31, 2009, the fund did not have an outstanding balance on the facility and interest expense amounted to \$75,105.

- **2009 Sterling Stamos Security Fund SPV, Ltd.**

- Audit signoff date June 29, 2010 (180 days post fiscal year end)
- Unqualified opinion received
- Fund net assets: \$71,789,158
- Expense ratio: 23 basis points
- As of December 31, 2009, the SPV had 29 portfolio fund investments.

**Investor
Transparency**

- We received excellent transparency during our onsite meeting. In addition, follow up questions were addressed timely.

**Fees and
Expenses**

- The funds' management and incentive fees are summarized as follows:

Onshore Funds				
	Fund Name	Management Fee	Incentive Fee	Hurdle Rate
1	Sterling Stamos Equity Fund Select LP	A, C, F, G: 1% payable quarterly in advance D: .5% payable quarterly in advance B, E: None	10% for all share classes E: None	10%
2	Sterling Stamos Security Fund – Select LP	A, B, D, E, F, G, H: 1% payable quarterly in advance C, I: .5% payable quarterly in advance J: None	5% for all share classes D, J: None	5%
3	Sterling Stamos Security Fund LP	1% payable quarterly in advance	C, D, H, I: 5% 10% for all other share classes	5%
4	Sterling Stamos Growth Fund LP	1% payable quarterly in advance	10%	7%



Offshore Funds				
	Fund Name	Management Fee	Incentive Fee	Hurdle Rate
1	Sterling Stamos Equity (Offshore) Fund – Select Ltd.	A, C, F, G, S: 1% payable quarterly in advance D: .5% payable quarterly in advance B, E: None	10% for all share classes E: None	10%
2	Sterling Stamos Security (Offshore) Fund – Select Ltd.	1% payable quarterly in advance D, L: None	5% for all share classes D, L: None	A, B, E, F, H, I, P, Q: Hurdle rate is determined by multiplying the beg NAV of each class, adjusted for redemptions, by 5%. C, K: Hurdle rate is determined by multiplying the beg NAV of each class, adjusted for redemptions, by the average month end LIBOR rates plus 200 bps.
3	Sterling Stamos Security Fund (Offshore) Ltd.	1% payable quarterly in advance	5% for all share classes C: None	5%
4	Sterling Stamos Growth (Offshore) Fund Ltd.	A, B, C, D, E, F, K, L: 1% payable quarterly in advance G, H, I, J: None	A, B, E, F, G, H, K, L: 10% C, D, I, J: None	7%

- According to the funds' offering memorandums, in addition to the routine operating expenses (i.e. audit, legal etc), Sterling Stamos charges research related travel expenses. Research related travel expenses are generally paid by the management company and reimbursed by the funds. There is an expense cap of 10 basis points monthly or 1.2% annualized for expenses including the management fee, administration fee, accounting, legal, audit, tax preparation and organizational expenses. There are no extraordinary expenses such as salaries or any overhead expenses charged to the funds. Please refer to the expense ratios calculated by fund in the audited financials section of this report.

BACKGROUND CHECKS

Third Party Checks

- Financial Risk Mitigation Inc. (FRM) was engaged to conduct background investigations on the firm and the following key employees:
 - 1) Peter Stamos, CEO
 - 2) Michael Chisek, CIO
 - 3) Ed Hannon, Partner (Credit & FI Research)
 - 4) Cathy Tse, Senior Partner (Public Equity Research)
 - 5) Kevin Barcelona, CFO
 - 6) Jared Kanover, GC/CCO
- FRM did not identify any material findings for the key employees above. However, two civil cases were filed against the management company and are summarized below:
 - 1) A former employee filed a lawsuit against the firm in California in November 2009 alleging wrongful termination. This was dismissed by the court on April 13, 2010.
 - 2) A class action lawsuit was filed in April 2006 against the management



Regulatory Checks/LexisNexis	<p>company related to the bankruptcy filing of the Bayou Management LLC, in which trustees of Bayou Management LLC sought to recover money/property from certain investors. This proceeding was settled and dismissed in June 2010.</p> <ul style="list-style-type: none">• In addition, there were several media articles that referenced Sterling Stamo's investment in Madoff via Ezra Merkin's feeder funds, Gabriel and Ariel and their investment in Bayou.• We also conducted a LexisNexis search on the firm and the above key employees.• There have been a number of news articles in connection to Irving Picard seeking to recover alleged profits made from Madoff scheme from Sterling Equities Inc. (Wilpon and Katz). According to the manager, the Wilpon and the Katz families have invested in Madoff in a separate venture from the funds. We spoke to Jared Kanover, GC/CCO in depth regarding this case. Please refer to the Regulatory section of this report.• We independently confirmed that Sterling Stamos Capital Management LP is registered with the SEC via the regulator's website.
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DISASTER RECOVERY, BUSINESS CONTINUITY PLAN AND IT INFRASTRUCTURE	
Disaster Recovery/ Business Continuity	<ul style="list-style-type: none">• Sterling Stamos has a formal disaster recovery/business continuity plan. A copy of the plan, dated November 2010, was received and reviewed.• Sterling Stamos' file servers are replicated in real-time among the firm's three offices: Charlotte, New York and Menlo Park. The SQL server is replicated from the Charlotte office to the Menlo Park office.• In the event of a power outage, the Menlo Park office has both a generator and UPS power source, which are designed to last 24 hours. Additional time could be obtained by reducing the load and getting more fuel. The New York and Charlotte offices have UPS battery source only, which support 1 hour of operation.• Sterling Stamos no longer backs up to tape. The backup is to disk only and is not sent offsite.• In the event the main building becomes inaccessible, all employees have remote access via VPN.• The hot site for each office is one of the other office locations: i) for Charlotte, Menlo Park office is their hot site; ii) for Menlo Park, New York office is their hot site; and iii) for New York the Menlo Park office is their hot site.• The BCP level 1 is tested quarterly in each office and level 2 (additional testing with interruption to production) is done annually. The last tests took place on the following dates:<ul style="list-style-type: none">○ December 23, 2010 NY office○ December 17, 2010 Menlo Park office○ December 17, 2010 Charlotte office○ December 1, 2010 firm wide (level 2 BCP test)



KEY PERSONNEL & PRINCIPALS (as provided by the Fund)

Name	Title	Bio
Peter S. Stamos	Co-managing partner/chairman/CEO	Peter Stamos is a co-managing partner, the chairman and CEO of Sterling Stamos Capital Management, L.P. Prior to founding Sterling Stamos, Mr. Stamos was the CEO of SAI (a Perot Systems company), a Management Consultant with Booz Allen & Hamilton and McKinsey & Company, and Chief of Staff and Chief Economist for US Senator Bill Bradley. Mr. Stamos also taught Economics at Harvard University, where he received the Allyn Young Award for Teaching Excellence. Mr. Stamos currently serves as the Chair of the Investment Advisory Board for Major League Baseball and Chairman of the Investment Committee for the Board of Stanford University Hospital and Clinics. Mr. Stamos earned a BA in Economics and Political Science from Stanford University, where he was a Truman Scholar, received the J.E. Wallace Sterling Award, and graduated <i>Phi Beta Kappa</i> with Honors and Distinction. Mr. Stamos holds a JD from Harvard Law School with Honors and a doctorate from Oxford University, where he was a Rhodes Scholar.
Michael Chisek	Co-managing partner/CIO	Michael Chisek serves as a co-managing partner and the CIO at Sterling Stamos. Mr. Chisek leads the firm's investment team, overseeing fixed income, absolute return, public equity, private equity, and real assets. In particular, he oversees the day-to-day operations of our absolute return and public equity funds. Mr. Chisek joined Sterling Stamos with over 25 years of experience as an investor and strategist. Prior to joining the firm, Mr. Chisek was a Co-Managing Partner/Managing Director of D.C. Capital, a New York-based hedge fund that invests in a wide range of public equities, principally in domestic industries. Previously, Mr. Chisek was a partner at McKinsey & Co., where he gained extensive experience in a variety of industries, including automobiles, chemicals, and telecommunications, developing operating plans and programs that addressed changes in company and market conditions. Mr. Chisek also spent six years as a US Foreign Service Officer, both overseas and in Washington. He currently serves on the board of the Washington National Opera, and has served on the board of the Washington International School. Mr. Chisek received a BA from the University of Illinois and an MBA from Harvard Business School.
Kevin Barcelona	Senior partner/CFO	Kevin Barcelona is a senior partner and has been the firm's CFO and a partner since he joined the firm in 2004. Mr. Barcelona is responsible for finance and fund administration, including accounting, financial reporting, and tax compliance, as well as operational due diligence. Prior to joining Sterling Stamos, he was a Partner with Rothstein Kass, where he provided accounting, tax, and consulting services to investment partnerships including hedge funds, fund of funds, and private equity funds. Mr. Barcelona received a BBA in Accounting from Hofstra University and a Masters in Taxation from Seton Hall University. He is a Certified Public Accountant and a member of the American Institute of CPAs (AICPA).
Matthew Frymier	Senior partner/president	Matthew Frymier is a senior partner and the president of Sterling Stamos. Mr. Frymier has over 20 years of financial services experience, leads the private capital investment team, and is also responsible for client service, distribution, investor relations and, together with the COO, managing the day to day operations of the firm. Prior to joining Sterling Stamos in 2010, Mr. Frymier spent 17 years at Bank of America Merrill Lynch, most recently as Head of Global Strategic Capital ("GSC"), the primary strategic investment arm of the bank and its subsidiaries. During his tenure, GSC managed approximately \$9B in primarily alternative investments and employed approximately 50 professionals. Mr. Frymier has also served on

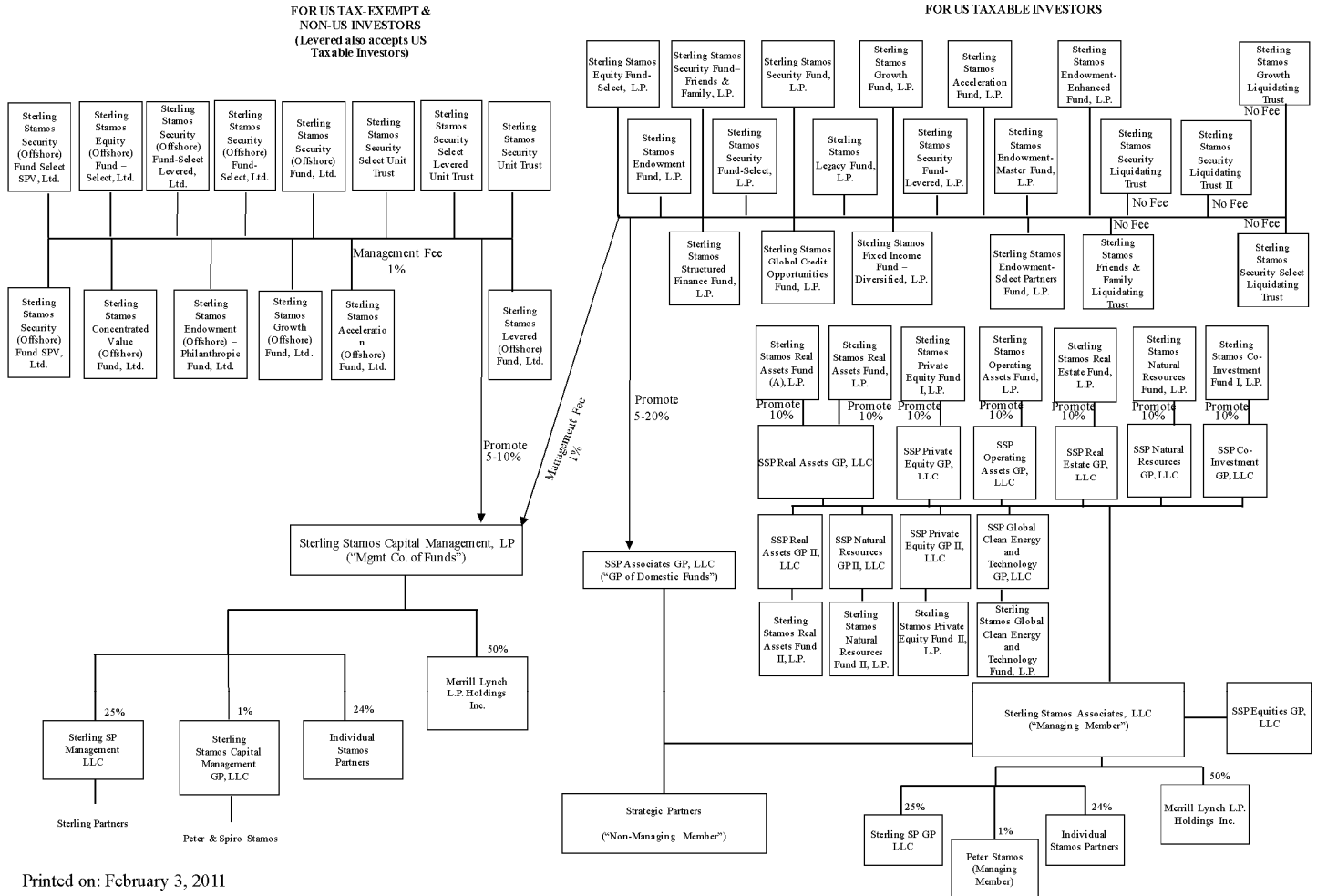


Jared Kanover	Senior Partner/general counsel/CCO	the board of directors of more than 15 companies, including Value Asset Management, BATS Global Markets, FXall, and Conversus Asset Management where he also served on the investment committee. Mr. Frymier started his career in the training program at Putnam Investments in Boston. Mr. Frymier received a BA from Colby College.
Kristina Brenner	Managing Director of Finance	Kristina Brenner is a managing director in the finance group. She has 11 years of relevant experience. Prior to joining the firm in 2004, she worked for 5 years at International Fund Services, a hedge fund administrator. Ms. Brenner received a B.S. from Boston University.
Mark Cleere	Director/Ops DD	Prior to joining Sterling Stamos, Mr. Cleere was a Due Diligence Analyst in the Alternative Investment Strategies Group at Commerzbank. During his tenure at Commerzbank, he was responsible for sourcing and conducting investment and operational due diligence on prospective and current hedge fund investments across all asset classes. Prior to Commerzbank, Mr. Cleere worked as a Research/Due Diligence Analyst in the Hedge Fund Strategies Group at AIG Global Investment Group. At AIG, Mr. Cleere participated and contributed to every phase of the portfolio management for the AIG Hedge Fund Strategies Group. His main responsibilities included conducting investment and operational due diligence on prospective and current hedge fund investments. Mr. Cleere received a BS from Fordham University. He earned an MBA from Fordham University's Graduate School of Business.
Scott Halper	Senior Associate/Ops DD	He is focused on providing operational due diligence on current and prospective investment funds across the firm's asset classes. Prior to joining Sterling Stamos, Mr. Halper was a Senior Associate at Central Park Group where he focused on investment and operational due diligence for the firm. Prior to Central Park Group, Mr. Halper worked at Lindsay Goldberg & Bessemer, a middle-market private equity firm, and UBS Financial Services in the Alternative Investments Group. Mr. Halper received a BBA from the University of Miami.
Eric Wortman	Senior Analyst/Ops DD	Prior to joining Sterling Stamos, Mr. Wortman was a Sr. Associate with Rothstein Kass & Co., where he was responsible for audit and tax engagements of investment funds. Mr. Wortman received a BS from Yeshiva University and is a Certified Public Accountant.



Appendix A: Entity Organizational Chart

Sterling Stamos Ownership Structure (General Partner and Management Company)





Appendix B: 2010 List of New Hires and Departures

Sterling Stamos Capital Management LP							
New Hires 2010				Departures 2010			
Name	Title	Role	Hire Date	Name	Title	Role	Hire Date
1: Phil Yim	Associate	Finance	3/15/2010	1: Lauren Flecha	Executive Assistant	Finance	1/21/2010
2: Allie Lui	Receptionist	Admin	5/3/2010	2: Tricia Burns	Associate	Finance	1/22/2010
3: Melissa Mirco	Sr. Analyst Executive	Finance	6/14/2010	3: Alex Cepero	Sr. Associate	Finance	3/31/2010
4: Ava Lindsey	Assistant/Office Mgr	Admin	8/16/2010	4: Jessica Scott	Receptionist	Admin	3/31/2010
5: Day Peery	Receptionist/Office Asst	Admin	8/23/2010	5: Barbara Reiter	Executive Assistant	PE/RA/Mged Accts	5/14/2010
6: Christina Corey	Analyst	Admin	8/30/2010	6: Brendan Sullivan	Director	Finance	6/3/2010
7: Paula Moore	Senior Associate	Finance	9/1/2010	7: Melissa Mirco	Sr. Analyst	Finance	8/23/2010
8: Christopher Spitzhoff	Manager	Finance	9/1/2010	8: Samantha Casella	Associate	Finance	8/24/2010
9: Jeff Harari	Senior Analyst	Finance	9/13/2010	9: Gina Leiva	Executive Assistant	PE/RA/Mged Accts	9/28/2010
10: Diane Murphy	Executive Assistant	PE/RA/Mged Accts	11/1/2010	10: Joe Ruggiero	Sr. Associate	IT	10/26/2010
11: Mark Cleere	Director	ODD	5/10/2010	11: Janice Yu	Managing Director	Absolute Return	01/26/10
12: Maima Jalan	Manager	Equities	6/2/2010	12: Jack Kahan	Sr. Associate	Risk Management	01/27/10
13: Joshua Rezak	Director	Absolute Return	6/21/2010	13: Ashok Chachra	Partner	Absolute Return	03/19/10
14: Ed Hannon	Partner	Absolute Return	6/26/2010	14: Jill Gardner	Manager	Equities	05/06/10
15: Joshua Shapiro	Partner	Risk Management	6/28/2010	15: Rohit Kumar	Partner	Risk Management	05/07/10
16: Claudine Frasch	Intern	Private Equity	7/12/2010	16: Marta Klein	Sr. Associate	ODD	05/31/10
17: Doug Oh	Associate	ODD	8/23/2010	17: Binu George	Managing Director	ODD	06/30/10
18: Ryan Batenchuk	Sr. Associate	Private Capital	9/1/2010	18: Ashok Raju	Managing Director	Absolute Return	07/16/10
19: Jay Cipriani	Partner	Private Capital	9/1/2010	19: Claudine Frasch	Intern	Private Equity	08/24/10
20: Brian Criswell	Manager	Private Capital	9/1/2010	20: Steve Boyd	Managing Director	Fixed Income	08/31/10
21: Casey Dean	Senior Analyst	Private Capital	9/1/2010	21: Alex Tsirkin	Associate	ODD	08/31/10
22: Andrew Edelman	Senior Associate	Private Capital	9/1/2010	22: Adam Cohn	Sr. Associate	Fixed Income	09/14/10
23: John Fulton	Managing Director	Private Capital	9/1/2010	23: Michael Kastner	Senior Managing Dire	Fixed Income	09/14/10
24: Alexander Hambacher	Senior Associate	Private Capital	9/1/2010	24: Doug Oh	Associate	ODD	09/28/10
25: Ryan Karaian	Director	Private Capital	9/1/2010	25: Deniz Zorlu	Sr. Associate	Risk Management	10/27/10
26: Andrew Lobas	Senior Analyst	Private Capital	9/1/2010	26: Victoria Bailey	Managing Director	Client Management	03/11/10
27: Zew ditu (Tizu) Menelik	Managing Director	Private Capital	9/1/2010	27: Supriya Batra	Managing Director	Client Management	05/07/10
28: Scott Halper	Senior Associate	ODD	9/13/2010	28: Erica Bart	Director	Client Management	06/04/10
29: Matthew Frymer	President	Private Capital & Client Management	10/1/2010	29: Jessica Szymanski	Director	Marketing & Communications	06/04/10
30: Ed Zhang	Intern	Investment Team	10/22/2010	30: Mark Thompson	Managing Director	Managed Accounts	07/01/10
31: Jon Mandle	Managing Director	Endowment Solutions Group	07/01/10	31: Flor Vega	Analyst	Marketing & Communications	07/23/10
32: Portia Kersten	Managing Director (Cons)	Endowment Solutions Group	07/12/10	32: Shusuke Yamada	Sr. Associate	Endowment Solutions Group	09/10/10
33: Jonathan Weitzel	Manager	Endowment Solutions Group	09/15/10	33: Brendan O'Brien	Director	Client Management	10/06/10
34: Deirdre Doherty	Senior Associate	Client Management	10/04/10	34: Erica Sanders	Analyst	Client Management	10/08/10
35: Christopher Sosa	Manager	Client Management	10/04/10				
36: Lisa Sweeney	Analyst	Endowment Solutions Group	10/14/10				
37: Jason Hooks	Manager	Endowment Solutions Group	10/18/10				



Appendix C: Breakdown of Firm AUM by Funds

Sterling Stamos Capital Management LP	
As of January 31, 2011	AUM in MM
Sterling Stamos Security Fund, L.P.	114,249,967
Sterling Stamos Security Liquidating Trust**	277,352,278
Sterling Stamos Security Liquidating Trust II**	118,516,140
Sterling Stamos Security (Offshore) Fund, Ltd.	100,893,710
Sterling Stamos Security (Offshore) Fund SPV, Ltd. **	60,856,421
Sterling Stamos Security Fund - Select, L.P.	280,202,038
Sterling Stamos Security Select Liquidating Trust**	39,911,418
Sterling Stamos Security (Offshore) Fund - Select, Ltd.	228,313,294
Sterling Stamos Security (Offshore) Fund - Select SPV, Ltd. **	42,378,246
Sterling Stamos Quantitative Arbitrage Fund, L.P. - Closed	-
Sterling Stamos Structured Finance Fund, L.P.**	32,457,403
Sterling Stamos Global Credit Opportunities Fund, L.P.	229,022,159
Sterling Stamos Absolute Return Select - Global Opportunity Fund,	4,275,000
Sterling Stamos Levered (Offshore) Fund, Ltd. **	23,461,487
Levered Offshore (Notional Capital)	-
Sterling Stamos Security (Offshore) Fund - Select Levered, Ltd. **	25,953,699
Sterling Stamos Security Fund - Levered, L.P. **	24,313,906
Sterling Stamos Growth Fund, L.P.	73,784,488
Sterling Stamos Growth Liquidating Trust **	26,522,008
Sterling Stamos Growth (Offshore) Fund, Ltd.	25,599,975
Sterling Stamos Equity Fund - Select, L.P.	568,292,427
Sterling Stamos Equity (Offshore) Fund - Select, Ltd.	33,776,534
Sterling Stamos Legacy Fund, L.P.	27,624,500
Sterling Stamos Equity Select - Global Opportunity Fund, L.P.	17,500,000
Sterling Stamos Acceleration Fund, L.P.**	29,123,757
Sterling Stamos Acceleration (Offshore) Fund, Ltd.**	2,003,517
Sterling Stamos Europe Fund, L.P. - Closed	-
Sterling Stamos Asia Fund, L.P. - Closed	-
Sterling Stamos Concentrated Value (Offshore) Fund, Ltd. - Closed	-
Sterling Stamos Liquidity Fund, L.P. **	468,834
Sterling Stamos Liquidity (Offshore) Fund, Ltd - Closed	-
Sterling Stamos Fixed Income Fund - Diversified, L.P.	80,795,603
Reserve Cash Management	0
Sterling Stamos Security Fund - Friends & Family, L.P.	8,104,325
Sterling Stamos Security Friends & Family Liquidating Trust**	4,279,489
Sterling Stamos Endowment Fund, L.P.	26,218,178
Sterling Stamos Endowment - Enhanced Fund, L.P.	113,033,852
Sterling Stamos Endowment (Offshore) - Philanthropic Fund, Ltd.	46,037,913
Sterling Stamos Endowment - Master Fund, L.P. **	51,776,901
Sterling Stamos Endowment - Select Partners Fund, L.P.	157,110,844
Sterling Stamos Private Equity Fund I, L.P. (commitments)	150,000,000
Sterling Stamos Private Equity Fund II, L.P. (commitments)	71,661,750
Sterling Stamos Real Assets Fund I and Affiliates (commitments)	200,000,000
Sterling Stamos Real Assets Fund II and Affiliates (commitments)	103,258,625
Sterling Stamos Co-Investment Fund I, L.P. (commitments)	150,100,000
Sterling Stamos Opportunity Fund - Long Only, L.P. - Closed	-
Sterling Stamos Opportunity Fund - Long/Short, L.P. - Closed	-
Sterling Stamos Enhanced Fixed Income Fund, L.P. Closed	-
VA IQ LP	282,839,364
VA IQ LTD	103,823,098
VA Institute	661,727,258
ML Tailored Multi-Manager Fund XXVI, LP	7,737,405
ML Tailored Multi-Manager Fund XXVIII, LP	24,052,075
ML Tailored Multi-Manager Fund XXIV, LP	-
ML Tailored Multi-Manager Fund XVII, LP	24,663,226
Managed Accounts	415,979,494
BAML - PE Portfolio	1,830,273,924
BAML - HF Portfolio	699,623,879
AXA - PE Portfolio	1,794,520,730
Total	9,414,472,138