

Canyon Partners Real Estate LLC

2728 North Harwood Street, 2nd Floor, Dallas, Texas 75201
(214) 253 6000

www.canyonpartners.com

Brochure: Part 2A

Updated: March 2024

This brochure provides information about the qualifications and business practices of Canyon Partners Real Estate LLC (“CPRE” or the “Adviser”). If you have any questions about the contents of this brochure, please contact Douglas Anderson at (310) 272 1360. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about Canyon Partners Real Estate also is available on the SEC’s website at www.adviserinfo.sec.gov.

Material Changes

The last update to this brochure was made in January 2023. We updated this document to reflect updates regarding the discontinuation of LIBOR, Inflation risk, Investments in restricted securities, Freddie Mac K-Certificates and ESG considerations.

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Advisory Business

Canyon Partners Real Estate LLC (“CPRE” or the “Adviser”) invests in commercial real estate across value-added, opportunistic, and debt strategies.

CPRE is owned by entities ultimately controlled by Joshua Friedman and Mitchell Julis. CPRE has been registered with the SEC as an investment adviser, through its predecessor Canyon Capital Management, L.P., since 1994. CPRE provides discretionary advisory services to private investment vehicles (referred to hereinafter as a “Fund” or collectively as “Funds”) and managed accounts (together with Funds, collectively referred to as “Client(s)”). As of December 31, 2023, CPRE had twenty-one (21) Clients and regulatory assets under management of approximately \$2.5 billion, all of which is managed on a discretionary basis.

Advisory services are generally not tailored to the individual needs of Fund investors and Fund investors are generally not permitted to impose restrictions on investing in certain securities or types of securities. However, with respect to managed accounts, Clients may obtain tailored advisory services and impose restrictions on investing in certain securities or types of securities, all of which would be detailed through a written investment advisory agreement. For example, managed accounts can be tailored to meet specific investor preferences including (a) investment type (senior secured or mezzanine loans), (b) portfolio diversification (loan size, property type and geographic location), and (c) loan maturity (minimum and maximum terms).

CPRE also provides various consulting and asset management services, which includes but are not limited to helping firms dispose of or sell assets, recommending the selection of subadvisors to certain organizations, and providing ongoing mentoring to such subadvisors. CPRE earns fees associated with such consulting activities.

The principals of CPRE are Joshua S. Friedman and Mitchell R. Julis. Robin Potts is the Chief Investment Officer of CPRE.. Messrs. Friedman and Julis are ultimately responsible for CPRE’s investment activities, research strategy, and overall firm management.

Fees and Compensation

Clients are typically charged an asset based fee and/or an incentive based fee (commonly referred to as a performance allocation or fee). The asset based fees are normally charged at an annual rate of between 1% and 1.5% of the value of the Client’s net assets under management (or committed capital) and are generally payable monthly or quarterly in arrears depending on the investment advisory agreement. The performance allocation or fee generally equals between 15% to 20% per annum of the net profit in a Client’s account, typically subject to a loss carryforward adjustment and a “high water mark”, and is generally payable in arrears at the end of each calendar year but may be payable more frequently if provided for in the investment advisory agreement. Upon termination of the investment advisory services, any unpaid portion of fees will be determined and due on a pro rata basis. In certain circumstances the performance allocation or fee may be measured over a multi-year period and/or subject to a preferred return. Actual asset based fees and performance based fees/allocation may differ from those noted above.

Performance based allocations or fees are charged in accordance with the requirements of Rule 205-3 under the Investment Advisers Act of 1940, and CPRE will not accept clients who do not satisfy the eligibility criteria of applicable law. Because CPRE is compensated based in part on capital appreciation, there may be an incentive for CPRE to make investments that are riskier or more speculative than would be the case

in the absence of such a compensation framework. In addition, CPRE will receive performance based compensation on unrealized appreciation as well as realized gains with respect to certain Clients.

Prepayment of fees is generally not required. In certain circumstances, fees may be individually negotiated by Fund investors and/or managed accounts. Negotiated fees may be higher or lower than those discussed above. Similar services may be available from other investment advisers at a lower cost.

Clients will also bear direct and indirect costs, fees and expenses incurred by or on behalf of such Clients including, among others, (i) all costs, fees and expenses of the Client directly related to the investigation, purchase, sale, preservation or retention of investments by the Client (including all fees and commissions of brokers and custodians, research expenses, quotation services, travel costs, all fees and expenses relating to the registration and qualification for sale of such investments and all transfer taxes); (ii) all federal, state and local taxes and filing fees payable by the Client; (iii) all fees and disbursements of the independent attorneys, accountants and consultants retained by the Client, or on behalf of the Client; (iv) all filing and recording fees; and (v) all interest expense of the Client. To the extent such expenses are incurred for the benefit of the multiple Clients, CPRE will make a good faith allocation of such expenses among its Clients.

In the event a Client invests in a transaction which includes break-up, standby, commitment, consent, waiver or similar fees, the Adviser generally will retain such fees and reduce the management fee or reimbursable expenses next payable by a like amount.

In order to take advantage of diversification and new investment strategies and concepts, CPRE, from time to time, may place a portion of a Fund's investable assets in accounts managed by or co-managed with other investment advisors (including affiliated and non-affiliated investment advisors), in which case such Fund may be subject to additional fees payable to such other investment advisor as well as its proportionate share of costs and expenses. CPRE also may place a portion of a Fund's investable assets in other affiliated Funds, in which case such Fund shall not be subject to any additional management or incentive fees but will bear its proportionate share of costs and expenses. The amounts which may be invested into other managed accounts or in CPRE affiliated investment funds are not expected to be significant.

Investors should refer to each Fund's Offering Memorandum and other relevant documents for additional/supplemental information regarding a Fund as well as the fees and expenses associated with such Fund.

Performance Based Fees and Side-by-Side Management

As noted above, CPRE earns a performance allocation or fee. At this time, all CPRE Clients are charged a performance allocation or fee. However, because the actual performance allocation or fee charged to a specific Client may vary, there may be an incentive for CPRE to make investments that are riskier or more speculative than would be the case in the absence of such a compensation framework or to favor those Clients with higher performance allocations or fees over Clients with lower performance allocations or fees. CPRE seeks to mitigate this risk by, among other things, seeking to allocate investments in a fair and equitable manner over time among its Clients. For more information on CPRE's allocation procedure, please see Brokerage Practices – Allocation of Investment Opportunities.

Fees Charged to Borrowers in Debt Fund Vehicles

CPRE may charge various fees to borrowers that it is lending money to in its debt fund vehicle(s). Such fees may include retainer fees, origination fees, underwriting fees, exit fees, prepayment fees, etc. The type and amount of these fees will vary on each loan. The fees charged are retained by the Fund or Client, not by CPRE.

Retainer fees are assessed to borrowers at the time of underwriting of a loan in order to pay for the underwriting expenses associated with the loan. The retainer fees are non-refundable to the borrower. If the amount of the retainer fee exceeds the amount of expenses incurred in underwriting, CPRE will allocate the remaining fee to the applicable debt Fund.

Types of Clients

Clients and Fund investors include individuals, trusts, pension plans, corporations, and public and private entities. Fund investors must meet the investor qualifications associated with each Fund (which generally require Fund investors to be “accredited investors” and “qualified purchasers”, as such terms are defined in the federal securities laws).

CPRE will generally manage investment advisory accounts with a minimum size of \$25,000,000. However, CPRE may, in its discretion, based upon its total client relationship and other circumstances, accept or continue to advise smaller accounts from time to time.

Methods of Analysis, Investment Strategies and Risk of Loss

CPRE is an established owner and operator of commercial real estate, as well as a capital provider that seeks to offer highly structured solutions and certainty of execution to its borrowers and partners. CPRE’s investment approach is characterized by its rigorous due diligence and market research, thorough structuring, detailed transaction documentation and active in-house asset management of each investment.

CPRE’s investments span a wide range of real estate property types including multi-family, condominium industrial, office, hospitality, retail, senior living, student housing, and mixed use Properties. CPRE’s funds and managed accounts are generally designed to invest in a diversified and high quality portfolio of real estate investments across debt, value-add, and opportunistic strategies (described below). Across these strategies, CPRE generally focuses on investments it believes have identifiable value enhancement and exit strategies.

- *Equity Investments.* CPRE provides both: Joint Venture equity and project-level equity to sponsors for development and repositioning.
- *Acquisition, Bridge, Lease Up.* These financing opportunities are typically bridge facilities that provide sponsors with proceeds to acquire, lease-up and stabilize their assets. Such financing may provide the sponsor with the time necessary to execute on their business plans to institute institutional management and improve expenses, as well as provide funds for capital improvements, tenant improvement and leasing commission capital in order re-tenant and stabilize the asset.
- *Opportunity Zone Investments.* CPRE provides equity to sponsors for development of real estate in designated Opportunity Zones which provide certain capital gains tax deferrals and incentives when investing in and holding such investments for a period of at least 7 to 10 years.

- *Development and Repositioning Financing.* CPRE provides financing for the ground-up construction or repositioning of assets.
- *Refinancings, Recapitalizations and Discounted Payoffs.* CPRE provides financing for recapitalization of maturing debt, which may be “underwater” debt (i.e., debt for which the principal balance is greater than the fair market value of the underlying real estate collateral), cost overruns, shifts in business plans, partnership disputes, borrowers’ corporate distress or expansion plans that require recapitalizations.
- *Note Acquisitions.* CPRE may have opportunities to acquire senior or subordinate loans or preferred equity investments, which are typically sourced from the firm’s established lender and intermediary relationships.
- *Market Backdrop Creating Distressed Situations.* In the current capital markets environment, banks and other traditional players have pulled back in the face of volatility and uncertainty. A significant net share of banks have reported tightened standards for all CRE loan categories. Rapidly increasing financing costs and the Federal Reserve’s pursuit of aggressive interest rate hikes may result in “negative leverage” situations, through which borrowing costs become greater than the overall return produced by the property’s cash flow. Against the current backdrop of rising interest rates, DSCR constraints will in turn, lead to lower available loan proceeds, likely creating upcoming forced recapitalization and sale activity in order to satisfy debt maturities (which are expected to reach historical highs over the next five years). The Fund is seeking to capitalize on these stressed and distressed situations that may result from the current market backdrop. While we expect the majority of distressed and special situations to present as private markets direct real estate investments, the Fund may also invest in public securities, including REITs and corporate debt/equity where commercial or residential real estate markets may be a significant driver of value, as well securitized products.
- *Capitalize on Supply/Demand Imbalance:* Significant demand exists for certain property types in certain undersupplied markets. Multifamily is a prime example due to decreasing affordability of for-sale housing, especially in the current market of rising interest rates, coupled with years of underbuilding and increasing construction costs resulting in a tight for-rent housing supply. The Fund is seeking to capitalize on these kinds of supply/demand imbalances.
- *Acquisitions and Recapitalizations.* CPRE believes that there are opportunities for the Fund to acquire and recapitalize assets. These opportunities may be as a result of maturing debt, shifts in business plans that require additional capital, lease-up business plans that require additional time, expansion plans that require recapitalizations, and/or capital needs arising from situations where a borrower is faced with stress or distress unrelated to a project (i.e., corporate balance sheet pressures).
- *Value-add and Development Projects.* CPRE sees opportunities to create value through value-add or development business plans. The degree of complexity demanded by development projects coupled with market dynamics that have made construction costly has constrained the number of capable capital providers. With a long and extensive track record of construction and heavy value add experience, CPRE believes that the Fund is well-positioned to identify viable and projects.

CPRE believes its Funds are well-suited to implement this investment strategy due to CPRE’s accumulated investment knowledge, significant firm resources via Canyon’s global platform, in-house asset management capabilities, and extensive network of relationships, and each as detailed below.

- *History of Investing in Complexity.* Canyon was founded in 1990 by Joshua Friedman and Mitchell Julis (the “Founding Partners”), who worked together at Drexel Burnham Lambert, a firm widely credited with creating the modern high yield bond market. Since its inception, Canyon has accumulated a wealth of knowledge by way of navigating different market environments, which equips us with an invaluable perspective for approaching the current macroeconomic backdrop.
- *Symbiotic Business Lines.* Canyon’s seasoned investment team of nearly 70 professionals across CCA and CPRE brings expertise across cycles, asset classes, and investment strategies. The breadth of Canyon’s platform supports a uniquely integrated team of investment professionals that helps to inform our view of global capital markets. This ongoing collaboration across our investment teams creates a “Flywheel” effect that compounds our knowledge base.
- *Local Market Presence.* CPRE’s investment professionals, who are dedicated to specific coverage regions, provide its Funds with a local market presence that results in valuable regional market intelligence and insight as well as long-term relationships with real estate owners, operators, developers, brokers, banks and other industry participants.
- *Hands-on Asset Management.* CPRE has a 13-person in-house asset management team. The senior asset managers have an average of 13 years of tenure with Canyon and 34 years of industry experience, allowing for what we believe to be a wealth of knowledge that will enable us to manage risk effectively. Our in-house team monitors each investment throughout its life, monitors the borrower’s implementation of the business plan, monitors milestones, identifies deviations, and, when necessary, amends terms or assumes control to maximize results.¹
- *Industry Relationships.* Canyon’s extensive experience results in long-term industry relationships with sponsors, brokers, lenders, service providers, and other financiers. CPRE has built a strong reputation for being a reliable and creative capital source that can provide surety of execution. These relationships help to facilitate deal flow, financing, and information sharing.

CPRE-Related Securitizations and Other Canyon Activities

Without limiting the generality of the foregoing, subject to the limitations described herein, CPRE may also invest in (a) collateralized loan obligations for which CPRE or its affiliate serves as collateral manager (a “CPRE-Managed CLO”), (b) securitizations originated or sponsored by CPRE (or its affiliate) or other CPRE Funds and (c) any other securitizations in which CPRE (or its affiliate) or other CPRE Funds may be involved or hold interests (including any refinancings thereof and purchases on the secondary market) (clauses (a) through (c) collectively, “CPRE-Related Securitizations”). If, during any period in which any Fund assets are held in an CPRE-Managed CLO, the Fund(s) pays or bears any fee payable to CPRE (or its affiliate) in respect of any such CPRE-Managed CLO (an “CPRE-Managed CLO Fee”), then, during such period either (a) the Fund’s share of such fee will reduce on a dollar-for-dollar basis the Management Fee (but not below zero) or (b) the basis against which the Management Fee is charged will be deemed to exclude the portion attributable to such CPRE-Managed CLO; provided that the choice between (a) and (b) shall be made in Canyon’s sole discretion, as further described herein.

¹ Headcount data is presented as of December 31, 2023. There can be no assurance that any of these professionals will remain with CPRE Canyon or that past performance of such professionals serves as an indicator of his or her performance or success, or the Fund’s.

ESG Considerations

CPRE has sought to infuse ESG-related factors into its investment and due diligence process. As of 2021, where sufficient data can be reasonably identified, CPRE may perform its own analysis relating to ESG considerations with respect to certain investments. When formulating ESG perspectives and making investment decisions, CPRE will seek to utilize a wide variety of third-party information sources, incorporate standards set forth by recognized global organizations and leverage its own internal research and ESG scoring system. While ESG factors may not be determinative in deciding to include or exclude any particular investment, investments made with identified material ESG concerns will generally undergo ongoing monitoring to assess and update the nature and status of these issues. Canyon's dedicated Head of ESG works with CPRE's investment committee to incorporate ESG considerations and analysis in its investment process. The full ESG policy is available to Clients upon request.

General Risks

Possibility of Losses

Account values will fluctuate based upon a multitude of factors, including the financial condition, results of operations and prospects of the issuers of property securing the debt obligations and/or the owners thereof, governmental intervention, market conditions, and local, regional, national and global economic conditions. Therefore, Clients and Fund investors could lose all or a portion of their principal invested with CPRE if the investment strategies are not successful.

Past Performance

Past performance of Clients accounts managed by CPRE is not necessarily indicative of future performance. Clients should be aware that the markets in which CPRE operates may become severely disrupted, so results observed in earlier periods may have little relevance to the results observable in the current environment. The markets in which CPRE Clients accounts operate have experienced severe disruptions in the recent past, specifically by the enormous economic and social uncertainty created by the global outbreak of COVID-19 since late 2019, so results observed in earlier periods may have little relevance to the results observable in the current environment (especially investing in a more concentrated portfolio). Performance information and reports of CPRE's investment results are available from CPRE upon request. Past performance of the other funds or accounts managed by CPRE or CCA are not necessarily indicative of future results of CPRE Funds.

Lack of Investor Liquidity

Investors may not make withdrawals from CPRE Funds. The amount and timing of distributions to Investors will depend on the distributable cash received by the Fund. The availability of such distributable cash will depend on interest, dividends or other payments received by the specific CPRE Fund and the disposition of the assets held by the fund as well as CPRE's determination of the amounts that the Fund will need to hold in reserve to meet expenses and financial commitments.

Transfers Restricted

Interests may not be transferred — i.e., assigned, sold, pledged, gifted, hypothecated or otherwise encumbered— without the prior written consent of, and on the terms approved by, the General Partner (which the General Partner has no obligation whatsoever to give).

Long-Term Commitment

An investment in a CPRE Fund requires a long-term commitment, without any certainty of a return of capital. An Investor will be committed to such Fund for a number of years, irrespective of materially adverse changes to the General Partner, CPRE, the Fund, general economic conditions and/or such Investor's own financial position.

Substantial Costs

CPRE Funds are subject to fees (including the Management Fee), transactional and operating costs and expenses irrespective of its performance which, in the aggregate, may be substantial. If these fees, costs and expenses are not offset by investment gains, then such Fund will not achieve its investment objective.

Market Disruptions

The global financial markets went through pervasive and fundamental disruptions during the financial crisis that led to extensive and unprecedented governmental intervention, and similar disruptions in the future could result in similar levels of intervention. As governmental responses to the financial crises demonstrated, governmental interventions may be implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition — as one would expect given the complexities of the financial markets and the limited timeframe within which governments have felt compelled to take action — these interventions may be unclear in scope and application, resulting in confusion and uncertainty which, in itself, may be materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies. CPRE Funds may incur major losses in the event of disrupted markets or other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to such Fund from its banks, dealers, and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to such Fund. Market disruptions may from time to time cause dramatic losses for such Fund, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk. In addition, the failure of certain financial institutions, namely banks, may increase the possibility of a sustained deterioration of financial market liquidity, or illiquidity at clearing, cash management and/or custodial financial institutions. The failure of a bank (or banks) with which such Fund, its investments and/or their counterparties have a commercial relationship could adversely affect, among other things, such Funds and its investments' ability to access deposits or borrow from financial institutions on favorable terms.

Changes in Legislative and Regulatory Environment

CPRE's and its Fund's ability to achieve their investment objectives, as well as the ability of a Fund to conduct its operations, is based on laws and regulations which are subject to change through legislative, judicial or administrative action. Future legislative, judicial or administrative action could adversely affect CPRE and its Fund's ability to implement their investment programs, as well as the ability of CPRE and its Funds to conduct their operations. Increased regulation could have a material adverse impact on the profit potential of CPRE and a Fund as well as require increased transparency as to the identity of the investors.

There continue to be significant legislative and regulatory developments affecting the regulation of the private investment fund industry. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law. A key feature of the Dodd-Frank Act is the potential extension of prudential regulation by the Board of Governors of the Federal Reserve System (the

“Federal Reserve”) to nonbank financial companies that are not currently subject to such regulation but that are determined to pose risk to the U.S. financial system. Similarly, in Europe, the Financial Stability Board has recommended strengthening oversight and regulation of the so-called “shadow banking” system, broadly described as credit intermediation involving entities and activities outside the regular banking system. While at this stage it is difficult to predict the scope of any new regulations, if during the Fund’s Commitment Period regulations were to extend the regulatory and supervisory requirements, such as capital and liquidity standards currently applicable to banks, or a Fund were considered to be engaged in “shadow banking,” either in Europe, the United States or in any other jurisdiction in which a Fund engages in investment activities, the regulatory and operating costs associated therewith could adversely impact the implementation of a Fund’s investment strategy and such Fund’s returns.

The Dodd-Frank Act also imposes a number of restrictions on the relationship and activities of banking organizations with private equity funds and hedge funds and other provisions that will affect the private equity industry, either directly or indirectly. Therefore, there can be no assurance that any continued regulatory scrutiny or initiatives will not have an adverse impact on CPRE or otherwise impede a Fund’s activities.

The increased political and regulatory scrutiny of the alternative asset management industry has been particularly acute during the global financial crisis and its aftermath. For example, in addition to the U.S. legislative developments described below, other jurisdictions, including many European jurisdictions, have proposed modernizing financial regulations and have called for, among other things, increased regulation of and disclosure with respect to, and possibly registration of, hedge funds and private equity funds. There is therefore a material risk that regulatory agencies in the U.S., Europe, or elsewhere may adopt burdensome laws (including tax laws) or regulations, or changes in law or regulation, or in the interpretation or enforcement thereof, which are specifically targeted at the alternative asset management industry, or other changes that could adversely affect alternative asset management firms and the funds they sponsor, including a Fund.

In addition, regulators are increasingly considering the role of non-bank lenders. There is no guarantee that laws and regulations applicable to non-bank lenders will not change in a manner that adversely affects a CPRE Fund, including the ability of a Fund to originate loans or otherwise restrict such Fund’s activities in this regard, or otherwise restrict or materially increase the costs and burdens of business to such Fund of pursuing all potential investment strategies and options. In addition, under the direction of new Chairman Gary Gensler, the U.S. Securities and Exchange Commission (the “SEC”) has issued statements that it is considering adopting regulatory changes that, if adopted, will add to CPRE’s and its Funds’ already-significant compliance costs and burdens, including regulatory changes related to Form PF reporting, the private placement offering framework (including Form D reporting), disclosures regarding environmental, social and governance matters and diversity, equity and inclusion matters.

Moreover, the financial services industry in recent years has been the subject of heightened scrutiny, and the SEC has specifically focused on private equity. In that connection, in recent years the SEC’s stated examination priorities have included, among other things, private equity firms’ collection of fees and allocation of expenses, their marketing and valuation practices, allocation of investment opportunities and policies and procedures with respect to conflicts of interest. CPRE is subject to requests for information and informal or formal investigations by the SEC and other regulatory authorities, with which we routinely cooperate, and which have included review of historical practices that were previously examined. Such investigations may in the future result in penalties and other sanctions. SEC actions and initiatives can have an adverse effect on CPRE Funds’ financial results, including as a result of the imposition of a sanction, a limitation on our or our personnel’s activities, or changing our historic practices. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against CPRE or its personnel by a regulator were small in monetary amount, the adverse publicity relating to the investigation, proceeding or

imposition of these sanctions could harm our reputation and cause CPRE to lose existing clients or fail to gain new clients. Several market commentators have noted that under the leadership of the new SEC Chairman, there is a higher likelihood of regulatory focus and enforcement activity. Finally, increased reporting, registration, and compliance requirements may divert the time and attention of personnel and the management teams of CPRE, and may furthermore place a Fund at a competitive disadvantage to the extent that CPRE is required to disclose sensitive business information. CPRE Funds will be required to bear certain Fund expenses relating to compliance-related matters and regulatory filings, which could be material, including on a cumulative basis over the life of the Fund.

Possible Ineffectiveness of Risk Reduction Techniques

CPRE may employ various risk reduction strategies designed to minimize the risk of loss to a Fund's portfolio. A substantial risk remains, nonetheless, that such strategies will not always be possible to implement, and when possible, will not always be effective in limiting losses. If CPRE analyzes market conditions incorrectly, or employs a risk reduction strategy that does not correlate well with a Fund's investments, such risk reduction techniques could increase rather than mitigate losses. These risk reduction techniques may also increase the volatility of such Fund and/or result in a loss if the counterparty to the transaction does not perform as promised.

Reliance on Corporate Management and Financial Reporting

CPRE selects investments for its Fund in part on the basis of information and data made available to CPRE by prospective borrowers or third parties. Although CPRE will evaluate all such information and data and seek independent corroboration when it considers it appropriate and reasonably available, CPRE may not be in a position to confirm the completeness, genuineness, or accuracy of such information and data. CPRE depends on the integrity of the management of such issuers and of such third parties as well as the financial reporting process in general. Recurring instances have demonstrated the material losses that investors such as a Fund can incur as a result of corporate mismanagement, fraud and accounting irregularities.

Custody and Counterparty Risk

The institutions, including brokerage firms and banks, with which CPRE Funds directly or indirectly will do business (including swap counterparties), or to which securities will be entrusted for custodial and prime brokerage purposes, may encounter financial difficulties, fail or otherwise become unable to meet their obligations. In light of continued market turmoil and the overall weakening of the financial services industry, a Fund, its prime brokers and other financial institutions' financial condition may be adversely affected and they may become subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on the activities and operations of such Fund. Prime brokers engaged by such Fund may experience financial difficulties, and therefore, the Fund may be exposed to similar or other financial problems resulting from the insolvency or financial difficulties of one or more of the Fund's prime brokers.

Service Providers

The service providers or their affiliates (including any administrators, lenders, brokers, attorneys, consultants and investment banking firms) of CPRE Fund, CPRE or any of their affiliates may be investors in such Fund and/or sources of investment opportunities and co-investors or counterparties therewith. This may influence the General Partner in deciding whether or not to select such a service provider or have other relationships with CPRE.

Changes in Market Circumstances

CPRE Funds face risks attendant to changes in economic environments, changes in interest rates, changes in the relative valuations of its investments and changes in the availability of, and/or the general terms and conditions for, investment financing, among other factors – any one of which could adversely affect investment returns. In addition, major market disruptions could occur which could significantly impair the value of a Fund's investments.

Political and Social Risks; Insurance Against Terrorism

The U.S. has been the target for terrorist attacks and been involved in a variety of military actions. Some of these terrorist attacks have resulted in, among other things, a disruption in financial markets and the economy generally as well as volatility in the international economic market. Future terrorist attacks and/or the anticipation of any such actions or response to them may have a further adverse impact on economic stability. It is not possible to predict the severity of the effect that any further terrorist activity and/or military response will have on the market. Any resulting economic instability or downturn could adversely affect the returns sought by a Fund.

In addition, the events of September 11th created significant uncertainty regarding the ability of real estate owners of high profile assets to obtain insurance coverage protecting against terrorist attacks at commercially reasonable rates, if at all. With the enactment of the Terrorism Risk Insurance Act of 2002 (the "TRIA"), and the subsequent extensions, insurers must make terrorism insurance available under their property and casualty insurance policies, but this legislation does not regulate the pricing of such insurance and there is no assurance that this legislation will be extended beyond 2027. The absence of affordable insurance coverage may adversely affect the general real estate lending market, lending volume and the market's overall liquidity and may reduce the number of suitable investment opportunities available to a Fund and the pace at which such Fund is able to make investments. If the properties underlying a Fund's investments are unable to obtain affordable insurance coverage, the value of those investments could decline, and in the event of an uninsured loss, such Fund could lose all or a portion of its investment.

Uncertain Geopolitical Events

International and / or local geopolitical events are likely to influence the investments, properties, borrowers and markets targeted by CPRE and its Funds. Geopolitical events, including, without limitation, national referenda, political elections, international violent and non-violent conflicts, political movements and reactions to national and international emergencies, can affect monetary policy, fiscal policy, international relations, currency valuations, legal systems and regulatory regimes, among numerous other things, in ways that could impact the Fund and / or its ability to operate and / or pursue its investment strategy.

Russian Invasion of Ukraine

On February 24, 2022, Russian troops began a full-scale invasion of Ukraine and, as of the date of this material, the countries remain in active armed conflict. Around the same time, the United States, the United Kingdom, the European Union, and several other nations announced a broad array of new or expanded sanctions, export controls, and other measures against Russia, Russia-backed separatist regions in Ukraine, and certain banks, companies, government officials, and other individuals in Russia and Belarus. The ongoing conflict and the rapidly evolving measures in response could be expected to have a negative impact on the economy and business activity globally (including in the countries in which a Fund invests), and therefore could adversely affect the performance of a Fund's investments. The severity and duration of the conflict and its impact on global economic and market conditions are impossible to predict, and as a result, could present material uncertainty and risk with respect to a Fund and the

performance of its investments and operations, and the ability of such Fund to achieve its investment objectives. Similar risks will exist to the extent that any of a Fund's investments, service providers, vendors or certain other parties have material operations or assets in Russia, Ukraine, Belarus, or the immediate surrounding areas.

Changes in Applicable Law

CPRE and its Funds, its investments and the real estate underlying its investments will be required to comply with a variety of federal, state and local laws and regulations. If any of the laws and regulations currently in effect change or any new laws or regulations are enacted, the legal requirements to which a Fund and such Fund's investments may be subject could differ materially from current requirements and may materially adversely affect such Fund.

Alternative Investment Fund Managers Directive

The AIFM Directive regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the EEA. In particular, the AIFM Directive potentially restricts the ability of CPRE to market the interests to investors domiciled or with a registered office in the EEA ("EEA Investors").

To the extent CPRE actively markets the interests to prospective EEA Investors: (a) a Fund and CPRE will be subject to certain reporting, disclosure and other compliance obligations under the AIFM Directive, which will result in such Fund incurring additional costs and expenses; (b) a Fund and CPRE may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which would result in such Fund incurring additional costs and expenses or may otherwise affect the management and operation of such Fund; (c) CPRE will be required to make detailed information relating to its Funds and its investments available to regulators and third parties; (d) the AIFM Directive will also restrict certain activities of CPRE and the Fund in relation to EEA investee companies including, in some circumstances, a Fund's ability to recapitalize, refinance or potentially restructure an EEA investee company within the first two years of ownership; and (e) a Fund may be restricted or prohibited from investing in securitization positions where none of the originator, sponsor or original lender retains a minimum material net economic interest in the securitization as prescribed under the EU Securitisation Regulation, which may prevent a Fund from investing in certain securitization positions which would otherwise be available to it. CPRE may elect not to actively market a Fund in the EEA but reserves the right to do so.

CFIUS

The actions of the Committee on Foreign Investment in the United States ("CFIUS"), an inter-agency committee authorized to review transactions that could result in control of a U.S. business by a foreign person, may adversely impact the prospects of an investment in the context of mergers with, or acquisitions by, a foreign person. CFIUS may recommend that the President block such transactions, or CFIUS may impose conditions on such transactions, certain of which may materially and adversely affect a Fund's ability to execute its investment strategy. In addition, the CFIUS process will continue to evolve. In particular, a set of reform measures known as the Foreign Investment Risk Review Modernization Act ("FIRRMA") was enacted into law, which broadens the jurisdiction of CFIUS with respect to certain investments. Such legislation could impact the ability of non-U.S. limited partners to participate in a Fund's investments, which may impair such Fund's ability to execute its investment strategy. FIRRMA expands the ability of CFIUS to review a Fund's acquisition or disposition of certain investments including certain non-controlling investments by foreign persons over certain U.S. businesses involved in critical technologies or critical infrastructure or that collect and store sensitive personal data of U.S. citizens, as

well as acquisitions of real estate and leaseholds near U.S. military or other sensitive government facilities. The reforms enacted by FIRRMA include (i) a requirement of mandatory disclosures to CFIUS of all transactions in which a foreign government owned or controlled entity proposes to acquire a substantial interest in a U.S. business active in critical infrastructure, critical technologies, or that has access to sensitive personal data of U.S. citizens, and (ii) jurisdiction for CFIUS to review any investment (other than truly passive investment) by a foreign person in the same types of companies regardless of the percentage ownership interest of the foreign person. CFIUS published final regulations on January 13, 2020 that will implement many of FIRRMA's provisions. These final regulations became effective on February 13, 2020, and may potentially increase the number of transactions involving CPRE's Funds that would be subject to CFIUS review and investigation and the timing and substantive risks described above. The outcome of CFIUS's process may be difficult to predict, and there is no guarantee that, if applicable to an investment, the decisions of CFIUS would not adversely impact a Fund's investment in such entity.

OFAC Considerations

Economic sanction laws in the United States and other jurisdictions prohibit CPRE, CPRE's professionals and CPRE's Funds from transacting with or in certain countries and with certain individuals and companies. In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") administers and enforces laws, Executive Orders and regulations establishing U.S. economic and trade sanctions. Such sanctions prohibit, among other things, transactions with, and the provision of services to, certain foreign countries, territories, entities, and individuals. These entities and individuals include specially designated nationals, specially designated narcotics traffickers, and other parties subject to OFAC sanctions and embargo programs. The lists of OFAC prohibited countries, territories, persons and entities, including the List of Specially Designated Nationals and Blocked Persons, as such list may be amended from time to time, can be found on the OFAC website at www.treas.gov/ofac. In addition, certain programs administered by OFAC prohibit dealing with individuals or entities in certain countries regardless of whether such individuals or entities appear on the lists maintained by OFAC. These types of sanctions may restrict a Fund's investment activities.

Investments in Certain Jurisdictions

A Fund may invest a portion of its commitments outside the United States. The legal systems of some countries in which a Fund may invest lack transparency or could limit the protections available to foreign investors, and a Fund's investments may be subject to nationalization and confiscation without fair compensation. Real estate and real estate-related investing in developing countries involves certain factors not typically associated with investing in real estate and real estate-related investments in the United States, the European Union and other more developed countries, including a number of risks, which may include, among other things: (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various non-U.S. currencies in which a Fund's non-U.S. investments are denominated, fluctuations and costs associated with conversion of investment principal and income from one currency into another; (ii) differences in conventions relating to documentation, settlement, corporate actions, shareholder rights and other matters; (iii) differences between U.S. and foreign securities, financing and real estate markets, including potentially higher price volatility, different interest rates and relative illiquidity of some markets; (iv) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and differences in government supervision and regulation; (v) certain economic, social and political risks, including potential exchange-control regulations, potential restrictions on non-U.S. investment by U.S. firms and repatriation of capital, the risks associated with political, economic or social instability, including the risk of sovereign defaults, regulatory change, and the possibility of expropriation or confiscatory taxation or the imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sales or dispositions proceeds, and adverse economic and political developments; (vi) the possible imposition of non-U.S. taxes on income and gains

and gross sales or other proceeds recognized with respect to such investments; (vii) differing and potentially less well developed or well tested corporate and intellectual property laws, including those regarding stakeholder rights, creditors' rights (including the rights of secured parties), fiduciary duties, investor protections and intellectual property owner protections; (viii) differences in the legal and regulatory environment or enhanced legal and regulatory compliance, including potential currency control regulations, and potential restrictions on investment and repatriation of capital; (ix) political hostility to investments by foreign or private equity investors; and (x) less publicly available information.

Access to Material, Non-Public Information

By reason of their responsibilities in connection with a Fund and their permitted other activities, personnel of CPRE may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. A Fund will not be free to act upon any such information. Due to these restrictions, such Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Potential Conflicts of Interest

CPRE (and its affiliates) manages other funds and accounts which present the possibility of overlapping investments, and thus the potential for conflicts of interest. Many of the investments targeted by a Fund may be appropriate for certain other Canyon Funds, and in retrospect or at different points in the market cycle, investments that were made by such Fund may seem more appropriate for another Canyon Fund, and vice versa. Investors will have no ability to challenge such allocation so long as it was made in good faith in accordance with the procedures discussed herein and the governing documents of the funds. Such procedures give CPRE broad authority to allocate investment opportunities, notwithstanding the potential conflicts of interest that may exist. For example, management fees, carried interest or incentive fees and liquidity provisions may differ significantly between such a Fund and the other Canyon Funds, creating an economic incentive for CPRE (or its affiliates) to allocate investments that may be appropriate for a lower fee or more liquid strategy to a higher fee or less liquid strategy.

A Fund may make investments in different parts of the capital structure of issuers in which other Canyon Funds already hold an investment. Generally speaking, CPRE expects that a Fund will make such investments only when, at the time of investment, CPRE believes such investment is in the best interests of such Fund and either the possibility of actual adversity is remote, the Fund's investment is small and non-controlling or CPRE believes that such investment is appropriate for a Fund in light of the particular circumstances, notwithstanding the potential for conflict. If any conflict were to arise, however, CPRE will be permitted to take certain actions that, in the absence of such conflict, it would not take, such as causing the Fund to remain passive, investing in the same class of securities to align interests, divesting investments or taking other actions to reduce adversity, which may have the effect of benefiting other Canyon Funds and not the Fund at issue.

Under certain circumstances, a Fund may be offered an opportunity to make an investment in a transaction in which one or more other Canyon Funds is expected to make an investment, or in a company in which one or more other Canyon Funds already has made, or concurrently will make, an investment. As a result, the specific Fund and the other Canyon Fund may have conflicting interests in negotiating the terms of such investments. In negotiating the purchase of such investments, the nature of the covenants, and other terms and conditions of such securities, the other Canyon Funds may have interests that conflict with those of the Fund. In that regard, actions may be taken for the other Canyon Funds that are adverse to such Fund. Such conflicts may also exist in the negotiations of amendments or waivers or in a workout or bankruptcy. It is possible that in a bankruptcy proceeding, a Fund's interests may be subordinated or otherwise adversely affected by virtue of such other Canyon Funds' involvement and actions relating to its investment. CPRE

will seek to manage such conflicts in good faith and in a manner it believes is consistent with its duties to its Fund and the other Canyon Funds.

In addition, a Fund, together with one or more third parties, may be competing bidders from time to time with other Canyon Funds for a specific investment opportunity. At the time such transaction is priced and at certain other times, certain personnel of CPRE who are not engaged in the management of such Fund may be restricted from disclosing information they receive about such investment from other Canyon Funds to such Fund.

Portfolio Concentration

Client accounts are not generally limited with respect to the amount of capital that may be committed to any one investment. Unless separately negotiated, no limit will be placed on the concentration of investments to be made in a single industry or geographic area.

Restricted Securities

CPRE is prevented from buying or selling certain publicly traded securities if CPRE or its affiliates (see Other Financial Industry Activities and Affiliations section for information about affiliated entities) acquire material, non-public information with respect to such securities. In addition, with respect to a publicly traded security that a Client may already hold, such security will be placed on a “restricted securities list” and will not be traded until the material, non-public information becomes public or is no longer material.

Cybersecurity Risk

CPRE and their third-party service providers are subject to risks associated with “cybersecurity” breaches. “Cybersecurity” is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from unauthorized access or manipulation by other computer users and the efforts to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Cybersecurity breaches may be the result of intentional actions (such as an attempt by a third party to fraudulently induce employees, customers, third-party service providers or other users of systems to disclose sensitive information in order to gain access to the Investment Advisor’s data or that of its investors), or unintentional events. Cyber-attacks may cause losses to Client accounts by interfering with the processing of transactions, affecting the ability to calculate net asset value or impeding or sabotaging trading or otherwise affecting the information systems upon which CPRE and the Client account rely. A successful penetration or circumvention of the security protocols of CPRE’s systems or the systems of CPRE’s service providers could also result in the loss or theft of an investor’s data or funds, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Any such breach could expose the Client financial loss (including those associated with the forensic analysis of the origin and scope of the breach and costs of increased and upgraded IT systems and/or cybersecurity countermeasures), the disruption of CPRE’s business, liability to investors or third parties (where applicable), regulatory intervention, unauthorized use of proprietary information, litigation, the dissemination of confidential and proprietary information or reputational damage. Losses could also arise from cyber-attacks affecting issuers of securities in which the Client account invests.

While CPRE has established systems, and conducts cybersecurity training, designed to mitigate the risks of cyber-attacks, there are inherent limitations in such systems and associated with such training, including the possibility that certain risks have not been identified. Furthermore, CPRE does not control the business continuity plans and systems put in place by its third-party service providers or any other third parties whose

operations may affect CPRE and/or its Clients. As a result, Client accounts could be negatively impacted by cyber-attacks against the information systems of CPRE, or any of its third-party service providers.

The EU General Data Protection Regulation (“GDPR”) recently took effect in all EU member states. The GDPR introduces new obligations on controllers and rights for data subjects and introduces fines for serious breaches. The implementation of the GDPR could adversely impact a Fund’s business by increasing its operational and compliance costs.

Investments in Restricted Securities

CPRE is prevented from buying or selling certain publicly traded securities if CPRE or its affiliates (see Other Financial Industry Activities and Affiliations section for information about affiliated entities) acquire material, non-public information with respect to such securities. In addition, if such information is acquired with respect to a publicly traded security that a Client already holds, such security will be placed on a “restricted securities list” maintained by CPRE and will not be traded until the material, non-public information becomes public or is no longer material.

In particular, certain CPRE personnel may from time to time hold board seats of companies and may not be “walled off” from others at CPRE who are responsible for making investment decisions, and any material non-public information that any such CPRE personnel obtain may be imputed to CPRE as a whole. As a result (and in accordance with applicable securities laws and CPRE’s compliance policies and procedures), there may be substantial periods of time during which CPRE is restricted from buying or selling securities of companies whose boards include CPRE personnel, or securities of other companies with whom those companies may have business relationships. In addition, various securities laws mandate current public reporting of trading by directors, officers and large shareholders, and in some cases, application of these laws can result in disgorgement of any deemed “profit” resulting from such trading. Limits of those kinds could prevent CPRE from transacting in securities when it otherwise might. In addition, CPRE personnel serving as directors on company boards will owe duties to those companies that could, in some cases, interfere with CPRE’s ability to freely exploit corporate opportunities or engage in other transactions involving the companies (including, potentially, transactions with their other securityholders, or with their competitors) to CPRE’s detriment.

Economic Sanctions

Governmental authorities in the United States and/or in other countries may impose sanctions or other restrictive economic measures (“Sanctions”) on dealings with specified countries and/or individuals. Sanctions may be imposed relatively suddenly in response to geopolitical crises, such as invasions or wars, and may trigger retaliatory action (including the imposition of countervailing Sanctions) that aggravate those crises. As a result of Sanctions, it is possible that CPRE could be prohibited or restricted from acquiring, holding or disposing of particular investments, including investments that were not subject to Sanctions when originally acquired by CPRE (“Sanctioned Investments”). Investors should thus be aware that, depending on the nature of the Sanctions, CPRE may not be able to dispose of previously acquired Sanctioned Investments on acceptable terms (or at all), or CPRE may be forced to sell previously acquired Sanctioned Investments at significant losses. In addition, because Sanctions are intended to restrict economic activities, they can have a material adverse effect on global trade generally (including by disrupting securities exchanges and cross-border payment systems, weakening foreign currencies and triggering defaults) which may also materially and adversely affect CPRE’s overall portfolio of investments (even those that are not Sanctioned Investments). CPRE may also face penalties or other liabilities (including liabilities for indemnification) for any failure to comply with Sanctions (including failures by its affiliates or related persons), and any such penalties or liabilities could also materially and adversely affect CPRE’s performance.

Investment Risks

General Real Estate Risks

Investments in real estate will be subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets, including ownership resulting from a default of a loan secured by real property, which risk may be increased if the investment is leveraged. These risks include those associated with the burdens of ownership of real property, general and local economic conditions, changes in supply of and demand for competing properties in an area (as a result for instance of overbuilding), fluctuations in the average occupancy and room rates for hotel properties, the financial resources of tenants, changes in building, environmental and other laws, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, changes in government regulations (such as rent control), changes in real property tax rates, changes in interest rates, the reduced availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, negative developments in the economy that depress travel activity, environmental liabilities, contingent liabilities on disposition of assets, terrorist attacks, war and other factors that are beyond CPRE's or the Client's control. There can be no assurance of profitable operations for any real property or the repayment of any debt investment made by a Client. Accordingly, a Client's investment objectives may not be realized. The cost of operating a property may exceed the rental income thereof, and the Client may have to advance funds to protect an investment or forego the receipt of interest income on debt investments, or may be required to dispose of investments on disadvantageous terms if necessary to raise needed funds. In addition, if the Clients acquire direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing, they will be subject to the risks normally associated with such assets and development activities, including risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond CPRE's or the Client's control, such as the weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. Moreover, while CPRE generally intends to purchase or to cause to be purchased insurance to cover casualty losses and general liability, such insurance may not be available or may be available only at prohibitive costs to cover losses from ongoing operations and other risks such as earthquake, flood or environmental contamination

Market Volatility

The public markets are currently experiencing significant volatility and many observers believe a global economic downturn or recession is possible. The extent and duration of such volatility, to the private equity industry and global markets as a whole, is currently unknown. For this reason, valuations in this environment are subject to heightened uncertainty and subject to numerous subjective judgments, any or all of which could turn out to be incorrect. Performance data are as of the date indicated therein, and such values should not be assumed to be current as of any other date. Investors should attach correspondingly qualified consideration to performance information.

General Economic and Market Conditions

The real estate industry generally, and a Fund's investment activities in particular, are affected by general economic and market conditions, such as interest rates, availability and spreads of credit, credit defaults, inflation rates, economic uncertainty, changes in tax, currency control and other applicable laws and regulations, trade barriers, and national and international political, environmental and socioeconomic circumstances. Market disruptions in a single country could cause a worsening of conditions on a regional and even global level. A worsening of general economic and market conditions would likely affect the level and volatility of securities prices and the liquidity of a Fund's investments, which could impair such Fund's profitability, result in losses and impact investors' investment returns. A depression, recession or slowdown

in the global economy or one or more regional real estate markets (or any particular segment thereof) or a weakening of credit markets (including a perceived increase in counterparty default risk) would have a pronounced impact on CPRE, its Fund and its Funds' investments and could adversely affect their profitability and ability to execute on their business plans, satisfy existing obligations, make and realize investments successfully, originate or refinance credit or draw on existing financings and commitments (including, in the case of a Fund, commitments from investors).

Impact of Market Conditions on Commercial Real Estate Generally

In addition to general economic conditions, as described herein under “—General Economic and Market Conditions” the commercial real estate markets in which CPRE Funds operate are also affected by a number of specific conditions, such as planning, environmental, leasing, tax and other real estate-related laws and regulations, prevailing rental rates, prospective rental growth, occupancy rates, lease lengths, tenant creditworthiness and solvency, and benchmark investment yields and spreads that apply to commercial real estate. Adverse general economic and market conditions, such as those that prevailed during the most recent global economic downturn, could have a material adverse effect on commercial real estate assets, including by decreasing demand for commercial real estate, reducing rental income, decreasing occupancy rates, causing tenants to terminate leases early or enter bankruptcy proceedings, and decreasing the value of real estate assets generally. Declines in rental income on real estate as a result of negative market conditions would not necessarily be accompanied by a decline in significant expenses associated with holding real estate, such as real estate taxes, utility rates, insurance rates, and renovation and maintenance costs. This mismatch would accentuate the impact of a negative market event.

Financial Market Fluctuations; Availability of Financing

Declines or volatility in financial markets, including the securities and derivatives markets, would adversely affect the value of a Fund's investments. A significant market fluctuation often decreases tolerance for counterparty risks, which can negatively impact financial institutions, even causing their failure as occurred in the most recent global economic downturn. A Fund and its investment are expected to regularly seek to acquire new debt and refinance existing debt, including in the liquid debt markets, and significant declines in pricing of debt securities or increases in interest rates, or other disruptions in the credit markets, would make it difficult to carry on normal financing activities, such as obtaining committed debt financing for acquisitions, bridge financings or permanent financings. Tightening of loan underwriting standards, which often occur during market disruptions, can have a negative impact including through reduction of permitted leverage levels and increased requirements for borrower quality. A Fund's ability to generate attractive investment returns will be adversely affected by any worsening of financing terms and availability.

Investments in Undervalued Securities/Loans

The identification of investment opportunities in undervalued securities/loans is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities/loans offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

CPRE will make certain investments in securities/loans which it believes to be undervalued. However, there are no assurances that the securities purchased will in fact be undervalued. In addition, Clients may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of a Client's capital would be committed to the securities purchased, thus possibly preventing the Client from investing in other opportunities. In addition, a Client may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

Non-Investment Grade Investments

CPRE may purchase financial instruments of, or make direct loans to, companies that are not of investment grade. As with other types of debt instruments, loans involve the risk of loss in case of default or insolvency of the borrower, particularly if the investment is not investment grade.

Corporate Debt Obligations and High-Yield Securities

CPRE may invest in corporate debt obligations and high-yield securities. The market value of debt securities generally tends to decline as interest rates increase and, conversely, increase as interest rates decline. Debt obligations are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations, i.e., credit risk.

"High yield" bonds and securities, which are rated in the lower rating categories by the various credit rating agencies, are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be speculative. They are also generally considered to be subject to greater risk than securities with higher ratings because the yields and prices of such securities tend to fluctuate more than those for higher-rated instruments and the market for lower-rated securities is less liquid and less active.

Leverage of Portfolio Companies

CPRE investments may include securities of companies with leveraged capital structures, which could be subject to increased exposure to adverse economic factors such as an increase in interest rates, a downturn in the economy or further deterioration in the economic conditions of such company or its industry. Similarly, CPRE may invest in entities that are unable to generate sufficient cash flow to meet principal and interest payments on their indebtedness. Accordingly, the value of a Client's investment in such an entity could be significantly reduced or even eliminated due to further credit deterioration.

Use of Leverage

CPRE will in certain instances employ leverage at a Fund and/or Investment level in accordance with the specific Fund's Offering Materials. The use of leverage has inherent risk and where employed will magnify any potential gains or losses experienced by such Fund and/or investment.

Non-Performing Nature of Loans

It is possible that certain of the loans purchased by CPRE may be non-performing and possibly in default. Similarly, it is possible that certain of the loans originated by CPRE may become non-performing. Furthermore, the obligor and/or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to the loans.

Nature of Bankruptcy Proceedings

There are a number of significant risks when making loans to companies involved or which have become involved in bankruptcy proceedings, including the following: first, many events in a bankruptcy are the product of contested matters and adversary proceedings which are beyond the control of the creditors. Second, a bankruptcy filing may have adverse and permanent effects on a company. For instance, if the proceeding is converted to a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor's return on investment can be impacted adversely by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court, and

until it ultimately becomes effective. Fourth, certain claims, such as claims for taxes, wages and certain trade claims, may have priority by law over the claims of certain creditors. Fifth, the administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors. Sixth, creditors can lose their ranking and priority in a variety of circumstances, including if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions. Seventh, investors in the company may be subject to a court-imposed "cram down" in which they lose their seniority in the capital and security interest structure. Eighth, CPRE may seek representation on creditors' committees and as a member of a creditors' committee it may owe certain obligations generally to all creditors similarly situated that the committee represents and may be exposed to liability to such other creditors who disagree with CPRE's actions. There can be no assurance that CPRE would be successful in obtaining results most favorable to its Clients in such proceedings, although Clients may incur significant legal fees and other expenses in attempting to do so. CPRE may also be subject to various trading or confidentiality restrictions.

Contrarian Investing

CPRE has made or will make certain investments in the wake of a financial crisis which it believes to have depressed the price of many investments to the point that CPRE is of the opinion that such securities have lower downside risk than other investors may perceive (i.e., an investment will generally be made only if it is believed that the current market price is less than the intrinsic value of the security, based on assumptions as to asset values, total liabilities or claims, timing and the rate of return on the investment). Because of the substantial uncertainty concerning the outcome of transactions involving financially troubled companies undergoing fundamental changes, there is always the potential risk of a substantial loss.

Mortgage-Backed Securities

Investing in certain commercial and residential mortgage-backed securities involves the general risks typically associated with investing in traditional fixed-income securities (including interest rate and credit risk), and certain additional risks and special considerations, including the risk of principal prepayment and defaults as well as the risk of investing in real estate.

Mortgage-backed securities (other than the residential agency mortgage-backed securities) are generally not guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on mortgage-backed securities depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans. Mortgage-backed securities generally provide for the payment of interest and principal on the mortgage-backed securities on a frequent basis, and there also exists the possibility, particularly with respect to residential mortgage-backed securities, that principal may be prepaid at any time due to, among other reasons, prepayments on the underlying mortgage loans or other assets. As a result of prepayments, CPRE may reinvest assets at an inopportune time, which may expose Clients to a lower rate of return. The rate of prepayments on underlying mortgages affects the price and volatility of a mortgage-backed security, and may have the effect of shortening or extending the effective average life beyond what was anticipated. Further, different types of mortgage-backed securities are subject to varying degrees of prepayment risk. The rate of principal payments on mortgage loans is influenced by a wide variety of economic, geographic, social and other factors, including general economic conditions, the level of prevailing interest rates, the availability of alternative financing and homeowner mobility. Finally, the risks of investing in such instruments reflect the risks of investing in real estate securing the underlying loans, including the effect of local and other economic conditions, the possibility of changes in the structure or effectiveness of the government sponsored enterprises, Fannie Mae, Freddie Mac and Ginnie Mae, the ability of tenants/home owners to make payments, and the ability to attract and retain tenants. Increasing rates of delinquencies, foreclosures and other losses on mortgages could, in turn, adversely affect certain securities in which a Client may invest.

Certain Risks Associated with Investments in Consumer Loans

CPRE may hold interests directly or indirectly (including through trusts or securitization vehicles) in pools of consumer loans, such as personal loans and automobile loans to individual borrowers (which may be unsecured). Federal and state consumer protection laws impose numerous restrictions on creditors in connection with the making and servicing of consumer loans, and any violations of those laws by CPRE or any other person (including by any platform or bank through or from which the Fund acquires its interests in consumer loans, any loan servicer or any trustee), could impair collections and/or result in regulatory actions or penalties that adversely affect the CPRE. In particular, many states have “usury laws” that impose limits on interest rates that may be charged on personal loans. While state usury laws are generally subject to federal pre-emption where, e.g., the original lender is a national bank, the scope of this federal pre-emption (and whether, e.g., it survives transfers or assignments by banks), has been challenged through both private litigation and enforcement proceedings by regulators. If any person (including any borrower, or a state regulator) were to claim that loans in which CPRE holds interests violate state usury laws (including claims based on allegations that the “true lender” of the applicable loan(s) was not a national bank entitled to state pre-emption), those loans could be found to be unenforceable or void, and CPRE could also be subject to liabilities for disgorgement, damages or penalties.

Freddie Mac K-Certificates

CPRE may invest in Freddie Mac K-Certificates. Freddie Mac K-Certificates are structured pass-through certificates publicly issued by the Federal Home Loan Mortgage Corporation (“Freddie Mac”) generally backed by multifamily mortgages and guaranteed by Freddie Mac. Mortgage-backed securities like Freddie Mac K-Certificates represent ownership in a pool of underlying mortgage loans. The credit quality of mortgage-backed securities like Freddie Mac K-Certificates depends primarily on the quality of the underlying assets, the rights of recourse available against the underlying assets and/or the issuer, the level of credit enhancement, if any, provided for the securities, and the credit quality of the credit-support provider, if any. Mortgage-backed securities like Freddie Mac K-Certificates may reflect one of several payment structures for how principal and interest payments are remitted to holders and may also be subject to interest rate risk and prepayment risk. Like other fixed income securities, when interest rates rise, the value of mortgage-backed securities with prepayment features will generally decline. In addition, when interest rates are declining, the value of mortgage-backed securities with prepayment features may not increase as much as other fixed income securities. The weighted average life of such securities is likely to be substantially shorter than the stated final maturity as a result of scheduled principal payments and unscheduled principal prepayments.

Until recently, Freddie Mac was a government-sponsored corporation owned entirely by private stockholders. Freddie Mac issues mortgage-related securities that contain guarantees as to timely payment of interest and principal but that are not backed by the full faith and credit of the U.S. government. The value of Freddie Mac’s securities fell sharply in 2008 due to concerns that the firm did not have sufficient capital to offset losses. The U.S. Treasury has historically had the authority to purchase obligations of Freddie Mac. In addition, in 2008, due to capitalization concerns, Congress provided the U.S. Treasury with additional authority to lend Freddie Mac emergency funds and to purchase the company’s stock. In September 2008, the U.S. Treasury and the Federal Housing Finance Agency announced that Freddie Mac had been placed in conservatorship. There remains significant uncertainty as to whether (or when) Freddie Mac will emerge from conservatorship, which has no specified termination date. Congress is considering several pieces of legislation that would reform Freddie Mac, proposing to address its structure, mission, portfolio limits and guarantee fees, among other issues. The potential impact of these developments is unclear, but could impact CPRE’s investment in securities issued and backed by Freddie Mac.

Inflation

Inflation and rapid fluctuations in inflation rates have had in the past, and may in the future have, negative effects on economies and financial markets. For example, wages and prices of inputs increase during periods of inflation, which can negatively impact returns on investments. Governmental efforts to curb inflation often have negative effects on the level of economic activity. There can be no assurance that inflation will not become a serious problem in the future and have an adverse impact on CPRE's returns.

Interest Rate Fluctuations

The prices of portfolio investments can be sensitive to interest rate fluctuations, and unexpected fluctuations in interest rates could cause the corresponding prices of a position to move in directions which were not initially anticipated. In addition, interest rate increases will generally increase the interest carrying costs to a Client of borrowed securities and leveraged investments.

No Limitations on Strategies

There are generally no material limitations on the investment strategies which CPRE may use when investing assets on behalf of its Clients. CPRE will opportunistically implement whatever strategies or discretionary approaches it believes from time to time may be best suited to prevailing market conditions. For some of these strategies, no specific "risk factors" are provided. Nevertheless, such strategies should be considered to be speculative, volatile and, in general, no less risky than other strategies more fully described herein. Over time, the strategies implemented on behalf of a Client can be expected to expand, evolve and change, perhaps materially. CPRE will not generally be required to implement any particular strategies and may discontinue employing any particular strategy on behalf of a Client, whether or not such strategies are specifically described herein, and without notice to Clients or Fund investors. There can be no assurance that the various investment strategies which CPRE expects from time to time to develop and implement will be successful or that strategies that have been successful will continue to be profitable.

Uncertain Exit Strategies

While loans purchased or originated by CPRE have a stated maturity and/or duration, if CPRE takes possession of the property securing any such loan, CPRE is unable to predict with confidence the timing that an exit strategy for a given property will ultimately be available for a Client. Exit strategies that appear to be viable at certain times during the life cycle of an investment may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

Expedited Transactions

Investment analyses and decisions by the Adviser may be undertaken on an expedited basis in order to make it possible for the Fund to take advantage of short-lived investment opportunities. In such cases, the available information at the time of an investment decision may be limited, inaccurate and/or incomplete. Furthermore, the Adviser is unlikely to have sufficient time to fully evaluate information which is available.

There is a significantly increased risk of making poor investments when they are made on an expedited basis.

Loan Funding and Accruing Interest

From time to time, CPRE will make capital calls from investors as part of the investment process. Capital call notices will specify a date by which the capital must be received by CPRE. Interest is only due from a

borrower from the date the investment is actually funded by CPRE on behalf of its participating accounts. Therefore, if capital is received after the date specified on any specific capital call notice, then funding to the borrower will be delayed and, accordingly, interest due will be less than expected.

Discontinuation of LIBOR

“LIBOR” (the London interbank offered rate) has been discontinued as a floating rate benchmark. LIBOR had been the principal floating rate benchmark in the financial markets, and its discontinuation has affected and will continue to affect the financial markets generally and may also affect the Fund’s operations specifically.

In the United States, there have been efforts to identify alternative reference interest rates for U.S. dollar LIBOR. The cash markets have generally coalesced around recommendations from the Alternative Reference Rates Committee (the “ARRC”), which was convened by the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York (“FRBNY”). The ARRC has recommended that U.S. dollar LIBOR be replaced by rates based on the Secured Overnight Financing Rate (“SOFR”) plus, in the case of existing LIBOR contracts and obligations, a spread adjustment. The derivatives markets are also expected to use SOFR-based rates to replace U.S. dollar LIBOR.

SOFR has a limited history, having been first published in April 2018. The future performance of SOFR, and SOFR-based reference rates, cannot be predicted based on SOFR’s history or otherwise. SOFR is intended to be a broad measure of the cost of borrowing funds overnight in transactions that are collateralized by U.S. Treasury securities. SOFR is calculated by the FRBNY based on transaction-level repo data collected from various sources. For each trading day, SOFR is calculated as a volume-weighted median rate derived from such data. Because SOFR is a financing rate based on overnight secured funding transactions, it differs fundamentally from LIBOR. LIBOR is intended to be an unsecured rate that represents interbank funding costs for different short-term tenors. It is a forward-looking rate reflecting expectations regarding interest rates for those tenors. Thus, LIBOR is intended to be sensitive to bank credit risk and to short-term interest rate risk. In contrast, SOFR is a secured overnight rate reflecting the credit of U.S. Treasury securities as collateral. Thus, it is intended to be insensitive to credit risk and to risks related to interest rates other than overnight rates. SOFR has been more volatile than other benchmark or market rates, such as three-month LIBOR, during certain periods. For these reasons, among others, there is no assurance that SOFR, or rates derived from SOFR, will perform in the same or a similar way as LIBOR would have performed at any time, and there is no assurance that SOFR-based rates will be a suitable substitute for LIBOR.

The discontinuation of LIBOR, particularly if the replacement for LIBOR is not well-received, may adversely affect financial markets generally and may also adversely affect CPRE’s operations specifically.

The foregoing discussion of certain risk factors does not purport to be a complete explanation of the risks involved with investing with CPRE. Clients and Fund investors should read all documents and agreements related to opening an account or investing in a Fund (including a Fund’s Offering Memorandum and other relevant documents).

Disciplinary Information

There are no legal or disciplinary events that are material to a Client’s, prospective client’s, Fund investor’s or prospective Fund investor’s evaluation of CPRE’s advisory business or the integrity of CPRE’s management.

Other Financial Industry Activities and Affiliations

Broker-Dealer and Registered Representatives

CP Investments LLC (“CP Investments”) is a registered broker-dealer and member of FINRA and is an indirect affiliate of CPRE. CPRE is ultimately controlled by Messrs. Friedman and Julis, who control Canyon Partners, LLC. Canyon Partners, LLC owns 100% of CP Investments. CPRE and/or Clients will not use the services of or pay sales commissions to CP Investments.

Related Investment Advisers

Canyon Capital Advisors LLC (“CCA”), an affiliate of CPRE, is a registered investment adviser that is ultimately controlled and managed by the same principals that control and manage CPRE. CCA focuses primarily on distressed debt and structured products of domestic issuers. While the clients of CCA have different investment objectives than the clients of CPRE, a conflict of interest in rendering advice to CPRE’s clients may arise because the benefits realized by the principals from managing CCA’s clients’ accounts in certain circumstances may exceed the benefit from managing CPRE’s clients’ accounts and, therefore, may provide an incentive to favor such other accounts. The principals of CCA and CPRE will not enter into transactions in which they knowingly and deliberately favor themselves or another client over the clients of CPRE; however, the principals have considerable discretion to trade for other accounts, and intend to do so to a significant extent.

In addition, the principals of CPRE may, from time to time, cause securities purchased on behalf of CPRE’s clients and CCA’s clients to be held in the name of a nominee affiliate in trust on behalf of CPRE’s clients and CCA’s clients. Such nominee holdings will be undertaken when the size of the investment, the nature of the co-investment or other considerations relating to the transaction militate in favor of holding the securities in the name of one person rather than subdividing the securities among CPRE’s and the other related purchasers. In addition, CPRE’s clients and clients of CCA share, on a fair and equitable basis, in the legal fees and other expenses that CCA and CPRE incur in investigating and negotiating potential transactions for their clients, whether or not such transactions are consummated.

AECOM-Canyon Partners Real Estate Fund Advisors LLC (“AECOM-Canyon”), an affiliate of CPRE, is a registered investment adviser that is a joint venture between AECOM Capital Real Estate, LLC and CPRE. AECOM-Canyon focuses on capital appreciation primarily by investing in co-general partner equity opportunities in development and value-add commercial real estate projects located in the top ~25 markets across the United States.

River Canyon Fund Management LLC (“River Canyon”), a wholly owned subsidiary of CCA, is a registered investment adviser that is ultimately controlled and managed by the same principals that control and manage CCA. While River Canyon currently provides discretionary advisory and subadvisory services to registered investment companies, it may also do so for private funds and separately managed accounts.

Canyon CLO Advisors LP (“CLO Advisors”) is a subsidiary of CCA that was recently formed and registered with the SEC as an investment adviser in July 2015. It is ultimately controlled and managed by the same principals that control and manage CCA. CLO Advisors acts as collateral manager, sponsor and originator to collateralized loan obligations.

Canyon Capital Advisors (Europe) Ltd. (“CCA EU”) is a wholly owned subsidiary of CCA. CCA EU is registered with the Financial Conduct Authority. CCA EU provides research related services to CCA.

Other Entities Sponsored by CPRE and its Affiliates

CPRE and its affiliates (including CCA, AECOM-Canyon, River Canyon, and CLO Advisors) currently sponsor a number of private investment vehicles, partnerships, and companies and act as the investment adviser to managed accounts, and trade on behalf of themselves and their affiliates, which may create certain conflicts of interest. CPRE may also have a conflict of interest in rendering advice to multiple Clients because the benefit from managing one Client account may exceed the benefit of managing another Client account(s) and, therefore, may provide an incentive to favor such other account(s). Moreover, if CPRE makes investment decisions for multiple accounts at or about the same time it makes decisions for other Client accounts, Clients may be competing for the same or similar positions. CPRE also must take into account the varying investment objectives and limitations, tax considerations, available cash, investment horizons and other factors which may affect its Clients. There can be no assurance that a single Client will receive as large an allocation in respect of limited investment opportunities as it might otherwise have absent these considerations. Please see Brokerage Practices – Allocation of Investment Opportunities which discusses CPRE’s allocation policy.

CPRE is not obligated by contract to buy, sell or recommend for one Client any security or other investment that may be bought, sold or recommended for other Clients or for CPRE’s own or related persons’ account, but CPRE will endeavor to fairly allocate the investment opportunity or dispose of the investment in the event of an actual conflict.

CPRE will not enter into transactions in which it knowingly and deliberately favors itself or a single Client over another Client; however, the Adviser is given considerable discretion to trade for other accounts, and intends to do so to a significant extent

To the extent permitted by the applicable governing documents for the Funds, CPRE, as general partner and/or investment adviser, in its sole and absolute discretion, has agreed to waive or modify the application of certain provisions of such governing documents with respect to certain investors, by side letter or otherwise, without obtaining the consent of any other investor. Such side letters may provide for the following modified terms: (i) various notification requirements (e.g., upon substantial withdrawals by other investors, legal or regulatory actions, or the receipt of any soft dollar commissions outside of the safe harbor provided in Section 28(e) of the Exchange Act); (ii) limitations on the Fund’s ability to distribute securities in kind upon a withdrawal request; (iii) covenants for the provision of audited financial statements within certain periods of time; (iv) special withdrawal rights for key men changes and capital reductions; (v) covenants requiring the provision of portfolio holdings (subject to non-disclosure agreements); (vi) reduced fees or fee rebates; (vii) minor investment restrictions that do not materially affect the applicable fund; (viii) the provision of periodic pricing information; or (ix) the waiver or modification of withdrawal restrictions (such as withdrawal fees or lockup provisions), mandatory withdrawal terms or notice requirements

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

CPRE has adopted a Code of Ethics (“Code”) that sets forth standards of conduct expected of employees and addresses potential conflicts that can arise from personal trading by employees. CPRE has designated every employee, with certain very limited exceptions, as an access person for purposes of its Personal Trading Policy. As such, employees of CPRE are covered by the Personal Trading Policy. Under the Personal Trading Policy, employees must periodically report their personal securities transactions and holdings to the Chief Compliance Officer (“CCO”) and CPRE must review these reports. To this end, employees must arrange for CPRE to receive the employee’s investment account statements, which contain information regarding securities transactions in the accounts of the employee. In addition, employees must obtain written or electronic approval before making certain types of investments.

CPRE’s Personal Trading Policy is governed by two overriding principles. First, client trades are always processed first. Second, CPRE and its employees must manage both real conflicts and the appearance of conflicts. If an employee doubts the propriety of any personal trade, such doubt is resolved in favor of not trading. The Code also contains policies involving the safeguarding of proprietary and non-public information by CPRE personnel along with restrictions on the use of material, non-public information and the use of non-public information regarding a Client.

Any issues that arise under the Personal Trading Policy must be reported to CPRE’s CCO and senior management immediately. Clients can obtain a copy of our Code of Ethics, which includes the Personal Trading Policy, free of charge, from our CCO upon request (Doug Anderson (310) 272 1360)).

Interest in Client Investments

CPRE, its principals, employees and affiliates may trade securities for their own accounts. The records of such trading will not be made available to Clients. It is possible that principals, officers or employees of the Adviser buys or sells securities or other instruments that the Adviser has recommended to Clients and engages in transactions for their own accounts in a manner that is inconsistent with the Adviser’s recommendations to a Client. Personal securities transactions by employees may raise potential conflicts of interest when such persons trade in a security that is owned by, or considered for purchase or sale for, a Client. As described above, the Adviser has adopted policies and procedures designed to detect and prevent such conflicts of interest and, when they do arise, to ensure that it effects transactions for clients in a manner that is consistent with its fiduciary duty to its clients and in accordance with applicable law. In compliance with the Adviser’s Code of Ethics, transactions in certain securities described therein are required to be pre-cleared to allow for a review for any potential conflict of interest or insider trading. Employees of the Adviser are required to report personal securities transactions either electronically or via a monthly (or as generated, e.g. quarterly) duplicate statement sent directly from the corresponding brokerage firm.

The Investment Adviser as Principal

The Adviser, in certain circumstances, has engaged in principal transaction, either buying securities for itself or its affiliates from a Client or selling securities it or its affiliates own to a Client. When the Adviser engages in a principal transaction, it complies with the requirements of Section 206(3) of the Advisers Act and Section 25235(c) of the California Corporate Code by: (i) disclosing to the Client in writing the material terms of the transaction; and (ii) obtaining the written consent of the Client for such transaction. The Adviser includes in such disclosure: (1) its capacity as principal; (2) the cost to the Adviser of the security, in the case of a sale to a Client, or the price of the security in a resale, in the case of a purchase from a

Client; and (3) the best price at which the transaction could be effected by or for the Client elsewhere if such price is more advantageous to the Client than the purchase or sale with the Adviser.

Affiliated Party Transactions

The Adviser, in select circumstances, has engaged in affiliated party transactions, either buying real estate assets for its affiliates from a Client, or selling real estate assets to its affiliates from a Client. When the Adviser considers engaging in an affiliated party transactions, the Compliance department is notified to conduct an analysis of the proposed transaction. Such analyses for affiliated party transactions are maintained by CPRE.

Gifts and Business Entertainment

In the normal course of business, CPRE and its officers and employees may provide and/or receive gifts or business entertainment to/from certain individuals and/or entities such as clients, investors, vendors, consultants, and service providers. Any such gift or business entertainment is not premised upon any specific client referral or any expectation of any other type of benefit to CPRE. CPRE has adopted formal policies and procedures requiring preapproval and recordkeeping of certain gifts and business entertainment.

Political Contributions

CPRE and its principals and employees also make political contributions from time to time to persons who may serve or seek to serve in elected capacities with certain public entities. Any such political contributions are permitted only to the extent such contributions are in accordance with CPRE's policies and procedures regarding political contributions and do not violate the SEC's rule prohibiting pay-to-play activities adopted under Rule 206(4)-5.

Co-investment with Affiliates

It is contemplated that Clients could "co-invest" with the Adviser and/or principals of the Adviser in respect of certain investment opportunities, and certain of a Client's arbitrage and hedging activities may be conducted through an investment in a Fund. Any such co-investments will be on the same terms as made available to Clients, and no additional fees will be incurred by virtue of such investments. On occasion, a Fund may acquire debt or equity interests in projects financed by other entities managed by affiliates of the Adviser. In addition, a Fund may loan to or invest in entities in which other Clients of the Adviser are investors or lenders, either in similar investment positions or in different positions in the capital structure with different risk and return parameters. A Client may enter into transactions originated by, or issuers otherwise affiliated with, service providers to a Fund and their affiliates. In such event, disputes may arise between the two entities regarding the terms of the investments and the enforcement of the entities' respective rights therein. Furthermore, the Adviser is not precluded from causing a Fund to invest in the securities issued by companies represented in the investment portfolios of other Funds managed by the Adviser or its principals, affiliates or advisory clients. Any such purchases (or sales) will not be on a "principal-to-principal" basis and will only be offered where the Adviser is satisfied that the Fund's interests are not unfairly prejudiced.

Co-Investments by Unrelated Entities

At times, CPRE will offer a portion of its financing obligation on a particular loan to investment vehicles managed by unrelated entities. These opportunities arise when the financing obligation exceeds the amount

of available capital from eligible Client commitments. In these instances, CPRE does not receive an advisory fee. No additional fees are incurred by Clients by virtue of these allocations.

Investments by Related Persons and/or Entities

The Principals and/or employees also invest in real estate as well as participate in certain real estate transactions. Depending on the nature of these investments, CPRE staff may provide investment sourcing and/or asset management services to certain of these real estate investments.

Brokerage Practices

Execution Quality

CPRE does not typically effect securities transactions on behalf of its Clients. However, to the extent any such transaction is effected, CPRE'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 selecting brokers to effect portfolio transactions, the determination of what is expected to result in best execution at the most favorable price involves a number of largely judgmental factors, including the broker's efficiency in executing and clearing transactions, block trading capability, and the broker's financial strength and experience in the industry. Primary market makers are used for transactions in the over the counter market except in those instances where CPRE believes more favorable execution or price is obtainable elsewhere.

Each Client is responsible for the payment of standard custodian fees for the custody of its assets. Custodian fees are paid at market rates and are not material to the Fund. Each Client incurs standard transaction costs associated with acquiring and selling securities and the brokerage commissions are negotiated at arm's length on behalf each Fund. CPRE will not receive any rebates in respect of brokerage commissions or custody fees.

In allocating brokerage business for its clients, CPRE also takes into consideration research, analytical, statistical and other information and services provided by the broker. While CPRE believes these services have value, they are considered supplemental to its own efforts in the performance of its duties to its advisory clients.

Clients do not direct brokerage.

Trading and Soft Dollar Arrangements

CPRE does not intend to use soft dollars to pay for third-party research or other third-party products. Furthermore, CPRE will not enter into any third-party soft dollar arrangements without the express approval of its Chief Compliance Officer. CPRE's Clients do pay bundled commission rates and CPRE receives proprietary research from many of its executing brokers and prime brokers. As a result, CPRE may pay a broker a brokerage commission in excess of that which another broker might have charged for effecting the same transactions, in recognition of the value of the brokerage and research services provided by the broker and used by a Client. In such circumstances, CPRE endeavors to do so in accordance with the criteria of Section 28(e) of the Exchange Act ("Section 28(e)"). CPRE may also occasionally direct transactions effected on a principal basis to brokers in recognition of the research services provided by that broker. CPRE believes that in certain circumstances it is important to its investment decision-making processes to have access to independent research. Some research services furnished by brokers and dealers with whom CPRE effects securities transactions could be used in servicing all of its Clients and not all such services may be used in connection with all of the Clients who paid commissions to the brokers providing such services.

Generally, research services provided by brokers include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, and meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives.

Subject to best execution, CPRE may effect transactions with certain brokers primarily in consideration for providing research services. CPRE may allocate brokerage to such firms, provided that the value of any research and brokerage services is reasonable in relationship to the amount of commission paid. While CPRE tracks internally the amount of commissions paid to various brokers, in no case will CPRE make binding or informal commitments as to the level of brokerage commissions it will allocate to a broker.

If CPRE itself enters into a formal soft dollar arrangement to receive a mixed use product (a product that provides both Section 28(e) eligible research/brokerage functions as well as other functions), it will make a good faith allocation between the research/brokerage functions and non-research/brokerage functions, and will pay for any non-research/brokerage functions with cash. In making good faith allocations between such functions, a conflict of interest may exist by reason of CPRE's allocation of the costs of such benefits and functions between those that primarily benefit CPRE and those that primarily benefit its clients.

Trade Error Policy

As noted above, CPRE does not typically effect securities transactions on behalf of its Clients. However, to the extent any such transactions is effected, the Adviser attempts to minimize trade errors by taking the utmost care in making and implementing investment decisions on behalf of client accounts. The Adviser has controls and procedures in place designed to detect and correct in a timely manner any trade errors that may occur. Trade errors are documented and reported to the Adviser's supervisory personnel, and trade errors are reviewed to assess whether an error was a result of a weakness in internal procedures and controls. If it is determined that a weakness in internal controls caused or contributed to the error, mitigating controls are established to rectify the identified control weakness.

Unless the Adviser has specifically addressed trade errors in the investment advisory agreement with a client, it is the Adviser's policy generally not to reimburse clients for any errors or mistakes with respect to the Adviser's placing or executing trades for the client, as such errors are considered by the Adviser to be a cost of doing business. However, pursuant to the pertinent investment management agreement's exculpation of liability and indemnification provisions, the Adviser will be obligated to reimburse the client for any trade error resulting from the Adviser's gross negligence or willful misconduct. The Adviser, subject to its fiduciary obligations, will determine whether or not any trade error is required to be reimbursed in accordance with this policy. Any positive trade errors will be for the benefit of the client and not retained by Adviser.

Allocation of Investment Opportunities

CPRE attempts to act in a fair and reasonable manner in allocating investment and trading opportunities among CPRE's Clients. CPRE's allocation procedures seek to allocate investment opportunities among the accounts over time on a fair and equitable basis, considering both the best interests and specific restrictions of the accounts. CPRE intends to ensure that each investment is appropriate for each account in light of the characteristics of the specific security and the overall portfolio composition of such account.

Although the allocation of investment opportunities among Clients may create potential conflicts of interest because of the interests of CPRE or because CPRE may receive different fees or compensation from its Clients, the allocation decisions will not be based on such interests, fees or compensation.

Within the overall parameters, consideration is given to account investment objectives, strategies and guidelines, account constraints and restrictions, account size, diversification, cash availability (including anticipated contributions and redemptions), liquidity constraints, tax issues, exposure to asset classes, ramp-up or ramp-down status, investment time horizon and other factors, including, where appropriate, the value of having round lots in the portfolio. CPRE will not be obligated to allocate an investment opportunity across all of its Clients and may at times sell a portion (or all) of an investment for one or more of its Clients, while it continues to hold the same investment for other Clients. For example, if any Client is prohibited from purchasing a particular security due to any legal or other regulatory reason, such Client will not be allocated any portion of such security.

From time to time, CPRE may recommend securities to one or more accounts and it or its affiliates may purchase securities for their own accounts as well. Conflicts of interest may arise among the accounts, or among CPRE and the accounts, or as a result of some other securities investment activity or business in which one or more accounts may be engaged. In addition, CPRE is not obligated by contract to buy, sell or recommend for an account any security or other investment that may be bought, sold or recommended for any other accounts.

On occasions where a number of accounts and affiliates are attempting to purchase the same securities, CPRE may aggregate orders to purchase or sell securities with those of its other accounts in order to facilitate execution and minimize transaction costs. CPRE receives no additional compensation or remuneration for such aggregation. The manner of aggregation is consistent with CPRE's duty to seek best execution for its accounts and with the terms of its investment advisory agreements. Each account participates in aggregated orders at the average share price for each completed transaction in a security with a given broker on a given business day, with transaction costs borne by each account participating in the transaction. If all such orders cannot be fully executed under prevailing market conditions, CPRE allocates on an equitable basis among all of its accounts the purchases or sales which can be made after taking into account the size of the order placed for the various accounts and such other factors as it deems appropriate. In some cases, this procedure may adversely affect the price paid or received by CPRE's accounts or the size of the position obtained by such accounts. In addition, due to certain minimum investment thresholds, certain smaller accounts may not participate in all transactions. This may, over time, result in such accounts holding fewer overall positions than larger accounts.

In addition, CPRE may, from time to time, cause the record title to securities purchased on behalf of the accounts to be held in the name of a nominee affiliate in trust on behalf of the accounts. Such nominee holdings will be undertaken when the size of the investment, the nature of the co-investment or other considerations relating to the transaction militate in favor of holding the securities in the name of one person rather than subdividing the securities among the accounts. Any such nominee holdings will be held by a qualified custodian, for the sole benefit of the accounts, each of whom will retain full beneficial ownership.

CPRE and its affiliates will cause the accounts to share on a fair and equitable basis in the legal fees and other expenses incurred from investigating and negotiating potential transactions for the accounts, whether or not such transactions are consummated. In loan transactions sourced by CPRE and its affiliates, CPRE may serve as agent at no additional cost to the accounts.

Cross Trades between Investment Advisory Clients

From time to time, one Fund may sell or buy a security to or from another Fund. Although these transactions should not be deemed principal transactions where the Adviser (including its controlling persons) owns less than 25% of the interests of each Fund, the Adviser recognizes the conflict of interest such transactions may create. To mitigate such conflicts of interest, the Adviser will obtain an independent review of the fairness of the transaction to both Funds if the investment is private or an independent price (i.e., a pricing service or broker quote) if the investment is public.

Similarly, from time to time, one Fund may sell or buy a security to or from a managed account Client. The Adviser also recognizes the conflict of interest such transactions may create. To mitigate such conflicts of interest, the Adviser will provide the managed account Client with the name of each security to be crossed for review and confirm approval by such managed account Client before executing the trade. Public securities will typically be “crossed” at the mid-point between the bid and the ask. Private securities will be valued by the Adviser, based on its valuation procedures, and such valuation will be reviewed and approved by the managed account Client.

CPRE-Related Securitizations and Other Canyon Activities

CPRE may invest in (a) CPRE-Managed CLOs, (b) securitizations originated or sponsored by the Investment Advisor (or its affiliate) or other CPRE Funds and (c) any other securitizations in which the Investment Advisor (or its affiliate) or other CPRE Funds may be involved or hold interests (including any refinancings thereof and purchases on the secondary market) (clauses (a) through (c) collectively, “CPRE -Related Securitizations”).

CPRE may also invest in other securitizations and asset-backed securities of any kind (collectively with CPRE -Related Securitizations, “Securitizations”).

CPRE’s investments in Securitizations may be made alongside other CPRE Funds at the same or different times and/or on different terms than other CPRE Funds. Other CPRE Funds may be sponsoring such Securitizations and retaining an interest in the equity and/or debt tranches thereof or participating separately as purchasers (like the Fund) in such Securitizations. CPRE or its affiliate may receive fees or other benefits as collateral manager, sponsor or other party in an CPRE -Related Securitization or as manager or advisor of other CPRE Funds participating in such CPRE -Related Securitization.

CPRE may invest in the same or different tranches of the same Securitization as other CPRE Funds or otherwise at different levels of the capital structure, and the Fund or any other CPRE Funds may own a substantial portion of any tranche in which it participates. In such circumstances, CPRE and other CPRE Funds may have conflicting interests. Investments by CPRE and other CPRE Funds in the same or different tranches may be potentially adverse to each other’s interests. On any matter involving a conflict of interest, the Investment Advisor (or its affiliate) will be guided by its fiduciary duties to the Fund as well as its fiduciary duties to the other CPRE Funds, as applicable, which may include conflicting fiduciary duties in its capacity as sponsor or collateral manager of an CPRE -Related Securitization. In each case, the Investment Advisor (or its affiliate) will seek to act for CPRE in the Client’s best interest while acting for other CPRE Funds in such Other CPRE Funds’ best interests, even where these respective best interests conflict. An investment by CPRE may be a minority investment and/or may be in a non-controlling tranche of interests. Another CPRE Fund may control the tranche in which the Fund invests or may hold interests in different tranche that controls decisions for the entire Securitization; in such case, decisions made for such other CPRE Fund in such other CPRE Fund’s best interest may be directly adverse to the Fund’s best interest (including decisions that result in forced redemptions or refinancings, amendments to Securitization terms, rights to direct remedies and other actions or determinations). Accordingly, the Investment Advisor

may take action, give direction or vote on behalf of the Fund in a manner that is consistent, different or opposite from the action, direction or vote it may take in connection with the investments in the same or different tranches of the same Securitization by other CPRE Funds. Moreover, the same investment team, and potentially the same investment professional, may be responsible for directing such votes on behalf of CPRE and other CPRE Funds.

If, during any period in which any Fund assets are held in an CPRE -Managed CLO, the Fund pays or bears any CPRE -Managed CLO Fees, then, during such period either (a) the Fund's share of such fee will reduce on a dollar-for-dollar basis the Management Fee (but not below zero) or (b) the basis against which the Management Fee is charged will be deemed to exclude the portion attributable to such Canyon-Managed CLO; provided that the choice between (a) and (b) shall be made in the Investment Advisor's sole discretion. The Investment Advisor shall determine in its reasonable discretion whether any tranche(s) of any such CPRE -Managed CLO are held as part of the assets of the Fund, and therefore whether the Fund (through such investment), bears any such CPRE -Managed CLO Fee. In addition, while investments made by the Fund in CPRE -Managed CLOs will provide for a reduction in the Management Fee otherwise payable by the Fund to the extent the Fund pays or bears fees payable to the Investment Advisor in respect of a collateral manager or sponsor role for any CPRE -Managed CLO, there will not be any offset for any fees or other compensation payable to the Investment Advisor or any other account associated with securitizations originated or sponsored by CPRE -managed or CPRE -advised funds and accounts, including any fees or other benefits other accounts may directly or indirectly receive from any affiliates acting as a servicer in such securitizations. Accordingly, the Investment Advisor (or its affiliate) may receive greater total fees, carried interest and other compensation as a result of the Fund investing in such securitizations than the Investment Advisor would receive if the Fund invested in other investment products not affiliated with other accounts (including, where the Investment Advisor does not receive fees or compensation from any such securitization itself, by receiving greater fees, carry or other compensation from another account that has originated or is otherwise involved with such securitization).

The Fund will generally be excluded from voting to remove and replace the Investment Advisor entities as collateral manager, servicer or other parties in certain CPRE -Related Securitizations.

Review of Accounts

Client accounts are reviewed and monitored on routine basis by Madame Potts. Reviews may be triggered by, among other factors, changing market conditions, news concerning specific holdings, or at the request of a Client.

Separately managed accounts receive transaction confirmations and monthly statements from brokers, as well as a monthly report listing the holdings, the market value, cost and other information concerning the account.

Fund investors receive monthly account statements listing the value of their investment. Fund investors also receive an annual K-1, if applicable, and a copy of the annual audit for each fund in which they are invested.

Taxable accounts receive an annual tax summary.

Also, due to legal/regulatory constraints that must be followed by some of our Clients/underlying Fund investors and/or the specific needs and requests by certain Clients/Fund investors, CPRE may, at its discretion, agree to provide certain Clients/Fund investors more frequent reports and/or certain other reports than those described above. Certain information is only provided after the Client/Fund investor has signed a confidentiality agreement.

Client Referrals and Other Compensation

From time to time, CPRE may enter into arrangements with third parties whereby CPRE compensates such third parties for referring clients or investors to CPRE. To the extent CPRE does compensate a third-party or client for referrals, CPRE will comply with Rule 206(4)-6 (new Marketing Rule), including ensuring that any referred client/investor receives the required disclosure document.

In addition, CPRE's executing brokers, prime brokers and other service providers (collectively "Service Providers") may, from time to time, refer to CPRE potential clients/investors or arrange for meetings with potential clients/investors. While this may create a potential conflict of interest, such services are not a consideration when selecting or retaining service providers. While the meetings may be arranged by the Service Providers, there is no guarantee that the clients/investors will invest with CPRE. Other than the standard commission rates and/or fees paid by CPRE's Clients, the Service Providers do not receive any compensation, directly or indirectly, for the meetings or the subsequent investments, if any. CPRE does not select or recommend Service Providers based upon client referrals.

On occasion, CPRE may also receive compensation from third parties for consulting services provided by CPRE to such parties.

Furthermore, CPRE or its affiliate may receive an underwriting fee (an "Underwriting Fee") from a borrower or any other third party in connection with any proposed or consummated investment. In this circumstance, CPRE or its affiliate will retain for its own account all Underwriting Fees and the receipt of any Underwriting Fees by CPRE or its affiliate will not modify in any manner the amount of management fees or any performance allocation otherwise payable by Clients.

Custody

CPRE has custody of certain Client funds and/or securities. Investors and Clients should carefully review any statements or reports provided by a qualified custodian as well as the Fund's audited financial statements. The Funds are audited annually and Fund investors receive a copy of the annual audit within 120 days' of a Fund's year-end. With respect to such funds and/or securities held by managed account Clients, such Clients will have access to account statements prepared by a qualified custodian. Such account statements will be available at least quarterly. Managed account Clients will also receive accounts statements from CPRE, and Clients should compare the account statements received from the qualified custodian with those received from CPRE.

Investment Discretion

CPRE provides (accepts) advisory services on a fully discretionary basis. Clients (but generally not Investors) are permitted to place limits on this discretion or with respect to certain investments and/or investment types. Prior to accepting this authority, CPRE will enter into an advisory agreement with the Client.

Neither CPRE nor any of its affiliates, principals or employees is required to devote full time to managing any single Client. They conduct other businesses and provide investment advisory services to other Clients, including, without limitation, other affiliated investment funds and managed accounts (such as corporate or governmental benefit plans, institutional investors and high net worth individuals), some of whom have objectives similar to those of other Clients. They give advice and make recommendations to such other Clients, which may be the same, similar to or different from those rendered to another Client. The compensation arrangements with other Clients may create incentives for CPRE or its principals or

employees to favor such other Clients. However, CPRE will not knowingly or deliberately favor any Client over another Client as result of different compensation arrangements. Decisions affecting one Client may be made independently from such other Clients.

Voting Client Securities

As discussed above, CPRE does not expect to invest in securities, which would give rise to voting proxies. However, generally, CPRE has authority to vote its Client's proxies (unless a Client retains authority pursuant to its advisory agreement with CPRE). CPRE has adopted a formal Proxy Voting Policies and Procedures (the "Proxy Policy"). Clients and investors may obtain a copy of CPRE's proxy voting policies and procedures and information on how the Client's securities have been voted upon the Client's request, free of charge from our CCO upon request (Doug Anderson (310) 272 1360).

Financial Information

CPRE does not require or solicit pre-payment of advisory fees. There are no financial conditions that are reasonably likely to impair CPRE's ability to meet its contractual commitments to clients.