
FORM ADV PART 2A: FIRM BROCHURE

ITEM 1 – COVER PAGE

CRAYHILL CAPITAL MANAGEMENT LP

March 29, 2024

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This brochure provides information about the qualifications and business practices of Crayhill Capital Management LP. If you have any questions about the contents of this brochure, please contact us (212) 634-3250. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Crayhill Capital Management LP is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.

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

ITEM 2 – MATERIAL CHANGES

This annual amendment to the brochure, dated March 29, 2024, contains changes from the previous annual amendment to the brochure, dated March 31, 2023. These changes can be found in Item 4, Item 5, and Item 8.

ITEM 3 – TABLE OF CONTENTS

ITEM 1 – COVER PAGE	1
ITEM 2 – MATERIAL CHANGES	2
ITEM 3 – TABLE OF CONTENTS	3
ITEM 4 – ADVISORY BUSINESS	4
ITEM 5 – FEES AND COMPENSATION	6
ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	8
ITEM 7 – TYPES OF CLIENTS	9
ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	10
ITEM 9 – DISCIPLINARY INFORMATION	29
ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	30
ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	31
ITEM 12 – BROKERAGE PRACTICES.....	32
ITEM 13 – REVIEW OF ACCOUNTS.....	33
ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION.....	34
ITEM 15 - CUSTODY	35
ITEM 16 – INVESTMENT DISCRETION	36
ITEM 17 – VOTING CLIENT SECURITIES	37
ITEM 18 – FINANCIAL INFORMATION.....	38
ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS.....	39

ITEM 4 – ADVISORY BUSINESS

A. General Description of the Advisory Firm

Crayhill Capital Management LP (“Crayhill” or the “Firm”) is an investment adviser organized as a Delaware limited partnership that was formed in July 2015 and is based in New York, NY. Carlos Mendez and Joshua P. Eaton are the principal owners of the Firm (the “Principals”).

B. Description of Advisory Services

Crayhill provides discretionary investment advisory services to Sierra GPS Opportunities Fund LP, Sierra GPS Opportunities Parallel Fund LP, and Knights Hill Capital Ireland DAC (together, “SGPSOF”); Crayhill Principal Strategies Fund II LP, Crayhill Principal Strategies Parallel Fund II LP, and Knights Hill Ireland II DAC (together, “CPSF II”); Crayhill Principal Strategies Fund III LP and Crayhill Principal Strategies Parallel Fund III LP (together, “CPSF III”); Crayhill Structured Income Fund LP, Crayhill Tactical Income Fund LP, Crayhill Tactical Income Fund LP Series 2, and Crayhill Aurora Capital Ireland DAC (together, “CTIF”); Crayhill NJ Fund LP (“CNJF”); Crayhill Co-Invest Fund II LP (“CCIF II”); Crayhill Co-Invest Fund III LP and Crayhill Co-Invest Fund III-B LP (together, “CCIF III”); and Crayhill Co-Invest Fund IV LP (“CCIF IV”). SGPSOF, CPSF II, CPSF III, CTIF, CNJF, CCIF II, CCIF III, and CCIF IV are each a “Crayhill Fund” or “Client” and together comprise the “Crayhill Funds” or the “Clients.”

The Crayhill Funds pursue an investment strategy that targets asset-based private credit investments backed by real and financial assets. Crayhill offers capital solutions to specialty finance and other asset heavy businesses that do not have ready access to funding for their assets. The Principals have developed this strategy over the course of their structured finance careers. The Crayhill Funds are focused on capital preservation through asset and cash flow coverage across a broad range of sectors, such as renewable energy, commercial finance, structured real estate, and media. Targeted assets generate contracted or determinable cash flows derived from loans, leases, royalties, rents, receivables, subscriptions, claims, market sales, subsidies, etc. The Crayhill Funds target investments in developed markets, including North America and Western Europe.

C. Tailored Advisory Services

Crayhill provides investment advisory services to the Clients in accordance with the Clients’ investment objectives and limitations. The investment objectives and limitations for the Clients are outlined in the applicable offering memoranda and other governing documents, which include but are not limited to subscription agreements, side letters and investment management agreements (“Fund Documents”). Investors do not have the ability to impose specific investment objectives or restrictions on the Crayhill Funds.

D. Wrap Fee Programs

Crayhill does not participate in wrap fee programs.

E. Assets Under Management

Crayhill manages approximately \$2,077,177,000 in Client assets (including committed but undrawn capital) as of December 31, 2023.

ITEM 5 – FEES AND COMPENSATION

A. Fees

Crayhill's fee schedule is omitted because this brochure is only being delivered to qualified purchasers as defined in the Investment Company Act of 1940. Crayhill receives management fees from the Crayhill Funds for its advisory services as provided for in the investment management agreement between Crayhill and each Crayhill Fund.

An affiliate of Crayhill acting as the general partner of the Crayhill Funds is entitled to receive incentive compensation from the Crayhill Funds in the form of a carried interest in the profits generated by the Crayhill Funds. Such carried interest is referred to herein as "Carried Interest."

While Clients themselves do not negotiate fees, investors in those Clients do enter into side letters relating to management fees and carried interest that effectively reduce the aggregate fees charged to Clients.

B. Charging Fees

The Firm primarily deducts management fees from client assets or, from time to time, may bill Clients for fees incurred. Such fees are paid quarterly in advance or in arrears, depending on the Client.

Carried Interest, where applicable, is payable after investors have received a return of their capital contributions, a hurdle rate of return, or some other contractually-specified return or distribution.

C. Other Fees and Expenses

The Crayhill Funds are responsible for the legal, accounting, administrative, fundraising and marketing expenses (including (i) expenses associated with travel to meet prospective investors, and meetings with prospective investors, and (ii) any expenses incurred in connection with attending industry conferences in connection with meeting prospective investors) and other expenses associated with its organization and the organization of the general partner (including their respective partnership and operating agreements) and the offering of the interests in the Crayhill Funds, including any "blue sky" filing costs and any out-of-pocket expenses.

In addition, the Crayhill Funds will bear the costs and expenses directly related to their portfolio investments or prospective investments (whether or not consummated), including but not limited to brokerage commissions, interest on borrowings, fees and profit-sharing payments due to unaffiliated advisors and consultants, travel expenses, specific expenses incurred in obtaining or maintaining systems, research and other information utilized with respect to the Crayhill Funds' investment programs and any taxes or governmental charges (including any withholding or transfer taxes) imposed on the Crayhill Funds. The Crayhill Funds will also bear all out-of-pocket costs of their administration, including accounting, audit, administration, regulatory, compliance and legal expenses, costs of any litigation or investigation involving Crayhill Fund activities, and third-party costs associated with reporting and providing information to existing and prospective investors. Generally, expenses of the Crayhill Funds will be borne pro rata by their investors. The Crayhill Funds will not have their own separate employees or offices, although its portfolio companies may. The general partner and the Firm will be responsible for its own general operating and overhead costs (excluding any fund accounting or administrative functions and related expenses)

regardless of whether the services giving rise to such expenses are performed by internal staff of the Firm or by third parties.

The Clients may incur brokerage and other transaction costs. Please see Item 12 for a further description of such brokerage costs.

D. Timing of Fee Payments

As described above, management fees are generally paid by the Clients quarterly. Accounts initiated or terminated during the relevant periods are charged pro-rated fees.

E. Payments to Supervised Persons

Neither the Firm nor any of its supervised persons directly or indirectly receive any compensation from the sale of securities or other investment products.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The General Partner of the Crayhill Funds may receive Carried Interest equal to a percentage of the Crayhill Funds' distributions based on their performance. Carried Interest, where applicable, is payable after investors have received a return of their capital contributions, a hurdle rate of return, or some other contractually-specified return or distribution.

Performance-based fees may create an incentive for the general partner to invest the Crayhill Funds' assets in a manner that is riskier or more speculative than would otherwise be the case. In accordance with the Fund Documents of the Crayhill Funds, the general partner selects investments pursuant to each Crayhill Fund's investment strategies and does not select investments that are riskier or more speculative in order to achieve higher performance-based fees. In addition, the general partner's policy is to allocate investment opportunities in a manner that is consistent with its fiduciary obligations and, accordingly, in a manner that is fair and equitable among the Crayhill Funds regardless of their Carried Interest structure.

ITEM 7 – TYPES OF CLIENTS

Crayhill provides investment advisory services to the Crayhill Funds. Currently, the Firm provides discretionary investment advice to the Crayhill Funds. Investors in the Clients may include pension plans, insurance companies, foundations, endowments, funds of funds, other institutional investors and high net worth individuals. The minimum investment in the Crayhill Funds is generally \$10 million (although the general partner of the Crayhill Funds has the right to accept investments of lower amounts).

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies

The investment strategy of the Crayhill Funds targets opportunistic asset-based private credit investments. Asset-based private credit is an alternative to traditional corporate lending and focuses on specialty finance and other asset-heavy businesses that originate, own and/or develop real and financial assets. Today, investment vehicles that, like the Crayhill Funds, focus on private structured finance, serve to replace principal lending activities conducted by large investment banks prior to the global financial crisis. The Crayhill Funds' strategies focus on providing tailored capital solutions to counterparties backed by their cash-flowing assets. The investment team has long-standing industry relationships that allow early identification of investment themes and proactive, non-competitive sourcing of investment opportunities.

Crayhill is a capital solutions provider to specialty finance and other asset-heavy businesses that do not have ready access to funding for their assets. Crayhill has created a purpose-built platform to identify thematic alternative funding needs, develop replicable transaction structures to address balance sheet requirements for strong operating teams, and deploy capital in these targeted themes to scale over time. Crayhill also provides financing solutions for existing portfolios of targeted assets, which may involve restructuring existing financing structures or acquiring existing asset pools and implementing new financing structures.

Crayhill's investment strategy features several strategic tenets that leverage the experience and execution capabilities of its investment team:

- (i) proprietary, direct transaction sourcing guided by deliberately developed investment themes capitalizing on emerging "funding gaps" with tailored capital solutions;
- (ii) ability to monetize complex investment opportunities through tightly structured and bilaterally negotiated transactions that emphasize downside protection, and retain upside optionality while meeting the scalability needs of counterparties;
- (iii) disciplined asset-level credit underwriting and counterparty due diligence supported by in-depth analysis, modeling and expertise; and
- (iv) active risk management and monitoring through continuous data collection, asset-analytics, and counterparty reporting, combined with detailed asset eligibility criteria, controls and performance triggers.

This investment strategy is driven by the investment team's ability to identify asset-based funding gaps where the Principals can leverage their knowledge of the targeted assets while providing to counterparties an attractive capital solution. Counterparties are expected to include non-bank lenders, specialty finance companies, asset-heavy corporates, and other originators, servicers, developers and owners of real and financial assets. The Crayhill Funds expect to benefit from a large number of market participants originating and acquiring assets across sectors that require expansion or restructuring of their balance sheet to finance their assets. Crayhill's strategy is most effective when capitalizing on a limited supply of sophisticated structured credit solutions in industry sectors undergoing rapid market changes. These catalysts often take

the form of secular trends, disruptive technologies, market disruptions and regulatory, tax or accounting changes.

In order to focus the team's direct sourcing activities, Crayhill dedicates substantial time and resources to developing top-down investment themes that take into account in-depth forward looking analysis of markets undergoing or susceptible to disruption. Crayhill tends to derive investment themes focused on asset-heavy industries where contracted or determinable cash flow streams provide adequate collateral coverage. In the most attractive situations, the exogenous changes creating funding gaps for Crayhill's counterparties do not alter the quality or performance attributes of the underlying assets targeted by Crayhill. Crayhill seeks opportunities where it can redeploy established or develop new structured finance approaches to introduce an innovative financing solution to an emerging market sub-segment, creating a first-mover advantage that allows it to scale an investment prior to attracting competing market participants.

B. Types of Risks

Investing in securities, loans and other assets involves a risk of loss that investors should be prepared to bear. The following is a summary of some of the material risks associated with the strategies Crayhill employs on behalf of the Clients. This summary does not attempt to describe all of the risks associated with an investment in a Client, or even all risks associated with the strategies employed by the Clients. Although no summary can fully describe all of the risks associated with an investment in a Client, the confidential private placement memoranda for the applicable Client will contain a more complete description of these risks.

There can be no assurance that Crayhill will achieve the objectives of the Clients. Investors may lose all or substantially all of their investment in a Client.

General Risk Factors

General Business and Market Conditions

Crayhill Funds are subject to the general risks associated with the underlying businesses in which it invests and the associated assets backing its investments, including, but not limited to, market conditions, changes in regulatory requirements, reliance on management at the company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations, and other factors. Since the financial crisis of 2007-2008, global markets have been subject to a number of sources of volatility, including increased volatility in the prices of oil and other commodities, concerns about the direction of the Chinese economy, potential instability in the European Union, rising interest rates, and an economic downturn resulting from the coronavirus disease ("COVID-19") pandemic. There are other sources of volatility that may continue to impact markets that affect the Crayhill Fund's business. General fluctuations in the market prices of securities and interest rates may adversely affect the value of the investments held by the Crayhill Funds. Volatility and instability in the securities markets may also increase the risks inherent in the Crayhill Fund's investments. While it is difficult to predict with certainty the impact of a rise in interest rates by central bankers, the Crayhill Fund's ability to generate attractive investment returns for its investors may be adversely affected to the extent the Crayhill Funds are unable to obtain favorable financing terms for its investments. Moreover, downturns in the U.S. or global economy (or any particular segment thereof) or weakening of credit markets could adversely affect the Fund's profitability, impede the ability of the Crayhill Fund's portfolio companies to perform under or refinance their existing obligations, and impair the

Fund's ability to effectively exit investments on favorable terms, including the availability of financing to potential purchasers of its investments or its underlying assets. While the risk of substantial or total loss to the Crayhill Funds exists with respect to all of the Crayhill Fund's investments, the occurrence of the foregoing events could make losses more likely.

Epidemics and Pandemics The spread of infectious disease, together with any resulting travel restrictions or quarantines, could have a significant negative impact on the economy and the Fund's business activities. In turn, this would adversely affect the Fund's performance. Examples include the outbreaks of Severe Acute Respiratory Syndrome in Asia in 2003, avian influenza, or "bird flu," in Asia in 2004 and 2005 and Influenza A more recently. There can be no assurance that any precautionary measures taken against infectious disease would be effective.

No Assurance of Investment Return

The general partner and the Firm cannot provide assurance that they will be able to choose, make, and realize investments in any particular opportunity. There can be no assurance that the Crayhill Funds will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of transactions described herein. There can be no assurance that any investor will receive any distribution from the Crayhill Funds. Accordingly, an investment in the Crayhill Funds should only be considered by persons who can afford a loss of their entire investment.

Inflation Risk

Inflation could affect the Clients' investments adversely in a number of ways. During periods of rising inflation, interest rates and dividend rates related to portfolio investments could increase, which would tend to reduce returns to the Client and any underlying investors. In addition, inflationary expectations or periods of rising inflation could also be accompanied by the rising price movement of equity and other investments in the Clients. During periods of high inflation, capital could flee to other asset classes, which could adversely affect the prices at which the Client will be able to sell its portfolio investments. The market value of such investments/holdings is also subject to decline in value in times of higher inflation rates. Therefore, it should be noted that Inflation and rapid fluctuations in inflation rates have had in the past, and will likely in the future have, negative effects on U.S. and non-US economies and financial markets as a whole and not just on the Firm.

Illiquid and Long-Term Investments

Investment in the Clients requires a long-term commitment with no certainty of return. Many of the investments of the Clients will be highly illiquid, and there can be no assurance that the Clients will be able to realize on such investments in a timely manner. While an investment may be securitized, sold or otherwise disposed of, it is generally expected that the Client will hold its investments until maturity, securitization or sale, which may not occur for a number of years after the investment is made. In addition, in some cases the Client may be prohibited by contract or legal or regulatory reasons from selling certain investments for a period of time.

Political and Economic Conditions

The Fund's investments may be adversely affected by changes in economic conditions or political events that are beyond its control. For example, a stock market downturn, the outbreak of hostilities involving the United States, pandemics (including the COVID-19 virus or other contagious pathogens) or the death of a major political figure may have significant adverse effects on the Fund's investment results. Other factors, such as changes in U.S. federal or state tax laws, U.S. federal or state securities laws, bank regulatory policies

or accounting standards, may make corporate acquisitions less desirable. Similarly, legislative acts, rulemaking, adjudicatory or other activities of the U.S. Congress, the SEC, the U.S. Federal Reserve Board, the New York Stock Exchange, the Financial Industry Regulatory Authority or other governmental or quasi-governmental bodies, agencies and regulatory organizations may make the business of the Fund less attractive.

Military Conflict and Geopolitical Turmoil

The occurrence of military conflict, geopolitical turmoil and other similar world events may have an adverse impact on the Fund and its investments, thereby affecting returns to investors. The Fund could also be subject to a risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, and other natural disasters, terrorism, armed conflict, war, and other catastrophic events. For example, Russia's military invasion of Ukraine, the resulting responses by the United States and other countries, and the potential for wider conflict have increased volatility and interjected uncertainty into global financial markets, especially European markets, and could adversely affect regional and global economies. It is possible that any fallout from the Ukrainian conflict will have effects on other European countries as they address refugee movements and potential further threats. The war in Ukraine may also have the effect of heightening many of the risks described herein. Such risks include, but are not limited to, adverse effects on macroeconomic conditions, including inflation; disruptions to our technology infrastructure, including through cyberattack, ransom attack, or cyber-intrusion; adverse changes in international trade policies and relations; disruptions in global supply chains; and constraints, volatility, or disruption in the capital markets, any of which could negatively affect Crayhill Fund's business and financial condition. The United States, the European Union, the United Kingdom, and other countries have imposed broad-ranging economic sanctions on Russia and certain Russian individuals, banking entities, and corporations as a response to Russia's invasion of Ukraine. The long-term impact of these sanctions is not entirely clear, but they have the potential to limit potential investment opportunities and may impair cash flow that is material to investment opportunities including, for example, if persons doing business with the Fund become sanctioned parties. The regulatory framework of sanctions is often complex and at times counter intuitive. It is possible that the Crayhill Fund's might have exposure to transactions that directly or indirectly involve sanctioned parties and that may pose liability and compliance risks.

Risks Associated with the Crayhill Funds

Investment Strategy

The evaluation models and trading techniques used by the Crayhill Funds may not be successful and may thereby cause the Crayhill Funds to incur losses on the positions initiated. There can be no assurance that the Crayhill Fund's transactions will be successful, since their success depends in part upon the ability of Crayhill to predict future changes in market conditions, interest rates and prices of specific securities or assets.

Cash Flow Timing Risk

Cash flow timing with respect to any given transaction within the Crayhill Fund's strategy is determined by a range of factors, including but not limited to interest rates, asset or collateral price appreciation or depreciation, credit performance, deployment or absorption rates of assets and other asset-specific factors. Crayhill generally develops detailed return models for each transaction and stress tests cash flows for a range of scenarios based on what it believes to be the relevant return drivers. Crayhill also seeks to design investment structures with covenants and features designed to mitigate identified risks. Crayhill seeks to

avoid transactions with a heavy reliance in residual asset values, or that have high correlation to macroeconomic factors, currency, regulatory, technology or execution risk. All model-based analysis, including the analyses performed by Crayhill, relies to some extent on third party data, forward looking assumptions and analytical software the accuracy or completeness of which cannot be definitively assured. Therefore, notwithstanding Crayhill's efforts to identify and quantify the salient risks, no assurance can be given that any investment of the Crayhill Funds will generate predictable or meaningful cash flows that meet Crayhill's underwritten returns.

Investments in Structured Products

The Crayhill Funds may invest in securities backed by, or representing interests in, certain underlying instruments or assets ("structured products"). The cash flow on the underlying instruments or assets may be apportioned among the structured products to create securities with different investment characteristics such as varying maturities, payment priorities and interest rate provisions, and the extent of the payments made with respect to the structured products is dependent on the extent of the cash flow on the underlying instruments. The performance of structured products will be affected by a variety of factors, including the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets. Structured products are typically sold in private placement transactions, and investments in structured products may therefore be illiquid in nature, with no readily available secondary market. Because certain structured products of the type in which the Crayhill Funds may invest may involve no credit enhancement, the credit risk of those structured products generally would be equivalent to that of the underlying instruments. The Crayhill Funds may invest in a class of structured products that is either subordinated or unsubordinated to the right of payment of another class. Subordinated structured products typically have higher yields and present greater risks than unsubordinated structured products. Additionally, the yield to maturity of a tranche may be extremely sensitive to the rate of defaults in the underlying reference portfolio. A rapid change in the rate of defaults may have a material adverse effect on the yield to maturity. It is therefore possible that the Crayhill Funds may incur losses on its investments in structured products regardless of their original credit profile. Finally, the securities in which the Crayhill Funds are authorized to invest include securities that are subject to legal or contractual restrictions on their resale or for which there is a relatively inactive trading market. Securities subject to resale restrictions may sell at a price lower than similar securities that are not subject to such restrictions.

Risks Related to Structured Finance Securities

The Crayhill Funds' portfolios may include investments in structured finance securities. Structured finance securities are generally debt securities that entitle the holders thereof to receive payments of interest and principal that depend primarily on the cash flow from or sale proceeds of a specified pool of assets, either fixed or revolving, that by their terms convert into cash within a finite time period, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities. Investing in structured finance securities entails various risks, including credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks, geographical concentration risks, basis risks and legal risks. Structured finance securities are subject to the significant credit risks inherent in the underlying collateral and to the risk that the servicer fails to perform. Such securities may include credit enhancements designed to raise the overall credit quality of the security above that of the underlying collateral, but insurance providers and other sources of credit enhancement may fail to perform their obligations. The Crayhill Funds expect that some structured finance securities it may hold will be subordinate in right of

payment and rank junior to other securities that are secured by or represent an ownership interest in the same pool of assets. In addition, many of the related transactions have structural features that divert payments of interest and/or principal to more senior classes when the delinquency or loss experience of the pool exceeds certain levels. Consequently, such securities have a higher risk of loss as a result of delinquencies or losses on the underlying assets. In certain circumstances, payments of interest may be reduced or eliminated for one or more payment dates. Additionally, as a result of cash flow being diverted to payments of principal of more senior classes, the average life of such securities may lengthen. Structured finance securities are also subject to the risks of the assets securitized. In particular, they are subject to risks related to the quality of the control systems and procedures used by the parties originating and servicing the securitized assets. Deficiencies in these systems may negatively affect the value of the securities, including by resulting in higher-than-expected borrower delinquencies or the inability to effectively pursue remedies against borrowers due to defective documentation.

Securitization Risk

The ability to securitize the loans which the Crayhill Funds originate or invest in and/or the attractiveness thereof may lessen with changes in the capital markets, including any disruption in the proper functioning of the securitization market. The Crayhill Funds may have to retain a larger portion of the underlying loans and/or hold the loans to maturity.

Asset-Specific Risks

The investment strategy of Crayhill Funds and its private structured credit investments are based on detailed analysis of the relevant industries and sectors in which Crayhill Funds invest as well as of the underlying borrower companies and assets. Specific risks relating to the industries and assets in which the Fund expects to invest include the following.

- *Risks related to Alternative and Renewable Energy-Related assets generally.* The success of the alternative and renewable energy projects in which Crayhill Funds expect to invest depend, to a degree, on the availability of rebates, tax credits and other financial incentives and government policies affecting the purchase and use of energy generated from solar, wind and other alternative and renewable resources, changes in which could reduce the demand for these services and impair margins. Such changes can occur with little advance warning and opportunities to mitigate the consequences in any single jurisdiction may be limited. Investments in alternative and renewable energy projects face the risk that the current incentives will expire or become modified in the future thereby adversely affecting existing projects, economic performance and future potential for growth in this area. Changes to global political and economic conditions can negatively impact the alternative and renewable energy industry. The success of investments in alternative and renewable energy projects is dependent on market growth in the alternative and renewable energy industry. The demand for alternative and renewable energy systems, services and products depends in part on the price of conventional energy, which affects return on investment resulting from the purchase of alternative and renewable energy. Fluctuations in economic and market conditions that impact the prices of conventional and non-renewable energy sources, such as decreases in the prices of oil and other fossil fuels, could cause the demand for alternative and renewable energy systems, services and products to decline, which would have a negative impact on investments in alternative and renewable energy projects. Changes in utility electric rates could also have a negative effect on the return of such investments.
- *Risks Related to Solar Assets.* Assets and projects in the solar energy industry may be significantly

affected by increased competition from new and existing market entrants, technological developments, obsolescence of technology and short product cycles. In addition, the solar energy industry is at a relatively early stage of development and the extent to which solar energy will be widely adopted is uncertain. Companies in this industry may also be significantly affected by general economic conditions such as varying prices (including equipment prices) and profits, commodity price volatility, changes in exchange rates, imposition of import controls, depletion of resources, fluctuations in energy prices and supply and demand of alternative energy fuels, energy conservation, labor relations and tax and other government regulations. Investments in assets of companies involved in the solar energy industry have historically been more volatile than investments in companies operating in more established industries. If government subsidies and economic incentives for alternative energy sources, particularly solar power, are reduced or eliminated, or if there is uncertainty as to whether such subsidies and incentives will be continued, the demand for solar energy may decline and cause corresponding declines in the values of and revenues generated by solar energy assets. In addition, changes in government policies towards solar energy technology as a result of the adoption of a different energy mix, the discovery or invention of a more preferred source of energy, a change to the fiscal status of sovereign states, a decline in public support or any other reason also may have an adverse effect on solar energy assets. The General Partner may not be able to discover all the facts and risks, including relating to technology failures, operational risks and construction delays that may be relevant in connection with an investment. Investing at the “shovel-ready” stage involves certain incremental risks, including that permitting will be delayed and that construction will not be completed on time, on budget or to specification. Further, even once a solar power project is complete, the project may fail to be “grid-connected” or power output may fall below expected specification. In addition, investing in shovel-ready solar power projects subjects the Fund to the risk that the project will fail to receive all necessary accreditations, thus being ineligible for certain government subsidies. Solar assets also are subject to theft and to degradation and destruction as a result of natural or political events.

- *Energy Strategy Risks.* The energy markets and energy-related markets are susceptible to significant short-term price volatility, potentially to a greater extent than the markets for financial instruments, as a result of a variety of factors, including political as well as weather-related events, rate and tariff regulation and consumer advocacy. The energy markets are also subject to price volatility as a result of breakdowns in the facilities necessary to produce, transport, store and deliver physical energy.
- *Infrastructure Companies.* Investments in infrastructure-related assets have greater exposure to the potential adverse economic, regulatory, political, legal, and other conditions or events affecting such assets. Infrastructure-related assets are subject to a variety of factors that may adversely affect their operations, including high interest costs in connection with capital construction programs, costs associated with compliance, changes in environmental and other regulations, the effects of economic slowdown, the effects of surplus capacity, increased competition from other providers of services and other factors. Additionally, infrastructure-related assets may be subject to regulation by various governmental authorities and may also be affected by governmental regulation of rates charged to customers, government budgetary constraints, service interruption and/or legal challenges due to environmental, operational, or other conditions or events and the imposition of special tariffs and changes in tax laws, regulatory policies, and accounting standards. There is also the risk that corruption may negatively affect publicly funded infrastructure projects, especially in foreign markets, resulting in work stoppage, delays, and cost overruns. Other factors that may affect the operations of infrastructure-related assets include innovations in technology that could render

the way in which a company delivers a product or service obsolete, significant changes to the number of ultimate end-users of a company's products, increased susceptibility to terrorist acts or political actions, risks of environmental damage due to a company's operations or an accident, and general changes in market sentiment towards infrastructure assets.

- *Real Estate and Real Estate Related Investments.* Investments in real estate and real estate related-assets are susceptible to various risks, including, without limitation, declines in property values; increases in property taxes; operating expenses; interest rates or competition; overbuilding; zoning changes; risks related to general and local economic conditions; eminent domain; fluctuations in rental income; changes in neighborhood values; the appeal of properties to tenants; losses from casualty or condemnation; environmental liabilities whereby an owner or operator of real property may become liable for the costs of removal or remediation of certain hazardous substances released on, about, under or in its property; the ongoing need for capital improvements (particularly in older properties); adverse changes in governmental rules and fiscal policies; civil unrest; natural disasters (which may result in uninsured losses); acts of war; and other factors that are beyond the control of the general partner.
- *Risks Associated with Commercial Mortgages.* The commercial mortgage loans in which the Fund expects to invest may be secured by multifamily residential properties, retail properties, hotel properties or other types of commercial properties and are subject to risks of delinquency and foreclosure and risks of loss. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy, and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. The ability of a commercial borrower to repay a loan secured by a commercial property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income producing property can be affected by, among other things: tenant mix, success of tenant business, property management decisions, property location and condition, competition from comparable types of properties, changes in laws that increase operating expense or limit rents that may be charged, any need to address environmental contamination at the property, the occurrence of any uninsured casualty at the property, changes in national, regional or local economic conditions and/or specific industry segments, current and potential future capital markets uncertainty, declines in regional or local real estate values, declines in regional or local rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of god, terrorism, social unrest and civil disturbances.
- *Risks Related to Equipment Finance Activity.* The Fund's equipment finance activities are subject to the risk of cyclical downturns and other adverse economic developments. In an adverse economic environment, there may be a decline in the demand for some types of equipment which the Fund finances, resulting in a decline in the amount of new equipment being placed in service as well as a decline in equipment values for or cash flows derived from equipment previously placed in service. There are a number of uncertainties associated with the equipment finance industry that may have an adverse effect on the Fund including, but not limited to, fluctuations in demand for equipment and fluctuations in interest rates and inflation rates; fluctuations in the availability and cost of credit

for the Fund to borrow to make and/or realize on its investments; the continuing economic life and value of equipment at the time the Fund's investments mature; the technological and economic obsolescence of equipment; potential defaults by borrowers; supervision and regulation by governmental authorities; and increases in the Fund's expenses, including taxes and insurance expenses.

- *Investments in the Entertainment Industry.* Competition is intense in the motion picture, television, stage, and related industries. Talent, financing, and distribution resources are all limited and subject to strong competition. The Fund may compete with the major studios, and with independent production companies, financiers, film and television studios for the financing or acquisition of literary works, rights, and properties; the services of performing artists, directors, and other creative and technical personnel; and favorable distribution arrangements. Organizations with which the Crayhill Fund's compete have greater financial resources, larger staffs, and greater creative resources than the Fund. The Fund's projects will compete with all other projects released into the marketplace as well as all other forms of entertainment and leisure time activities. There can be no assurance of audience acceptance of some or all of Crayhill Fund's projects. Lack of commercial appeal will result in an adverse impact upon the Crayhill Funds.
- *Technology Asset Risks.* Certain of the assets in which the Fund may invest are in sectors where the pace of technology advances moves quickly, including but not limited to new media, internet, the emerging "gig economy" and renewable energy and other transformative energy technologies. While these technological advances can create attractive investment opportunities for the Crayhill Funds, such advances could also negatively existing technologies that are not able to appropriately take advantage of the new technology. If investment counterparties fail to adapt to such evolution, these technologies prove to be unsuitable for widespread commercial deployment or if demand fails to develop sufficiently, such investment counterparties could be unable to originate enough assets or generate sufficient cash flow to sustain debt service or repay principal on the investments made by the Crayhill Funds, which would negatively affect the performance of Crayhill Funds.
- *Risks Relating to Investments in Trade Receivables.* The Crayhill Funds may invest in trade receivables, which may include, but are not limited to, such items as purchase agreements or other performance contracts, leases of various types of real and personal property, and receivables from sales agreements or other trade contracts. Trade receivables are generally unsecured and may be subject to risks like obligor default during difficult business periods, dilution risk, commingling risk or servicer default.
- *Risks Associated with Growth Capital Investments.* The Crayhill Funds may invest in newly formed entities with limited operating histories. Because any such newly formed entity would not be an established business, it may not meet its expected time horizon for developing its operations, which could prevent the Fund from deploying capital on its expected timeline and thereby reduce the Fund's returns. The Fund may be reliant on the management team of or service provider to any such newly formed entity to operate the business on a day-to-day basis, and there can be no assurance that such management team or service provider will be able or willing to successfully operate the business in accordance with the Crayhill Fund's objectives.
- *Risks Related to Special Situations / Stressed Credit.* Crayhill may, in certain circumstances, provide financing to companies involved in (or the target of) acquisition attempts or tender offers or

companies involved in workouts, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment transaction involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price paid by the Fund of the security or other financial instrument in respect of which such distribution is received. Similarly, if such an anticipated transaction does not in fact occur, the Crayhill Funds may lose all or a material portion of its investment. All of these events could have a material adverse effect on the value of the interests.

Privately Held Company Risks

Investing in privately held companies involves risk. For example, privately held companies are not subject to SEC reporting requirements, are not required to maintain their accounting records in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and are not required to maintain effective internal controls over financial reporting. As a result, Crayhill may not have timely or accurate information about the business, financial condition, and results of operations of the privately held companies in which the Clients invest.

Risks Relating to Asset-Backed Securities

Asset-backed securities ("ABS") generally refers to securities backed by assets other than mortgages, mortgage-backed securities or other mortgage-related assets. ABS, which may be private structures, are structured like mortgage-backed securities, but instead of mortgage loans or interests in mortgage loans, the underlying assets may include, but are not limited to, such items as equipment leases, purchase agreements or other performance contracts, leases of various types of real and personal property, and receivables from sales agreements or other trade contracts. ABS are subject to many of the same risks as mortgage-backed securities. Each type of ABS also entails unique risks depending on the type of assets involved and the legal structure used. For example, trade receivables are generally unsecured and may be subject to risks like obligor default during difficult business periods, dilution risk, commingling risk or servicer default. ABS typically experience credit risk. For example, there is an increasing supply of subordinated securities rated lower than AA (down to B or first loss) and senior securities that may be rated lower than AAA, as well. There is also the possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities because of the inability to perfect a security interest in such collateral.

Subordination

A portion of the Crayhill Funds' investments will consist of investments that are subordinate in right of payment and rank junior to other instruments that are secured by or represent an ownership interest in the same pool of assets, and thus, would be subordinated to the prior payment in full of such debt. As a result, such investments have a higher risk of loss. Specifically, the Crayhill Funds may make investments in subordinated ABS which could subject the Crayhill Funds to increased risk of losses. In general, losses on an asset securing a loan included in a securitization will be borne first by the equity holder of the asset, then by a cash reserve fund or letter of credit provided by the borrower, if any, and then by the "first loss" subordinated security holder. In the event of default and the exhaustion of any equity support, reserve fund, letter of credit and any classes of securities junior to those in which the Crayhill Funds invest, the Crayhill Funds may not be able to recover all of the investment in the securities it purchases. In addition, if the underlying portfolio of assets has been overvalued by the originator, or if the values subsequently decline and, as a result, less collateral is available to satisfy interest and principal payments due on the related ABS,

the securities in which the Crayhill Funds invest may effectively become the “first loss” position behind the more senior securities, which may result in significant losses to the Crayhill Funds.

Investments in Undervalued Assets

The Crayhill Funds may invest in undervalued assets. The identification of investment opportunities in undervalued assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Crayhill Funds’ investments may not adequately compensate investors for the business and financial risks assumed. An investor should be aware that it may lose all or part of its investment in the Crayhill Funds. The Crayhill Funds may be forced to sell, at a substantial loss, assets that are not, in fact, undervalued. In addition, the Crayhill Funds may be required to hold such assets for a substantial period of time before realizing their anticipated value. During this period, a portion of the Crayhill Funds’ funds would be committed to the assets purchased, possibly preventing the Crayhill Funds from investing in other opportunities. In addition, the Crayhill Funds may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

Due Diligence Risks

Before making an investment, the Firm will assess the strengths and weaknesses of the originators, borrowers, assets, and the underlying investment values, as well as other factors and characteristics that are material to the performance of the potential investment. In making the assessment and otherwise conducting customary due diligence, the Firm will rely on resources available to it and, in some cases, an investigation by third parties. There can be no assurance that the Firm’s due diligence process will uncover all relevant facts or that any investment will be successful.

Competition for Investment Opportunities

Crayhill Funds operates in a highly competitive market for investment opportunities. Crayhill Funds will compete for investments with various other investors — such as other public and private funds, commercial and investment banks, and commercial finance companies. Many competitors are substantially larger and have considerably more financial and other resources. Other funds may have investment objectives that overlap with the Fund, which may create competition for investment opportunities with limited supply. There may be a higher number of opportunistic competitors entering the market for private credit given the current financial environment. Some competitors may have a lower cost of funds and access to funding sources that are not available to Crayhill Funds and may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships. The competitive pressures could impair the Fund’s business, financial condition, and results of operations. Also, as a result of this competition, the Fund may not be able to take advantage of attractive investment opportunities from time to time.

Uncertain Exit Strategies

Due to the illiquid nature of some of the positions which the Fund is expected to acquire, the Firm is unable to predict with confidence what the exit strategy will ultimately be for any given position, or that one will definitely be available. Exit strategies which appear to be viable when an investment is initiated may be precluded by economic, legal, political, or other factors by the time the investment is ready to be realized.

Access to CLO Origination Market

The disposition value of the Investments to be made by the Crayhill Funds may be dependent in part on the Fund's ability to access the market for collateralized loan obligations ("CLOs"). To the extent such markets are experiencing volatility or otherwise not functioning normally, the market for buyers of the Crayhill Funds' investments may be limited. The CLO market, while developing, is not as deep as other credit markets, and many investors approach CLOs as buy-and-hold investments. Therefore, the liquidity of CLO tranches remains relatively limited, and the number of market participants remains relatively small.

Interest Rate Risk

In general, the value of Crayhill Fund's investments with interest rate risk, such as debt securities, will move in the direction opposite to movements in interest rates. If interest rates rise, the value of such investments or the assets that back them may decline. Debt securities have varying levels of sensitivity to changes in interest rates. Typically, the longer the maturity (i.e., the term of a debt security) or duration (i.e., a measure of the sensitivity of a debt security to changes in market interest rates, based on the entire cash flow associated with the security) of a debt security, the greater the effect a change in interest rates could have on the security's price. In general, rising interest rates will negatively affect the price of a fixed rate debt instrument and falling interest rates will have a positive effect on the price of a fixed rate debt instrument. Adjustable-rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Thus, Crayhill Fund's sensitivity to interest rate risk will increase with any increase in the Fund's overall duration. Short-term securities tend to react to changes in short-term interest rates, and long-term securities tend to react to changes in long-term interest rates. The link between interest rates and debt security prices tends to be weaker with lower-rated debt securities than with investment grade debt securities. Floating rate securities (including loans) can be less sensitive to interest rate changes. Variable interest rates may reset only periodically and may not rise or decline as much as interest rates in general. In addition, to the extent that the Crayhill Funds hold borrowed securities and leveraged investments, an increase in interest rates will increase the Crayhill Funds borrowing costs. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Loan Interests Risk

Loan interests generally are subject to restrictions on transfer, and a Crayhill Fund may be unable to sell loan interests at a time when it may otherwise be desirable to do so or may be able to sell them only at prices that are less than what the Crayhill Fund regards as their fair market value. Accordingly, loan interests may at times be illiquid. Loan interests may be difficult to value and may have extended settlement periods, which expose the Crayhill Funds to the risk that the receipt of principal and interest payments may be delayed until the loan interest settles.

Interests in secured loans have the benefit of collateral and, typically, of restrictive covenants limiting the ability of the borrower to further encumber its assets. There is a risk that the value of any collateral securing a loan in which a Crayhill Fund has an interest may decline and that the collateral may not be sufficient to cover the amount owed on the loan. In most loan agreements there is no formal requirement to pledge additional collateral. In the event the borrower defaults, a Crayhill Fund's access to the collateral may be limited or delayed by bankruptcy or other insolvency laws. Further, in the event of a default, second lien secured loans will generally be paid only if the value of the collateral exceeds the amount of the borrower's obligations to the first lien secured lenders, and the remaining collateral may not be sufficient to cover the full amount owed on the loan in which a Crayhill Fund has an interest. In addition, if a secured loan is

foreclosed, a Crayhill Fund holding the loan would likely bear the costs and liabilities associated with owning and disposing of the collateral. The collateral may be difficult to sell and the Crayhill Fund would bear the risk that the collateral may decline in value while the Crayhill Fund is holding it.

The Crayhill Funds may acquire a loan interest by obtaining an assignment of all or a portion of the interests in a particular loan that are held by an original lender or a prior assignee. As an assignee, the Crayhill Funds normally will succeed to all rights and obligations of its assignor with respect to the portion of the loan that is being assigned. However, the rights and obligations acquired by the purchaser of a loan assignment may differ from, and be more limited than, those held by the original lenders or the assignor.

Alternatively, the Crayhill Funds may acquire a participation interest in a loan that is held by another party. When the Fund's loan interest is a participation, the Fund may have less control over the exercise of remedies than the party selling the participation interest, and it normally would not have any direct rights against the borrower. As a participant, the Crayhill Funds also would be subject to the risk that the party selling the participation interest would not remit the Fund's pro rata share of loan payments to the Crayhill Fund. It may be difficult for the Crayhill Funds to obtain an accurate picture of a lending bank's financial condition.

Loan interests may not be considered "securities," and purchasers, such as the Crayhill Funds, therefore may not be entitled to rely on the anti-fraud protections of U.S. federal securities laws. There are special risks associated with investments in bank loans and participations, which include (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws, (ii) so-called lender-liability claims by the issuer of the obligations and (iii) environmental liabilities that may arise with respect to collateral securing the obligations. Successful claims by third parties arising from these and other risks, absent bad faith, will be borne by the Crayhill Funds.

Credit Risk

Credit risk is the risk that issuers may fail, or become less able, to pay interest and/or principal when due. Changes in the actual or perceived creditworthiness of an issuer, factors affecting an issuer directly (such as management changes, labor relations, collapse of key suppliers or customers, or material changes in overhead), factors affecting the industry in which a particular issuer operates (such as competition or technological advances) and changes in general social, economic or political conditions can increase the risk of default by an issuer, which may affect a security's credit quality or value. Entities providing credit or liquidity support also may be affected by these types of changes.

Investing in High Yield Debt

The Crayhill Funds may invest in fixed-income securities and other debt obligations which are rated below investment grade or are unrated. These high-yield instruments are regarded as being predominantly speculative as to the issuer's ability to make payments of principal and interest. Investment in such securities involves substantial risk. Issuers of high-yield debt may be highly leveraged or have enterprise risk that renders unavailable to them more traditional methods of financing. Therefore, the risks associated with acquiring the securities of such issuers generally are greater than is the case with issuers of higher quality. For example, during an economic downturn or a sustained period of rising interest rates, issuers of high-yield bonds may be more likely to experience financial stress, especially if such issuers are highly leveraged. During such periods, such issuers may not have sufficient revenues to meet their interest payment obligations. The issuer's ability to service its debt obligations also may be adversely affected by specific issuer

developments, or the issuer's inability to meet specific projected business forecasts, or the unavailability of additional financing. The risk of loss due to default by the issuer is significantly greater for the holders of high-yield bonds because such securities may be unsecured and may be subordinated to other creditors of the issuer. There can be no assurance that such events will not occur after the Crayhill Funds purchase a particular security, in which case the Crayhill Funds may experience losses and incur costs.

Prepayment and Extension Risk

Crayhill Fund's performance could be affected if borrowers pay back principal on certain debt securities, such as mortgage- or asset-backed securities, before or after the market anticipates such payments, shortening or lengthening their duration. Due to a decline in interest rates or an excess in cash flow, a debt security might be called or otherwise converted, prepaid, or redeemed before maturity. As a result, the Fund may have to reinvest the proceeds in an investment offering a lower yield, may not benefit from any increase in value that might otherwise result from declining interest rates and may lose any premium it paid to acquire the security. Higher interest rates generally result in slower payoffs, which effectively increase duration, heighten interest rate risk, and increase the potential for price declines. The prices of variable and floating rate securities (including loans) can be less sensitive to prepayment risk.

Lender Liability Considerations and Equitable Subordination

In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in a creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain of Crayhill Fund's investments, Crayhill Funds could be subject to allegations of lender liability. In addition, under common law principles that in some cases form the basis for lender liability claims, if a lending institution (a) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lending institution to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination". Because of the nature of certain of the investments, the Crayhill Funds could be subject to claims from creditors of an obligor that investments issued by such obligor that are held by the Crayhill Fund should be equitably subordinated. Some of the Crayhill Fund's investments may involve investments in which the Crayhill Fund's would not be the lead creditor. It is, accordingly, possible that lender liability or equitable subordination claims affecting the Crayhill Fund's investments could arise without the direct involvement of the Crayhill Fund.

Limitations on Remedies

Although the Crayhill Funds will have certain contractual remedies upon the default by borrowers in relation to certain investments, such as foreclosing on the underlying collateral, certain legal requirements may limit the ability of the Fund to effectively exercise such remedies. Furthermore, the laws with respect to the rights of creditors and other investors in certain jurisdictions in which the Crayhill Fund may invest may not be comprehensive or well developed, and the procedures for the judicial or other enforcement of such rights may be of limited effectiveness. In particular, in certain state or local jurisdictions, the Crayhill Fund could experience significant legal difficulties and impediments in taking possession of, or otherwise in enforcing

its rights with respect to, certain kinds of collateral. These factors may adversely affect the value and collectability of the investments in such jurisdictions.

Hedging Transactions

Crayhill Funds may use various derivative instruments which may be volatile and speculative, and which may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. For example, the Fund may enter into credit default swaps and may either buy protection or sell protection from losses caused by the occurrence of a negotiated default event with respect to an obligation of a corporate or sovereign borrower or obligor. The Crayhill Funds may enter into interest rate or currency swaps on either an asset- or liability-based basis, depending on whether it is hedging its assets or its liabilities. The parties with which the Fund enters into such derivatives are expected to be banks, broker dealers and other financial institutions. Crayhill Funds may pursue various hedging strategies to reduce its exposure to adverse changes in interest rates. Crayhill Fund's hedging activity will vary in scope based on the level and volatility of interest rates, the type of assets held and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect the Fund because, among other things: (i) interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates; (ii) available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought; (iii) due to a credit loss, the duration of the hedge may not match the duration of the related liability; (iv) the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs the Fund's ability to sell or assign its side of the hedging transaction; and (v) the hedging counterparty owing money in the hedging transaction may default on its obligation to pay. The Crayhill Fund's hedging transactions, which are intended to limit losses, may actually adversely affect its earnings, which could reduce the cash available for distribution to the investors. There is no assurance that hedging transactions will be successful in limiting losses. The Crayhill Fund's investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The General Partner may try to hedge these risks by investing directly in foreign currencies, buying, and selling forward foreign currency exchange contracts and buying and selling options on foreign currencies, but there can be no assurance such strategies will be effective.

Leverage of Borrower Companies

Because the Clients' investments may include securities of companies or special purpose vehicles with leveraged capital structures, such investments will 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 entities or their industry. Similarly, the Clients may invest in entities or assets that are unable to generate sufficient cash flow to meet principal and interest payments on their indebtedness. Accordingly, the value of the Clients' investment in such an entity or asset could be significantly reduced or even eliminated due to further credit deterioration.

Financial Leverage

Crayhill Funds may use financial leverage for any purpose in managing, including increasing investment capacity, covering operating expenses and making withdrawal or distribution payments or for clearance of transactions, subject to the limitations set forth in the Crayhill Fund's governing documents. The leveraged capital structure of Crayhill Fund's investments will increase the Crayhill Fund's exposure to adverse economic conditions such as rising interest rates, a downturn in the economy or deterioration in the

conditions of the Fund's investments. Borrowing money to purchase a financial instrument may provide the Fund's portfolio with the opportunity for greater capital appreciation but at the same time will increase the portfolio's risk of loss with respect to that instrument. Although the use of leverage increases returns to the Crayhill Fund's if it earns a greater return on the incremental investments purchased with the borrowed funds than it pays for such funds, the use of leverage decreases returns to the Crayhill Fund's if it fails to earn as much on such incremental investments as it pays for such funds. In addition, unanticipated increases in applicable margin requirements could adversely affect the liquidity of the Crayhill Fund's and therefore also adversely affect their performance.

Nature of Reorganization Proceedings

Investments in the debt or equity of companies or assets involved in reorganization proceedings typically entail a number of risks that do not normally apply to investments in financially sound companies. For example, if the Firm's evaluation of the anticipated outcome of a reorganization or the timing of such outcome should prove incorrect, Crayhill Funds could experience losses. Furthermore, if the financial difficulties of such companies are not overcome, such companies may default on their financial obligations and may become subject to bankruptcy proceedings. Such investments by the Crayhill Fund could, in certain circumstances, subject the Crayhill Fund to certain additional potential liabilities that may exceed the value of the Crayhill Fund's original investment therein. A wide variety of considerations make any evaluation of the outcome of an investment in such a company uncertain. Such considerations include, for example, the possibility of litigation between the participants in a reorganization or liquidation proceeding or a requirement to obtain mandatory or discretionary consents from various governmental authorities or others. The uncertainties inherent in evaluating such investments may be increased by legal and practical considerations which limit the access of the Firm to reliable and timely information concerning material developments affecting a company, or which cause lengthy delays in the completion of a reorganization or liquidation proceeding. Competition from other investors may also render it difficult or impossible for the Crayhill Funds to achieve intended results or promptly effect transactions.

Some of the investments of Crayhill Fund's may require active monitoring and representation on official and unofficial creditors' committees for the company. Accordingly, Crayhill Funds may, but are not obligated to, seek representation on such committees from time to time if the Firm, in its discretion, determines that such representation is necessary or advisable to protect or further the Crayhill Fund's interests. Serving on an official or unofficial committee increases the possibility that the Crayhill Fund will be deemed an "insider" or a "fiduciary" of the company it has so assisted and may restrict the Crayhill Fund's trading of its investments in such company. Should such assistance be provided before a company enters bankruptcy proceedings, the Bankruptcy Court, under certain conditions such as a finding of fraud or inequitable conduct, may invoke the doctrine of "equitable subordination" with respect to any claim or equity interest held by the Crayhill Fund in such company and subordinate any such claim or equity interest in whole or in part to other claims or equity interests in such company. Claims of equitable subordination may also arise outside of the context of the Crayhill Fund's managerial activities. In addition, if representation on a creditors committee of a company causes the Crayhill Fund or Firm to be deemed an affiliate or related party of the company, the securities of such company held by the Crayhill Fund may become restricted securities, which are not freely tradable. As the Crayhill Fund will indemnify the Firm or any other person serving on a committee on its behalf for claims arising from breaches of those obligations, indemnification payments could adversely affect the return on the Crayhill Fund's investment in a reorganization company.

Projections

Crayhill Funds may make investments relying upon projections developed by the Firm or a portfolio company concerning such company's or an asset's future performance and cash flow. Projections are inherently uncertain and subject to factors beyond the control of Crayhill and the portfolio company or asset in question. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of unforeseen events could impair the ability of a portfolio company or asset to realize projected values and/or cash flow.

Investments in Different Parts of the Capital Structure

The holders of classes of securities that differ from the class of securities owned by the Crayhill Funds may control the exercise of remedies in connection with such securities. Such exercise of remedies by a holder of a different class of securities may be in conflict with the interests of the Crayhill Funds. The Firm or its affiliates may own classes of securities which are more senior or more subordinate than certain of the securities owned by the Crayhill Funds, which may result in certain conflicts of interest.

Uncertain Value of Investments

The Firm's policy is to value portfolio holdings of its Clients' at their fair value, as determined in accordance with U.S. GAAP. The fair value of securities that are not publicly traded may not be readily determinable. As a result, there will be uncertainty as to the value of these investments. Because these valuations are subjective, the fair value of the Clients' assets may fluctuate over short periods of time and Crayhill's determinations of fair value may differ materially from the values that would have been used if a ready market for the securities existed. The Clients' ability to produce favorable returns could be adversely affected if Crayhill's determinations regarding the fair value of investments are materially higher than the values realized upon disposal of such investments.

Investing in Non-U.S. Securities and Assets

Crayhill Funds may invest in securities, assets, loans and other instruments of non-U.S. corporations and non-U.S. countries. Investing in the securities of companies (and, from time to time, governments) in non-U.S. countries involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, including, among other things, political and economic considerations, such as greater risks of expropriation, nationalization, and general social, political, and economic instability. The small size of the securities and financial markets in such countries and the low volume of trading resulting in potential lack of liquidity and in price volatility, fluctuations in the rate of exchange between currencies and costs associated with currency conversion and certain government policies may restrict the Fund's investment opportunities. In addition, accounting and financial reporting standards that prevail in non-U.S. countries generally are not equivalent to U.S. standards and, consequently, less information is available to investors in companies located in non-U.S. countries than is available to investors in companies located in the United States. There is also less regulation, generally, of the securities and financial markets in non-U.S. countries, other than the United Kingdom, than there is in the United States.

Counterparty and Credit Risk

To the extent that contracts for investment will be entered into between the Crayhill Funds and a market counterparty as principal (and not as agent), Crayhill Funds are exposed to the risk that the market counterparty may, in an insolvency or similar event, be unable to meet its contractual obligations to Crayhill Funds. Crayhill Funds may have a limited number of potential counterparties for certain of its investments, which may significantly impair the Crayhill Fund's ability to reduce its exposure to counterparty risk. In addition, difficulty reaching an agreement with any single counterparty could limit or eliminate the Fund's ability to execute such investments altogether. Because certain purchases, sales, hedging, financing

arrangements (including the lending of portfolio securities) and derivative instruments in which the Fund will engage are not traded on an exchange but are instead traded between counterparties based on contractual relationships, the Crayhill Fund is subject to the risk that a counterparty will not perform its obligations under the related contracts. Although the Crayhill Fund intends to pursue its remedies under any such contracts, there can be no assurance that a counterparty will not default and that the Crayhill Fund will not sustain a loss on a transaction as a result.

Risks of Using Loan Servicers and Originators

The value of a Crayhill Fund's investments may be dependent on the satisfactory performance of servicing obligations by a servicer. If a servicer is unable to perform all of its obligations, it could result in reductions or delays in the payments on certain investments. It is possible that the resignation or termination of a servicer and the transfer of the rights, duties and obligations of such servicer to a new servicer could adversely affect the servicing of loans or investments held by the Crayhill Funds. For example, transfers of servicing involve the risk of disruption in collections due to data input errors, misapplied or misdirected payments, system incompatibilities and other reasons. If such a transfer were to take place, the rate of delinquencies and defaults on the loans could increase, resulting in reductions or delays in the payments on the Crayhill Funds' investments. If an originator with which a Crayhill Fund contracts fails to perform its contractual obligations to such Crayhill Fund, the number of investment opportunities available to such Crayhill Fund may be fewer than it would be if such originator had fully performed its contractual obligations.

Risks Related to Intellectual Property

Investment in intellectual property ("IP") related assets involves a high degree of business, financial, technology, regulatory and litigation risk that can result in substantial losses. Some of these risks relate to the assets themselves, while others relate to the products utilizing these assets and to the company's manufacturing or marketing these products. The acquisition prices of such assets will often be based, in part, on sales projections with respect to the related products, which projections may prove to be inaccurate. To the extent a related product (e.g., a new pharmaceutical product) has not yet received all applicable governmental approvals, there is a risk that the product will not obtain such approvals or, if obtained, may be revoked due to previously unknown or undisclosed side effects or complications. Further, government policies and regulations applicable to such assets may change in ways that adversely affect the duration and/or scope of IP protections, or adversely affect the companies or related products' marketability. The companies which own IP-related assets and/or manufacture and market the products related to assets may have limited operating histories or insufficient management or marketing personnel. Certain of these companies may become involved in lawsuits with respect to the assets that they own, and the exploitation of such assets may necessitate litigation. As a result, these companies may expend considerable resources prosecuting and defending these lawsuits and the rights in the assets may be deemed invalid or unenforceable. Some of the Fund's investments may relate to IP rights that are governed by non-U.S. jurisdictions. Non-U.S. jurisdictions may provide significantly less protection than the United States because they may have no IP laws, or if they do have IP laws, such laws may be inadequate or poorly enforced. There is also the risk that a company may not apply for protection in all of the non-U.S. jurisdictions where it does business.

C. Risks in Recommending a Particular Type of Security

Other than as described in Items 8.A and 8.B above, Crayhill does not recommend primarily a particular type of security.

ITEM 9 – DISCIPLINARY INFORMATION

In the past ten years, there have been no legal or disciplinary events involving either Crayhill or any of its management persons that are material to a Client's or prospective client's evaluation of the Firm's advisory business or the integrity of Crayhill's management.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration Status

Neither the Firm nor any of its management persons are registered, or have an application pending to register, as broker-dealers or registered representatives of a broker-dealer.

B. CFTC Registration Status

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

C. Industry Relationships Material to Advisory Business

An affiliate of the Firm acts as an administrative agent to a credit facility and earns a fee in connection therewith. While the Firm shares supervised persons with the affiliate, their involvement with the affiliate does not constitute a material time commitment. Additionally, the Crayhill Funds do not engage the affiliate for services and the Firm does not refer business to the affiliate.

In addition, certain supervised persons of the Firm provide consulting services to an affiliated renewable energy-focused operating company that is not a Client (the “Renewable Company”). Such supervised persons are compensated for such services, although such services do not involve a material time commitment. The Crayhill Funds do not invest in the Renewable Company or engage it for services.

D. Materials Conflicts of Interest Relating to Other Advisers

The Firm does not recommend or select other investment advisers for any advisory client.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

A. Code of Ethics

The Firm has adopted a code of ethics which describes the Firm's fiduciary duties and responsibilities to the Clients, requires that the Firm's employees act in the best interests of the Clients to the exclusion of contrary interests, act in good faith and in an ethical manner, avoid conflicts of interest with the Clients to the extent reasonably possible, and identify and manage conflicts of interest to the extent that they arise. The Firm's employees are also required to comply with applicable provisions of the federal securities laws and make prompt reports to the Firm or other appropriate party of any actual or suspected violations of such laws by the Firm or its employees.

In addition, the code of ethics sets forth formal policies and procedures with respect to the personal securities trading activities of the Firm's employees. Under Crayhill's code of ethics, employees must pre-clear certain personal securities transactions and provide ongoing transaction reporting for accounts in which employees have a direct or indirect beneficial interest. The code of ethics also includes insider trading policies and procedures and policies and procedures addressing confidential information and conflicts of interest; outside activities of employees; gifts and business entertainment, including limitations and reporting requirements; and pre-clearance and reporting of political contributions.

Investors or prospective investors may request a copy of Crayhill's code of ethics by contacting the Firm at (212) 634-3250 or info@crayhill.com.

If and when actual or potential conflicts of interest arise with respect to a particular Client, Crayhill has generally agreed to processes to be followed in addressing such conflicts of interest set forth in the governing documents with respect to such Client. For example, the governing documents of the Crayhill Funds provide for the formation of an investor advisory committee, comprised of investor representatives, that has the authority to review and approve or reject transactions or other actions presented by Crayhill that involve actual or potential conflicts of interest.

B. Securities in which the Firm or Related Persons have Financial Interest

Neither the Firm nor any related person recommends to Clients, or buys or sells for a Client's portfolio, securities in which the Firm or a related person has a material financial interest.

C. Securities in which the Firm or Related Persons Invest

Neither the Firm nor any related person invests in the same or related securities that the Firm or a related person recommends to Clients. However, certain related persons invest directly or indirectly in the Clients.

D. Securities which the Firm or Related Persons Recommend to the Clients

Neither the Firm nor any related person recommends securities to the Clients, or buys or sells securities for a Client's portfolio, at or about the same time that the Firm or a related person buys or sells the same securities for its own or a related person's own account.

ITEM 12 – BROKERAGE PRACTICES

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

Due to the nature of its strategy, Crayhill may but does not generally trade in public securities and, therefore, does not generally utilize broker-dealers for transactions contemplated by this section. In the event Crayhill executes a brokerage transaction for the Crayhill Funds, it will be responsible for selecting a broker-dealer.

Crayhill does not engage in soft dollar arrangements with broker-dealers.

Crayhill does not engage in directed brokerage.

B. Aggregated or “Bunched” Orders

Crayhill does not aggregate the purchase or sale of securities for Client portfolios.

ITEM 13 – REVIEW OF ACCOUNTS

A. Review of Client Portfolios

The Firm's senior investment professionals review Client portfolios on a regular basis. Due to the long holding periods and low turnover of typical investments in addition to the static nature of investments after they are acquired, investment professionals review the Client's investments on a weekly, quarterly, or as needed basis depending on the type or status of asset. Senior investment professionals also review all Client assets informally on a continual basis. Client portfolios are reviewed periodically by Crayhill to ensure that the portfolio meets the investment criteria set forth in the applicable offering memoranda and other governing documents and complies with Firm policy.

B. Factors that May Trigger a Review of Client Portfolios

The Firm does not utilize any specific criteria to trigger a review of Client investments other than regular periodic reviews.

C. Content and Frequency of Reports

The Firm provides investors in the Crayhill Funds with (i) annual reports within one hundred twenty (120) days of the close of each fiscal year, tax information within ninety (90) days of the close of each fiscal year, and quarterly reports (other than the fourth quarter) and capital account statements within seventy-five (75) days of the close of each quarter.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefit for Providing Services to Non-Clients

In exchange for providing consulting services to the Renewable Company, certain costs and expenses of Crayhill associated with providing such services are paid to Crayhill by the Renewable Company. Other than the Renewable Company, no one who is not an advisory client provides an economic benefit to Crayhill for providing investment advice or other advisory services.

B. Compensation to Non-Supervised Persons for Client Referrals

Neither Crayhill nor any related person directly or indirectly compensates any person who is not a supervised person for Client referrals. However, in the context of organizing Clients structured as pooled investment vehicles, Crayhill may compensate one or more placement agents for referrals of Client investors. The Crayhill Funds disclose in their offering documents that they may enter into these arrangements, and a prospective investor solicited by a placement agent or other third party will be specifically advised of any such arrangement.

ITEM 15 - CUSTODY

Rule 206(4)-2 (the “Custody Rule”) of the Investment Advisers Act of 1940, as amended, imposes specific conditions on the Firm as a registered investment adviser with respect to those securities and other assets that fall under the purview of the Custody Rule that are held by, or deemed to be held by, the Firm or its affiliates. The Firm adheres to the applicable requirements of the Custody Rule with respect to each Client for which it or an affiliate is deemed to have custody. Crayhill has discretion over the Crayhill Funds’ assets and as such, it is deemed to have custody of the Crayhill Funds’ assets. Accordingly, Crayhill is responsible for ensuring that independently audited financial statements from a Public Company Accounting Oversight Board (“PCAOB”) recognized auditor, audited in accordance with generally accepted accounting principles, or other such standards that are recognized under the Custody Rule, are delivered to the underlying investors in the Crayhill Funds within 120 days of the Crayhill Funds’ fiscal year ends.

ITEM 16 – INVESTMENT DISCRETION

Crayhill accepts discretionary authority to manage securities accounts on behalf of certain Clients, specifically, the Crayhill Funds. Furthermore, affiliates of the Firm, such as the general partner to a Client, may accept discretionary investment authority for the applicable Client. For such Clients where Crayhill or an affiliate has investment discretion, Crayhill accepts the authority to determine what securities the Client should buy or sell and what brokers or dealers the Client should use. In general, this discretion is subject only to the investment guidelines set forth in the governing documents for a particular Client.

Various securities and/or tax laws, as well as internal compliance policies, may impose additional restrictions on the investments that may be made (or the manner in which they are made).

ITEM 17 – VOTING CLIENT SECURITIES

In accordance with SEC requirements, the Firm has adopted proxy voting policies and procedures to address how the Firm will make recommendations in respect of voting proxies for Client portfolio investments, a copy of which Clients may obtain upon request. The proxy voting policies and procedures seek to ensure that such recommendations are in the best interest of the Clients, including when there may be material conflicts of interest in the voting proxies. From time to time, the Firm may accept the authority to vote on the securities of Crayhill Funds. The Firm may occasionally be subject to material conflicts of interest involving a particular vote of underlying securities due to business or personal relationships it maintains with persons having an interest in the outcome of the vote. If at any time the Firm becomes aware of a material conflict of interest relating to a particular vote, the Chief Compliance Officer will review the proposal at issue and determine how to act consistent with the applicable client's best interests when making any such recommendation.

ITEM 18 – FINANCIAL INFORMATION

- A.** Crayhill does not require or solicit prepayment of client fees more than six months in advance.
- B.** Crayhill does not have any financial commitment that impairs its ability to meet contractual and fiduciary commitments to its clients.
- C.** Crayhill has not been the subject of a bankruptcy petition at any time during the past ten years.

ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS

This Item is not applicable to the Firm.