



CR Group L.P.

SEC Form ADV Part 2A

Firm Brochure

March 2019

1000 Main Street

Suite 2500

Houston, Texas 77002

Phone: 713-209-7350 Fax: 713-209-7351

Website: www.crglp.com

This Brochure provides information about the qualifications and business practices of CR Group, L.P. (d/b/a CRG) ("Adviser" or "the Firm"). If you have any questions about the contents of this Brochure, please contact us at the above telephone number or via email at info@crglp.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

The Firm is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about the Firm also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On March 31, 2011 Capital Royalty, L.P. (f/k/a Capital Royalty L.P. and d/b/a CRG) (Adviser) filed with the United States Securities and Exchange Commission (SEC) Form ADV Part 2A, also known as the Brochure, in accordance with new regulations regarding information and disclosures not required in previous brochures. The Adviser provided all clients a complete copy of the Brochure containing information about our qualifications and business practices. Investment advisers are required to provide clients with a summary of material changes since the last Brochure.

Accordingly, we are making you aware of two material changes since our last Brochure (March 2018). A summary of the changes follows.

<u>Item & Page</u>	<u>Description</u>	<u>2017 Brochure</u>	<u>2018 Brochure</u>
Item 4, page 1	Assets Managed		
	Total:	\$ 2.12 billion	\$ 2.91 billion
	Discretionary:	\$ 2.12 billion	\$ 2.91 billion
Item 4, page 1	Professional Employees	27	23

The Adviser will continue to deliver information about our qualifications and business practices to clients on at least an annual basis. We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We will further provide other ongoing disclosure information about material changes as necessary.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Our Brochure may be requested by emailing us at info@crglp.com or via telephone at 713-209-7350.

Additional information about CRG is also available via the SEC's website at www.adviserinfo.sec.gov. The SEC's website also provides information about any persons affiliated with CRG who are registered, or are required to be registered, as investment adviser representatives of CRG.

Item 3 – Table of Contents

Item 1 – Cover Page	i
Item 2 – Material Changes	ii
Item 3 – Table of Contents	iii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation	2
Item 6 – Performance-Based Fees and Side-By-Side Management.....	3
Item 7 – Types of Clients.....	4
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	4
Item 9 – Disciplinary Information	24
Item 10 – Other Financial Industry Activities and Affiliations	25
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	25
Item 12 – Brokerage Practices	38
Item 13 – Review of Accounts	38
Item 14 – Client Referrals and Other Compensation	38
Item 15 – Custody.....	38
Item 16 – Investment Discretion.....	39
Item 17 – Voting Client Securities.....	39
Item 18 – Financial Information	40

Item 4 – Advisory Business

The Adviser has been in business since 2003 and provides investment advisory services to private equity partnerships (as described below) in the acquisition and management of a portfolio of loans, bonds, equities, royalty interests and other instruments in the healthcare sector (collectively, “Portfolio Investments”). (Such private equity partnerships are referred to as a “Fund” or collectively as “Funds”.) As of December 31, 2018 the Adviser had regulatory assets under management of \$2.91 billion, all of which is on a discretionary basis.

A number of affiliates of the Adviser are the general partners in several Funds; please see Item 10 for more information regarding this relationship. The Adviser provides investment management services to the Funds in building and managing a portfolio of Portfolio Investments. This portfolio of investments covers a range of market segments, including biopharma, medical devices, tools, diagnostics, pharmaceuticals, and services. The Adviser may, based on portfolio management objectives for a particular account, invest in assets other than Portfolio Investments. In addition, the Funds may employ leverage in connection with any investment strategy in the form of borrowings which may be limited recourse to certain assets of a Fund or full recourse to all of a Fund’s assets, as permitted under the relevant partnership agreement.

The Adviser’s investment team currently comprises 23 professionals including internal legal, accounting and compliance personnel. Senior members of the investment team include: Nathan Hukill, Luke Düster, Michael Weinmann, David Carter, and Andrei Dorenbaum. Below outlines each senior member’s position and role/responsibility.

Name	Role / Responsibility
Nate Hukill <i>Managing Partner</i> <i>Partner, Piedmont Evergreen</i>	<ul style="list-style-type: none">• Strategic direction of CRG• Day-to-day management and oversight of investments and investor relations• Portfolio management and investment structuring
Luke Düster <i>Partner</i>	<ul style="list-style-type: none">• Investment sourcing through healthcare industry network and VC relationships• Negotiate terms, investment structuring, due diligence, and portfolio management
Mike Weinmann <i>Partner</i> <i>Partner, Piedmont Evergreen</i>	<ul style="list-style-type: none">• Limited Partner relationships and investor relations management• Negotiate and structure leverage facilities
David Carter <i>Partner</i>	<ul style="list-style-type: none">• Generating deal flow and reviewing investment opportunities• Conducting due diligence and portfolio management
Andrei Dorenbaum <i>General Counsel</i> <i>Partner, Piedmont Evergreen</i>	<ul style="list-style-type: none">• Responsible for administrative, legal, and finance functions• Structure and negotiate legal documentation for investments and leverage facilities• Structure investment vehicles

More information about these and other investment personnel can be found in the Brochure Supplement (Form ADV Part 2B). Nathan Hukill is also the principal manager of the Adviser. More information regarding ownership of the Adviser can be found in Form ADV Part 1, Schedule A.

The Adviser may, from time to time, establish, on a transaction-by-transaction basis, pooled

investment vehicles through which certain persons may invest alongside one or more Funds in a particular investment opportunity (each such vehicle a “Co-Investment Vehicle”). As a general matter, each such Co-Investment Vehicle exits its investment in the particular investment opportunity at substantially the same time (and on substantially the same terms) as the applicable Fund(s) that are also invested in that investment opportunity. Please see item 11 for a discussion of the allocation of co-investment opportunities and certain related conflicts of interest.

Additionally, the Adviser and its affiliates may also organize and serve as general partner or investment manager (or in an analogous capacity) to certain other “feeder” vehicles (each such vehicle, a “Feeder Vehicle”) organized to invest exclusively in a Fund and/or alternative investment vehicles (each, an “Alternative Investment Vehicle”) organized to address, for example, specific tax, legal, business, accounting or regulatory-related matters that may arise in connection with the transaction or transactions.

The Adviser’s advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of Funds, managing and monitoring the performance of such investments and disposing of such investments. The Adviser may serve as the investment adviser and the Adviser or an affiliate may serve as general partner to the Funds in order to provide such services.

The Adviser provides investment supervisory services to each Fund pursuant to investment management or portfolio management agreements (each an “Advisory Agreement”).

The terms of the advisory services to be provided to a Fund, including any restrictions on investments of certain types of securities, are established by the Adviser, as modified by negotiations with investors in the applicable Fund, and set forth in such Advisory Agreement, offering documents, organizational documents, operating agreement and/or other documentation received by each investor prior to the investment in such Fund. Once invested in a Fund, the investors cannot impose restrictions on the types of securities in which such Fund may invest.

Much of the disclosure in this brochure is general in nature and, because most of the Adviser’s clients are Funds, is subject to the specific terms and conditions of a Fund investment included in the Fund’s organizational and offering documents. In addition, investors in the Funds are generally not clients of the Adviser unless they have a separate advisory relationship with the Adviser.

Item 5 – Fees and Compensation

In general, the Funds’ respective Advisory Agreements provide that the Adviser will receive a 1% to 2+% annual management fee (the “Management Fee”) during the applicable Fund’s investment period, based upon either 1) total investor commitments or 2) total invested capital or the fair value of managed assets, and thereafter, a similar percentage based on total invested capital or the fair value of managed assets, as defined in the relevant limited partnership agreement (the “Partnership Agreement”). Under the terms of each Advisory Agreement, the Management Fee is generally payable quarterly in advance, prorated for the

actual number of days if less than three months; in such a case, the Adviser will return the unearned portion to the Fund. The Adviser is required to apply 80%- 100% of the proportionate share of certain fees that it collects from third parties in connection with investments by the Funds towards a reduction in the Management Fee for such Funds.

In addition, each Fund's Partnership Agreement generally provides that the general partner or the Adviser is entitled to receive carried interest or a performance fee typically ranging from 15% to 20% of distributions after the limited partners have received a preferred return, typically set at 6% or 8% per annum of their investment in the Fund or another comparable benchmark. Each Fund will terminate 6 to 10 years from the final closing but may be extended further in accordance with the provisions of such Fund's Partnership Agreement. Each Fund may be terminated at any time prior to its stated termination at the election of limited partners owning at least a certain percentage of the limited partnership interests as specified in the relevant Partnership Agreement. Limited partners may elect to dissolve the Fund under certain circumstances set forth in the Partnership Agreement. Except in limited circumstances, no limited partner may voluntarily withdraw from a Fund.

The specific manner in which fees are charged by the Adviser is established in each client's written Advisory Agreement and/or Partnership Agreement, the terms of which may differ from those described above. The Adviser may negotiate a specific fee arrangement with a particular investor pursuant to a side letter or other account agreement. The Adviser or its affiliates additionally may receive fees from the Funds for additional services provided to the Funds or their underlying investments not covered by the client's management fee ("Related Services"). Any such amounts received for Related Services may reduce management fees paid to the Adviser; the extent to which fees are reduced will be governed by the Fund's Partnership Agreement, management agreement and other organizational documents.

The Adviser's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the clients. Clients may incur certain charges imposed by custodians, law firms, brokers, and other third-party services such as banking, legal, consulting, audit and accounting, and fund administration fees. If applicable, the clients may incur fees and taxes on brokerage accounts and securities transactions. If the client invests in another pool, there may be two levels of fees. The specific fees and expenses borne by a client are set out in the client's written Advisory Agreement and/or Partnership Agreement, the terms of which may differ from those described above. Neither the Adviser nor any supervised persons accept compensation for sales of securities or other investment products, although such persons may also receive transaction or investment related fees to the extent permitted under the relevant Fund documents.

Item 12 further describes the factors that the Adviser considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

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

In some cases, including as described in Item 5, the Adviser or its affiliates have entered into

performance fee arrangements with qualified clients; such fees are subject to individualized negotiation with each such client. The Adviser will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940 (the “Advisers Act”) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. Performance-based fee arrangements may create an incentive for the Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. The Adviser has procedures designed and implemented to ensure that all clients are treated fairly and equally over time, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

With respect to each Fund for which a performance fee is charged, a portion of the profits of such Fund is typically allocated to the capital account of its general partner, if any, as “carried interest” or paid to the Adviser as a performance fee (any such carried interest or performance fee, an “Incentive Fee”). Each general partner of a Fund that receives an Incentive Fee is a related person of the Adviser.

The payment by some, but not all, Funds of an Incentive Fee (or the payment of Incentive Fees at varying rates) may create an incentive for the Adviser to disproportionately allocate time, services or functions to Funds paying an Incentive Fee (or Funds paying Incentive Fees at a higher rate), or allocate securities to such Funds. Generally, and except as may be otherwise set forth in the organizational documents of the Funds, this conflict is mitigated by (i) certain limitations on the ability of the Adviser to establish new investment funds, (ii) contractual provisions requiring certain Funds to purchase and sell investments contemporaneously and/or (iii) contractual provisions and procedures setting forth investment allocation requirements. The Adviser periodically reviews the time and services being devoted to the Funds to ensure that the necessary resources are being allocated to each Fund. Please see Items 10 and 11 below for additional information relating to how conflicts of interest are generally addressed by the Adviser.

Item 7 – Types of Clients

The Adviser provides investment management services to its clients, the Funds. Investors in the Funds may include certain qualified individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, municipalities, private investment funds, trust programs, insurance companies, sovereign funds, foreign funds and other U.S. and international institutions. Funds typically have a minimum investment amount. This amount, which may vary from Fund to Fund, may be waived by the Fund’s general partner.

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

The Adviser’s investment strategy is to invest in Portfolio Investments as described in Item 4. Investments are selected through a proprietary screening and due diligence process which utilizes the knowledge and skills of the Adviser’s investment professionals, healthcare industry contacts and consultants, published sales and technical information and an advisory committee

composed of outside healthcare industry veterans.

Investing involves risk of loss that investors should be prepared to bear. These investments are not suitable for all investors and are intended for sophisticated investors who can accept the risks associated with the Adviser's investment program. Among the risks to be considered are that the investments will be concentrated in the healthcare industry and are not expected to provide diversification across industries. Investors should be aware and seek diversification by including other types of investments in their portfolio. Certain risks that are associated with an investment in the Funds include, but are not limited to, the following.

Risks Associated with Senior Secured Loans

If a Fund makes a senior secured loan to a portfolio company, it generally would take a security interest in the available assets of the portfolio company, including the equity interests of its subsidiaries, which should help mitigate the risk that such Fund will not be repaid. However, there is a risk that the collateral securing a Fund's loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise, and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital. In some circumstances, a Fund's lien could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that a Fund will receive principal and interest payments according to the loan's terms, or at all, or that a Fund will be able to collect on the loan should it be forced to enforce its remedies.

Risks Associated with Second Lien, or Other Subordinated Loans or Debt

The Funds may acquire second lien or other subordinated loans. In addition, the Funds may originate second lien or other subordinated loans. In the event of a loss of value of the underlying assets that collateralize the loans, the subordinate portions of the loans may suffer a loss prior to the more senior portions suffering a loss. If a borrower defaults and lacks sufficient assets to satisfy a Fund's loan, such Fund may suffer a loss of principal or interest. If a borrower declares bankruptcy, a Fund may not have full recourse to the assets of the borrower, or the assets of the borrower may not be sufficient to satisfy the loan. In addition, certain of the Funds' loans may be subordinate to other debt of the borrower. As a result, if a borrower defaults on a Fund's loan or on debt senior to a Fund's loan, or in the event of the bankruptcy of a borrower, such Fund's loan will be satisfied only after all senior debt is paid in full. The Adviser's ability to amend the terms of a Fund's loans, assign a Fund's loans, accept prepayments, exercise a Fund's remedies (through "standstill periods") and control decisions made in bankruptcy proceedings relating to borrowers may be limited by inter-creditor arrangements if debt senior to such Fund's loans exists.

Risks Associated with Unsecured Loans or Debt

The Funds may invest in unsecured loans which are not secured by collateral. In the event of default on an unsecured loan, the first priority lien holder has first claim to the underlying collateral of the loan. It is possible that no collateral value would remain for an unsecured holder and therefore result in a loss of investment to the applicable Funds. Because unsecured

loans are lower in priority of payment to secured loans, they are subject to the additional risk that the cash flow of the borrower may be insufficient to meet scheduled payments after giving effect to the secured obligations of the borrower. Unsecured loans generally have greater price volatility than secured loans and may be less liquid.

Risks Associated with “High Yield” Debt

The Funds may invest in high yield debt, a substantial portion of which may be rated below investment-grade by one or more nationally recognized statistical rating organizations or which may be unrated but of comparable credit quality to obligations rated below investment-grade, and have greater credit and liquidity risk than more highly rated debt obligations. High yield debt is generally unsecured and may be subordinate to other obligations of the obligor. The lower rating of high yield debt reflects a greater possibility that adverse changes in the financial condition of the obligor or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the obligor to make payment of principal and interest. Many issuers of high yield debt are highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. In addition, many issuers of high yield debt may be in poor financial condition, experiencing poor operating results, having substantial capital needs or negative net worth or be facing special competitive or product obsolescence problems, and may include companies involved in bankruptcy or other reorganizations or liquidation proceedings. Certain of these securities may not be publicly traded, and, therefore, it may be difficult to obtain information as to the true condition of the issuers. Overall declines in the below investment-grade bond and other markets may adversely affect such issuers by inhibiting their ability to refinance their debt at maturity. High yield debt is often less liquid than higher rated securities.

High yield debt is often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. High yield debt has historically experienced greater default rates than has been the case for investment-grade securities.

High yield debt may also be in the form of zero-coupon or deferred interest bonds, which are bonds issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero-coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Such investments experience greater volatility in market value due to changes in the interest rates than bonds that provide for regular payments of interest.

Risks Associated with Distressed Loans

From time to time, a Fund may hold interests in sub-performing or underperforming loans or loans of distressed and bankrupt borrowers, including loans that are in covenant or payment default. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid, if at all, only after lengthy workout or bankruptcy proceedings, during which the borrower might not make any interest or other payments and

the amount of any recovery may be affected by the relative seniority of a Fund's interests vis-à-vis the borrower's other creditors. In addition, interest or principal payments made by a distressed or bankrupt borrower may be challenged as fraudulent conveyances in bankruptcy court and amounts paid may be subject to avoidance as a preference under certain circumstances.

Risks Associated with Term Loans, Delayed Draw Loans, or Revolvers

The Funds may invest in a variety of different types of debt, including but not limited to term loans, delayed draw term loans, bridge loans, and revolving loans. A term loan is a loan that has a specified repayment schedule. A delayed draw loan is a loan that typically permits the borrower to withdraw predetermined portions of the total amount borrowed at certain times. A revolving credit facility differs from a delayed draw loan in that as the borrower repays the loan, an amount equal to the repayment may be borrowed again during the term of the revolving credit facility. Delayed draw loans and revolving credit facilities usually provide for floating or variable rates of interest. If a Fund enters into or acquires a commitment with a borrower regarding a delayed draw loan or a revolver, such Fund will be obligated on one or more dates in the future to lend the borrower monies (up to an aggregate stated amount) if called upon to do so by the borrower. These commitments may have the effect of requiring a Fund to increase its investment in a borrower at a time when it might not otherwise decide to do so (including at a time when the company's financial condition makes it unlikely that such amounts will be repaid). If the Adviser does not correctly forecast the amount of cash necessary to meet its obligation to fund these Portfolio Investments, it may be subject to legal claims or may be forced to reserve cash or sell assets at inappropriate times or prices. Delayed draw loans and revolvers may be subject to restrictions on transfer, and only limited opportunities may exist to resell such instruments. As a result, the Funds may be unable to sell such Portfolio Investments at an opportune time or may have to resell them at less than fair market value. In the event that a contractual obligation extends beyond a Fund's investment period, such Fund would be required to meet such contractual requirements and, if it were unable to do so, would be subject to contractual penalties under such loans. A Fund's obligation to meet such contractual requirements, which may be met through drawdowns of capital commitments, may extend beyond such Fund's investment period.

Risks Associated with Securitization

Certain Funds have combined certain investments, and other Funds may in the future combine investments, in one or more special purpose vehicles with the intent of executing an asset-backed securitization or similar transaction. Such securitization can produce additional long-term leverage for the portfolio but may be difficult to accurately price and involves cross-collateralization of otherwise separate investments. A securitization may impact a significant portion of a Fund's portfolio and any adverse result may therefore materially affect such Fund's performance.

General Risks Related to Target Products

Each Fund may invest up to 100% of its assets in companies whose revenues to a large extent are derived from biotechnology and pharmaceutical products, medical and diagnostic devices, and healthcare services and facilities, including healthcare information technology (the "Healthcare" industry, and its products "Target Products"). The ability of a Healthcare or

life sciences company to make payments to its investors will depend, at least in part, on the revenue levels achieved by the Target Products. The risks of investing in these investments will include the risks of investing in the underlying industry. In addition, certain of the Funds' Portfolio Investments are currently not widely traded or understood and a Fund may not be able to sell the Portfolio Investments when it wants to do so or at the prices at which they are carried on the books of such Fund.

Risks Associated with Product Competition

Each Target Product is subject to competition from alternative Target Products or other products or procedures that are now available, or may in the future be developed or become available. The Healthcare industry is highly competitive and rapidly evolving. The Target Products face competition from existing Target Products, from other products currently on the market that are approved for other indications and may be subsequently approved for the same indications as those of the Target Products, from off-label use of Target Products approved for other indications, from the introduction of new Target Products or procedures and from improvements to existing Target Products, any of which may cause a Target Product to become less attractive than its competitors or obsolete.

Competitors may develop technologies, which are, or in the future may be, the basis for products that will directly compete with or reduce the market for a Target Product, including the development and marketing of generic substitutes for a Target Product. Competition from fully integrated and more established Healthcare companies is intense and is expected to increase. Restrictions on the ability of a collaborative partner to develop and market a product that is competitive with a Target Product can be limited by patent protection or contract. Companies with competing products may have significantly greater resources than the company supporting the Target Product. Smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with the larger and more established Healthcare companies. Academic institutions, governmental agencies and other public and private research organizations also conduct research, seek patent protection and establish collaborative arrangements for clinical development and marketing, which can result in such competing products. These factors may materially adversely affect the Portfolio Investments held by the Funds. In addition, the implementation by the Food and Drug Administration (the "FDA") and regulatory authorities in certain other countries of abbreviated legal pathways, including, for example, the approval of biosimilar products, increases the competitive factors affecting the market position for a Target Product.

Sales of the Target Products and the ability of the borrowers responsible for the development, production of Target Products, marketing and sale of the Target Products (the "Borrowers") to maintain their competitive positions are partly dependent on the success of the Borrowers' respective marketing efforts. These efforts often rely, in part, on the strength and reputation of a Target Product's brand and underlying trademarks, trade names and related intellectual property. A Borrower's activities both in marketing the Target Products and in protecting its intellectual property are outside the control of the Funds and the Adviser. A Borrower's failure either to market the Target Products actively or to diligently protect its related intellectual property rights could reduce its competitive position.

Other competitive factors affecting the market position of the Target Products include their effectiveness, side effect profile, manner of administration, price, ease of use, and third-party insurance reimbursement policies.

Risks Associated with Manufacturing and Supply

Healthcare products are manufactured in specialized facilities and regardless of where they are manufactured, if those products are sold in the United States, those facilities require the approval of, and ongoing regulation by the United States FDA and, if manufactured outside of the United States, foreign regulatory agencies may be involved as well. With respect to Target Products, to the extent operational standards set by such agencies are not adhered to, manufacturing facilities may be closed or the production of such Target Products interrupted until such time as any deficiencies noted by such agencies are remedied. Any such closure or interruption may interrupt, for an indefinite period of time, the manufacture and distribution of a Target Product, which could have a material adverse impact on a Portfolio Investment and the Funds.

In addition, manufacturers of such Target Products may rely on third parties for packaging of the Target Products or to supply bulk raw material used in the manufacture of the Target Products. In the United States, the FDA requires that all suppliers of pharmaceutical bulk materials and all manufacturers of pharmaceuticals for sale in or from the United States achieve and maintain compliance with the FDA's current "Good Manufacturing Practice," or "GMP," regulations and guidelines, and failure to comply could have a material adverse effect on Target Product sales.

Borrowers generally rely on a small number of key, highly specialized suppliers, manufacturers and packagers. Any interruptions, however minimal, in the operation of these manufacturing and packaging facilities could have a material adverse effect on Target Product sales.

Risks Associated with Government Regulation; Product Withdrawals

The Target Products are subject to extensive and rigorous regulation by United States local, state and federal regulatory authorities and by foreign regulatory bodies. Regulatory clearance of a product is limited to those disease states and conditions for which the product has demonstrated safety and efficacy, as evidenced by clinical studies. Obtaining such approval is a lengthy and expensive process, and the necessary approvals are rarely obtained. For example, the outcome of research and development activities, including, without limitation, the ability to meet anticipated preclinical and clinical trial commencement and completion dates, regulatory submission and approval dates, and launch dates for product candidates, as well as the possibility of unfavorable pre-clinical and clinical trial results, including unfavorable new clinical data and additional analyses of existing clinical data, can each result in a product candidate not being approved. Furthermore, product approval may be conditioned on undertaking ongoing requirements or post-marketing studies.

Prior to the grant of marketing approvals by the FDA and corresponding regulatory authorities outside of the United States, most Target Products must undergo extensive investigation and clinical trials to meet stringent safety and efficacy requirements. In addition, the risks

associated with preliminary, early stage or interim data, including the risk that final results of studies for which preliminary, early stage or interim data have been provided and/or additional clinical trials may be different from (including less favorable than) the preliminary, early stage or interim data results and may not support further clinical development of the applicable product candidate or indication.

Also, the manufacturer of a Target Product and its manufacturing facilities are subject to approval, continual review and periodic inspections by the regulatory authorities. Even after approval, companies can experience previously unknown problems with a product, including adverse effects, restrictions on the use or the manufacture of such product, costly recalls or even withdrawal of the product from the market. Such events, whether voluntarily or mandated by a regulatory authority, typically result in an immediate reduction or discontinuation of revenues from the product globally. In addition, the manufacturer or marketer of a Target Product may voluntarily withdraw the Target Product from the market for medical, technical, regulatory, commercial or other reasons. If any such an event were to occur (or if necessary regulatory approvals are not obtained), it would likely have a significant and adverse effect on the performance of a particular Portfolio Investment and could have a material adverse effect on the aggregate performance of the Funds.

Target Products reimbursed by government and third-party payors are subject to state and federal laws regarding fraud and abuse, including anti-kickback liability and liability under the U.S. federal civil False Claims Act, as well as transparency-related payments made to physicians laws (so-called “sunshine” laws). Violations of these laws can lead to substantial civil and criminal penalties, as well as potential exclusion from government contracting programs including Medicare, Medicaid, the Veteran’s Administration, TRICARE, the Civilian Health Medical Program of the Uniformed Services (CHAMPUS), and the Federal Employees’ Health Benefit Plan. Internal whistleblowers, competitors, and independent government investigations all constitute potential sources of such claims. Companies that make and/or market Target Products are subject to federal, state and international regulations governing the protection of personal and health related information, and any breach, infiltration or interruption of a company’s technology systems and/or infrastructure may result in significant fines and penalties, which could adversely impact the applicable Fund.

Companies that market and distribute their products internationally are increasingly at risk of liability under the United States Foreign Corrupt Practices Act of 1977, as amended (the “FCPA”), as well as related national and international bribery investigations. The FCPA prohibits payments to certain government officials in order to obtain or retain business. Internationally, healthcare providers that companies contract with or market products to, may be considered government officials under the FCPA due to the prevalence of government-sponsored healthcare systems. Companies may face risk when selling and marketing products in certain countries and may be subject to criminal fines, penalties, and prosecution in the United States for practices that are routine, customary, and not prohibited by law in the country where the alleged FCPA violation occurred.

Unapproved Portfolio Products Are Subject to Additional Risks

The Funds may invest in companies whose products are in clinical development, or are otherwise not approved by the FDA or other regulatory agencies, subject to any requirements

of the applicable Fund's governing documents. A failure to achieve clinical success and/or gain regulatory approval from the FDA or similar organization would materially and adversely affect those Portfolio Investments and the applicable Funds. The research, development, preclinical and clinical trials, manufacturing, labeling, and marketing related to a life sciences company's products are subject to an extensive regulatory approval process by regulatory agencies. The process for obtaining required regulatory approvals, including the required preclinical and clinical testing, is very lengthy, costly, and uncertain. There can be no guarantee that, even after such time and expenditures, a company will be able to obtain the necessary regulatory approvals for clinical testing or for the manufacturing or marketing of any Target Products or that the approved labeling will be sufficient for favorable marketing and promotional activities. If a company is unable to obtain these approvals in a timely fashion, or if after approval for marketing, a Target Product is later shown to be ineffective or to have unacceptable side effects not discovered during testing, the company may experience significant adverse effects, which in turn could negatively affect the performance of the Funds.

Risks Associated with Pharmaceutical Pricing and Reimbursement

Governmental and other pressures to reduce pharmaceutical costs, including from third-party payers such as health-maintenance organizations and health insurers, have resulted in increased public scrutiny over Healthcare product pricing, particularly in the United States. In certain foreign markets pricing of prescription pharmaceuticals is subject to governmental control. In the United States there have been, and the Adviser expects that there will continue to be, a number of federal and state proposals to implement similar government control. In addition, managed care in the United States has increased and will continue to exert pressure on pharmaceutical pricing. Changes in U.S. healthcare laws may impact reimbursement policies of the U.S. government as one of the largest consumers of the Target Products and negatively impact the company's ability to service its debts. In addition, changes in U.S. federal and state laws that directly or indirectly impose controls on prescription drugs may negatively impact sales and therefore the ability of the issuer to pay amounts due on the Portfolio Investments. In addition, it is possible that the Affordable Care Act will be repealed in whole or in part. It is difficult to predict the effect of a repeal of the Affordable Care Act on the business model, prospects or financial condition of the companies in which the Funds may invest, and such action could introduce risks and uncertainties that adversely affect the Funds or their portfolio companies.

Additionally, in the pharmaceutical industry, billing and reimbursement processes and potential regulatory changes may cause price erosion and reduce sales of a Target Product. The determination of formularies, or lists of prescription drugs covered by a particular benefit plan, the discounts and pricing under such formularies and the amount of time it takes to obtain favorable formulary status under various plans may impact the sale of a Target Product. In some cases, the patient may have a higher co-payment for a Target Product than for other drugs, including competitors of a Target Product. Additionally, if third-party payors do not consider a Target Product to be cost-effective, they may not reimburse providers of the Target Products or, if they do, it may be at lower levels. If reimbursement for any of the Target Products is adversely changed or is inadequate, healthcare providers may limit how much or under what circumstances they will prescribe or administer such Target Products, which could reduce the use of the Target Products or cause reduction of the price of the Target Products.

Recently, Congressional hearings have been held in the United States, and U.S. regulators and politicians have suggested that legislation should be passed and regulations should be made to address the rising costs to consumers of certain life science products. Any such legislation or regulations in the United States or any other jurisdiction where Target Products are sold could impact Target Products sales, which could cause Target Products to generate insufficient revenue or income for the Funds to be paid interest and principal in respect of the related Portfolio Investments. Furthermore, the manufacturers, developers or marketers of Target Products could become subject to liability claims with respect to pricing of Target Products. In addition to the manufacturers, developers or marketers bearing the costs associated with litigation, such claims could materially and adversely affect the sales of Target Products and the amount of revenue payments, royalty payments, or income and, consequently, could materially and adversely affect the ability of a counterparty to make payments of any kind to the Funds.

Risks Associated with Uncertainty Related to Healthcare Reimbursement and Reform Measures

In both the United States and foreign markets, sales of a Healthcare company's products and its success depend in part on the availability of reimbursement from third-party payors, including government health administration authorities (such as Medicare or Medicaid in the United States), private health insurers, and other health management organizations. The revenues and profitability of life sciences companies are likely to be materially and adversely affected by the continuing efforts of governmental and other payors to contain or reduce the costs of healthcare. Payors are increasingly challenging the prices charged for medical products and services that they reimburse. If the Target Products to which the Funds' Portfolio Investments relate are determined to not meet the criteria for coverage or reimbursement, these organizations may not reimburse the Target Products or may do so at lower levels. Significant uncertainty exists as to the reimbursement status of newly approved products. There can be no assurance that a company's proposed product will be considered cost-effective or that adequate third-party reimbursement will be available to enable a company to maintain price levels sufficient to realize an appropriate return on its investment in product development. Payors and pharmacy benefit managers may also exclude products entirely from reimbursement despite regulatory approval, leaving limited opportunities to recoup research and development costs.

In addition, changes in government legislation or regulation, changes in formulary or compendia listings, or changes in payors' policies may reduce or eliminate reimbursement of such products. Payor policies may require automatic substitution of certain Target Products with a generic equivalent, if such an equivalent is available. If reimbursement is reduced or is not available for a Target Product, sales would diminish and decrease cash flows available to satisfy royalty and other payment obligations, including payments on debt obligations thereby harming the Funds' revenue. In addition, macroeconomic factors may affect the ability of patients to pay for Target Products by, for example, diminishing the income patients have to pay out-of-pocket costs and/or obtain sufficient health insurance coverage.

Risks Associated with Variability in Cash Flows

Distributions to investors from the Funds' Portfolio Investments may be related to the revenue levels achieved by the products underlying each Portfolio Investment. Although revenue projections developed by the Adviser and general partner at the time of each Fund's acquisition may contemplate additional indications and markets than those for which the Target Products are approved at the time of each Funds' acquisition, the time required for these approvals is uncertain and can take a number of years, depending on the type, complexity and novelty of the product, and such approvals may never be obtained. The Adviser and general partner will not have any influence or control over the amount and timing of revenues generated by each product. Such revenues typically vary from quarter to quarter. Although the variations are typically gradual and cyclical, in certain cases they could be material and adverse. This could be the result of many different factors, including, but not limited to, adverse market conditions, including competitive and market demand considerations, lack of market acceptance, obsolescence, safety or efficacy issues, unanticipated regulatory or tax changes, changes in law affecting the enforceability of the licenses and related rights, business disruptions, and other factors that may not be foreseen by the Adviser and general partner at the time of acquisition.

An investor in a Portfolio Investment, and the purchaser of the notes or other securities, is relying on forecasts of future sales of a Target Product that may prove to be inaccurate. There are inherent difficulties in making long-range forecasts, which may be compounded by limited sales history of newer products. Assumptions with respect to material contingencies such as experience of consumers with a Target Product, sales and marketing efforts, competition, government regulation and reimbursement status may be materially incorrect. If estimates of actual sales of the Target Product are inaccurate, it could negatively impact the Funds' Portfolio Investments.

In the healthcare industry, the payments from Portfolio Investments often rely on milestone payments and/or a royalty stream from an underlying drug which may or may not have received approval of the FDA. If the underlying drug does not receive FDA approval, it could negatively impact the principal and interest payments on, and the value of, the Funds' Portfolio Investments.

The Funds may invest in Target Products that are in late-stage development, but have not yet received approval from the FDA or a corresponding regulatory authority outside the United States. There is a substantial risk that most of these products, if any, will never complete the regulatory process. The testing and approval processes require substantial time, effort and financial resources, and each may take several years to complete. The FDA, or corresponding regulatory authorities outside of the United States, may not grant approval on a timely basis, or at all. Even if the general partner to the Funds believe a clinical trial has demonstrated the safety and efficacy of one of the Target Products for the treatment of a disease, the results may not be satisfactory to the FDA, or corresponding regulatory authorities outside of the United States. Nonclinical and clinical data may be interpreted by the FDA, or corresponding regulatory authorities outside of the United States, in different ways, which could delay, limit or prevent regulatory approval. The FDA may limit the indications for use or place other conditions on any approvals that could restrict the commercial application of the Target Products. After approval, certain changes to the approved drug, such as adding new

indications, manufacturing changes, or additional labeling claims are subject to further FDA, or corresponding regulatory authorities outside of the United States, review and approval. Depending on the nature of the change proposed, the FDA, or corresponding regulatory authorities outside of the United States, may have to approve the change before it can be implemented. Failure to gain approval or very limited approval would have a significant and adverse effect on the performance of a particular Portfolio Investment and on the aggregate performance of the Funds.

Risks Associated with Product Liability Claims

Manufacturers or marketers of Target Products could become subject to product liability claims related to the Target Products in the event that the Target Products are misused or the use of the Target Products is alleged to have resulted in undesirable or unintended effects. Additionally, a product liability claim could result in the manufacturer's or Borrower's decision to temporarily or permanently withdraw the Target Product from the market and could result in renewed regulatory review. Either such request could materially adversely affect potential returns for the investments.

Risks Associated with Investments in Life Sciences Companies

The success of the Funds' Portfolio Investments may be dependent upon obtaining certain government approvals. Companies in the life sciences industry typically require the approval of agencies such as the FDA prior to marketing their products to the public. The approval process is very lengthy and very costly, and there can be no guarantee that a portfolio company will obtain the necessary approvals for its products. If a portfolio company is unable to obtain these approvals in a timely fashion, the portfolio company may experience significant adverse effects, which in turn could negatively affect the performance of the Funds. Moreover, the current regulatory framework may change or additional regulations may arise at any stage during the product development phase of a portfolio company, which may affect the company's ability to obtain approval of its products.

Companies that the Funds may invest in may need to commit substantial resources to obtain patents for their products, both in the United States and in other countries. The patent protection of the intellectual property of healthcare technology companies in many countries is highly uncertain and involves complex legal, scientific and factual issues, and disputes among companies are frequent and expensive. The policy regarding allowable claimed subject matter of life sciences or healthcare technology patents varies from jurisdiction to jurisdiction.

Risks Associated with Patents and Proprietary Rights

There is a risk that third parties may use the patents, patent applications and/or other intellectual property rights on which the royalty streams and other investments depend without authorization from the licensor. There also is a risk that third parties may independently develop or otherwise obtain intellectual property that does not infringe on the patent of a Target Product, but potentially could reduce any competitive advantage afforded by the patents, patent applications and/or other intellectual property on which the royalty streams or other investments depend. The undetected or unremedied use of these intellectual property rights by third parties, and/or the design-around or circumvention of these

intellectual property rights, could adversely affect the payments that the Investment and/or a Fund would receive. Commercial success of the Target Products depends in part on the ability of the developing and marketing companies or their collaborative partners to obtain patents, successfully defend issued patents against invalidity claims and enforce patents against third parties. While the value of the Funds' Portfolio Investments may be highly dependent on the prosecution, maintenance, defense and/or enforcement of the patents, patent applications and other intellectual property rights, in most, if not all cases, the Funds have no ability to control these activities and must rely on the willingness and ability of the licensor or its designee to undertake these activities. It is anticipated that the licensor or its designee will be in the best position to prosecute, maintain, enforce and/or defend the underlying patent and other intellectual property rights and that the licensor or its designee will have the requisite business and financial motivation to do so. However, there can be no assurance that these third parties will seek to vigorously prosecute, maintain, enforce or defend such rights, or that their efforts to do so will be successful. Any failure to successfully prosecute, maintain, enforce or defend such rights could have a material adverse effect on the respective investment and on the Funds. The Funds may not have the ability to participate in patent or other proceedings brought by or against the licensor or its designee, and if it does, the Funds could incur substantial litigation costs.

The determination of the strength of the patent position involves complex legal and factual questions and, therefore, neither the validity nor the enforceability of a patent can be predicted with certainty. For example, patents may be found invalid if scientific research predating the patent filing reveals that third parties developed the same patented innovation (or an obvious variant of the patented innovation) prior to the effective patent filing date. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made. In addition, earlier publications or public work of the inventors may invalidate their later filed patents. Furthermore, failures to name correctly inventors and document assignments can lose patent rights. Also, issued patents may be challenged, invalidated or circumvented in other ways. Thus, any Target Product patents that are owned or licensed from third parties may not provide any protection against competitors. Pending patent applications claiming a Target Product may not result in patents being issued. No assurances can be given that patents will provide protection or competitive advantages against competitors with similar products that do not violate the patents of other Target Products.

The laws of certain foreign countries do not protect intellectual property rights to the same extent as do the laws of the United States. Accordingly, any Target Products patents and patent applications that exist at the time of investment may not provide sufficient protection against competing products. In addition, foreign jurisdictions have differing procedures and/or standards for prosecuting and/or maintaining patents, and provide differing degrees of protection against the infringement or other unauthorized use of patents or other intellectual property. These variations among various international jurisdictions may affect the payments that the Funds would receive.

In addition to patents, the protection of the proprietary position of Target Products may rely on trade secrets and proprietary know-how that may be protected, in part, through confidentiality and proprietary information agreements with parties that have access to such

information, such as collaborative partners, licensors, employees and consultants. Any of these parties may breach the agreements and disclose or use the confidential information, and third parties might learn of or use the information in some other lawful or unlawful way. Any such disclosure or use of the trade secrets, know-how or technology, whether lawful or unlawful, may adversely affect the payments that the Funds would receive. In addition, trade secrets may otherwise become known to, or be independently developed by, competitors.

Multiple patents can cover one product, and the fact that a Target Product is covered by one or more patents controlled by the licensor does not fully insulate Target Products from infringing patents held by others. If a Target Product infringes the patents or violates other proprietary rights of third parties, litigation, interference or other administrative proceedings may ensue, which may result in an adverse determination of an infringement claim that may subject the company marketing the Target Product to significant liabilities and restrict or prevent it from the manufacture and sale of Target Products. If the infringement claim is resolved by obtaining a license from the third parties whose intellectual property rights are infringed, such a license may include ongoing royalty interests which may be offset against the payments due to the Funds. These outcomes may materially adversely affect the Investments held by the Funds.

Despite the validity of a patent or a patent application of a Target Product, a regulatory authority may authorize marketing by a third party for a generic substitute for a Target Product, in which case the Target Product would become subject to competition from such generic substitute. The reduction in or absence of research, development, approval and marketing expenses generally permits generic substitutes to be sold at significantly lower prices than branded Target Products. Governmental and other pressures to reduce pharmaceutical costs, including from third-party payers such as health maintenance organizations and health insurers, would likely result in physicians or pharmacies increasingly using generic substitutes for the Target Products that could adversely affect the returns of the Funds.

Risks Associated with Patent Defense and Enforcement

The right or ability to receive payments in respect of a Portfolio Investment may depend, in part, on the enforcement of patents, other intellectual property and related licenses in the United States and elsewhere. Moreover, the ongoing existence and enforceability of patents and other intellectual property rights may depend on ongoing maintenance activities of patent owners and others. There can be no assurance that any of the patents or other intellectual property rights relating to the Target Products will not be challenged or circumvented by third parties, nor that the Borrowers, patent owners, developers, manufacturers, and/or marketers will vigorously maintain, enforce or defend the intellectual property rights, nor that the patents owned by competitors and the intellectual property rights asserted by them will not have an adverse effect on the ability of the manufacturers and marketers to produce and sell the Target Products. There can be no assurance that a court charged with deciding a patent infringement claim will not render a decision that will have an adverse effect on any of the patents relating to the Target Products.

Patent law relating to claims in Healthcare patents is still evolving both in the courts and through legislation. Changes in case law and legislation may further alter the degrees of protection against the use of a patented invention by others. Various competing legislative

proposals for patent reform, including changes to the standards for patentability and limits on the amount of damages that may be recovered by a patentee, and proposed legislation for an abbreviated pathway for follow-on biologics (medicinal products created by biological processes) have been repeatedly introduced. Therefore, the degree of protection under the patents and other intellectual property rights is subject to change.

A portion of the revenue of the Portfolio Investments may depend on Target Product sales in foreign jurisdictions. Foreign jurisdictions have differing procedures for obtaining, maintaining, and enforcing patents, and may provide differing degrees of protection against the use of a patented invention by others. Claim interpretation, validity, enforcement and/or infringement of issued patents may differ from jurisdiction to jurisdiction. Sales of the Target Products in foreign jurisdictions may be subject to additional risks, which may differ in each jurisdiction in which the Target Products are sold and which may include the burdens and costs of compliance with a variety of foreign laws and political and economic instability. Therefore, with respect to Target Products which are marketed internationally, if there is not adequate patent protection in the United States or in the foreign country where the relevant Target Product is marketed based on the validity, enforceability or scope of the claims in a patent issued in that country, the ability and willingness to protect the intellectual property rights in such country may be limited.

Third-party competitors may challenge the scope, validity or enforceability of the patents relating to the Target Products in court, and, as a result, the patent owner, developer, manufacturer or marketer may engage in complex, lengthy and costly litigation and, in some cases, may stop selling the relevant Target Product. In some cases, the patent owner, developer, manufacturer or marketer may decline to defend or enforce the patents related to the Target Product. Even if such patent owner, developer, manufacturer or marketer seeks to defend or enforce the patents relating to the Target Product, they may not be successful. Alternatively, competitors may be able to design around such patents and compete with the Target Products.

Risks Associated with Finite Terms

The rights to receive the payments in respect of loans and royalty streams have limited terms that are generally not subject to extension. Following the maturity of a loan, expiration of the patent, or the termination of the license or the contractual right to receive payments under any agreement pursuant to which the Funds have the right to receive payments, the Funds will not receive any payments, including revenue related to the sale of the related Target Product even if the Target Product continues to be sold.

Risks Associated with FDA Approval

Certain investments may not obtain FDA approval or similar regulatory approval in another country for their intended indication. If this were to occur, the product or products that support such investment would be unlikely to generate significant revenue, if any. If this were to occur, the Fund may not recoup its original investment and may realize a loss in the entire principal amount of the investment. Unapproved products are not an area of investment focus for the Adviser.

General Economic and Market Conditions

The success of a Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of a Fund and its Portfolio Investments and laws relating to intellectual property protections), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of prices of investments and the liquidity of a Fund's Portfolio Investments. Volatility or illiquidity could impair a Fund's profitability or result in losses. Unpredictable or unstable market conditions may result in reduced opportunities to find suitable investments to deploy capital or make it more difficult to exit and realize value from a Fund's existing Portfolio Investments. The illiquid nature of a Fund's Portfolio Investments may make it difficult, if not impossible, for a Fund to exit Portfolio Investments prior to their scheduled maturity. In addition, any sale of a Fund's Portfolio Investments may be made at substantial discounts and/or otherwise disadvantageous terms.

Interest Rate Risk

Interest rate risk refers to the risks associated with market changes in interest rates. In general, the price of most fixed income investments moves in the opposite direction of the change in interest rates. For example, as interest rates rise, the price of fixed income investments falls. Consequently, the longer the maturity of a fixed income security, the greater the risk that interest rates may rise and thus the fall in price of the security may be larger than the fall in price would have been for a security with a shorter maturity. If a Fund holds a fixed income security to maturity, the change in its price before maturity may have little impact on such Fund's performance; however, if a Fund has to sell the fixed income security before the maturity date, an increase in interest rates may result in a loss to such Fund.

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). A Fund's other Portfolio Investments may also be affected by changes in interest rates. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. Declines in market value, if not offset by any corresponding gains on hedging instruments, may ultimately reduce earnings or result in losses to a Fund.

The prices of long-term debt obligations generally fluctuate more than prices of short-term debt obligations as interest rates change. To the extent a Fund invests in longer-term portfolio investments, it will be impacted to a greater degree by changes in market interest rates than if a Fund invested primarily in short-term debt securities.

The Funds may, but will not be required to, hedge interest rates. Any hedging strategies may not be successful and even if they are, they will impose costs that may decrease the returns of the Funds.

Currency and Exchange Rate Risks

The Funds may invest a portion of their capital in financial instruments denominated in

currencies other than the U.S. dollar or in financial instruments the returns of which are determined with references to currencies other than the U.S. dollar. The Funds, however, will generally value their assets in U.S. dollars. To the extent unhedged, the value of the Funds' assets will fluctuate with U.S. dollar exchange rates as well as with price changes of Portfolio Investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the Funds may make investments will reduce the effect of increases and magnify the U.S. dollar equivalent of the effect of decreases in the prices of the Funds' financial instruments in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the Funds' non-U.S. dollar financial instruments. The Funds may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between foreign currencies and the U.S. dollar. Changes in foreign currency exchange rates may also affect the value of dividends and interest earned, and the level of gains and losses realized on the sale of securities. The rates of exchange between the U.S. dollar and other currencies are affected by many factors, including forces of supply and demand in the foreign exchange markets. These rates are also affected by the international balance of payments and other economic and financial conditions, government intervention, speculation and other factors. The Funds may utilize forward currency contracts, options, and other strategies to hedge against currency fluctuations, but is not required to do so. There can be no assurance that such hedging transactions will be effective, and even if they are effective, such transactions will impose costs that will decrease the returns of the Funds.

Financing Risks

Market conditions may unfavorably impact a Fund's ability to secure leverage on terms as favorable as more established borrowers in the market, or to obtain any leverage on commercially feasible terms. To the extent a Fund is able to secure financing for investments, increases in interest rates or in the risk spread demanded by financing sources would make the partial financing of investments with indebtedness more expensive and could limit a Fund's ability to structure and consummate its investments. Market conditions could deteriorate further and the Funds may be limited in their ability to realize investments already made due to difficulties in buyers' ability to obtain financing on favorable terms, or to secure financing at all.

Common Stock Risk

The Funds may have limited exposure to common stocks (either directly or through warrants or options). Although common stocks have historically generated higher average total returns than fixed income investments over the long term, common stocks also have experienced significantly more volatility in those returns and in some periods have significantly underperformed relative to fixed income investments. The equity securities acquired by the Funds may fail to appreciate and may decline in value or become worthless.

Risks Factors Relating to Use of Leverage

Certain Funds may seek to enhance their total returns through the use of leverage. Although the use of leverage may create an opportunity for increased returns for the Funds, it also results in additional risks and can magnify the effect of any losses and thus could negatively impact a Fund's business and results of operation and have important adverse consequences to a Fund's

Portfolio Investments. It is likely that any debt the Funds incur will be governed by an indenture or other instrument containing covenants that may restrict the Funds' operating flexibility, including covenants that, among others, likely will limit the Funds' ability to: (i) pay distributions in certain circumstances, (ii) incur additional debt, and (iii) engage in certain transactions. If a Fund secures its leverage through the pledging of collateral, a Fund may, if such Fund is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, be subject to risk that a lender seizes its assets through margin calls or otherwise that could require liquidation of Portfolio Investments at inopportune times or at prices that are not favorable to such Fund and cause significant losses. If a Fund defaults on secured indebtedness, the lender may foreclose and a Fund could lose its entire investment in assets that serve as collateral for such loan. If a lender seizes and liquidates pledged collateral, such collateral will likely be sold at distressed price levels. The Funds will fail to realize the full value of such asset in a distressed sale. In the event performing Portfolio Investments are cross-collateralized with under-performing or non-performing assets, the Funds' interests in the performing assets may be adversely affected. Moreover, each Fund may also be jointly and severally liable with one or more of its parallel funds or feeder funds with respect to a credit facility or other leverage. If any such parallel fund or feeder fund defaults on its obligation, such Fund that may also be adversely affected.

In addition, the Funds may be required to maintain a portion of their assets in cash or high-grade securities as a reserve against interest or principal payments and expenses. The Funds expect that any credit facility will have customary affirmative covenant, negative covenant and default provisions. However, there can be no assurance that the Funds will enter into an agreement for a credit facility on terms and conditions representative of the foregoing or that additional material terms will not apply. Furthermore, if entered into, any such credit facility may in the future be replaced or refinanced by one or more credit facilities having substantially different terms. A Fund's compliance with its credit facility may impact its returns and ability to make distributions.

The Funds may be required to pay commitment fees and other costs of borrowings under the terms of a credit facility. Moreover, interest on borrowings will be an expense of the Funds. With the use of borrowings, there is a risk that the interest rates paid by a Fund on the amount it borrows will be higher than the return on such Fund's Portfolio Investments. In addition, any leverage instruments that a Fund may issue in the future will likely have rights, preferences and privileges over such Fund's and against such Fund's assets in liquidation that are more favorable than those of the interests in such Fund. Such additional costs and expenses may affect the operating results of the Funds.

If a Fund cannot generate sufficient cash flow from its Portfolio Investments, it may need to refinance all or a portion of its indebtedness on or before maturity. During the 2008 financial crisis, U.S. capital markets experienced historic dislocations and liquidity disruptions, which caused financing to be unavailable in many cases and, even when available, caused the cost of prospective financings to increase. Similar circumstances could materially impact liquidity in the debt markets, making financing terms for borrowers able to find financing less attractive, and in many cases could result in the unavailability of certain types of debt financing. Continued uncertainty in the debt and equity markets may negatively impact a Fund's ability

to access financing on favorable terms or at all. The inability to obtain additional financing could have a material adverse effect on a Fund's operations and on its ability to meet its debt obligations. If it is unable to refinance any of its indebtedness on commercially reasonable terms or at all, a Fund's business and returns may be harmed.

Credit Market Risks

Conditions in the credit markets may have a significant impact on the business of the Funds. The credit markets in the U.S. have, from time to time, gone through periods of difficulties and changed economic conditions that have adversely affected the performance and market value of many securities and financial instruments. There can be no assurance that the Funds will not suffer material adverse effects from broad and rapid changes in market conditions in the future. An economic downturn or period of rising interest rates could adversely affect the market value of many financial instruments and therefore reduce a Fund's returns. In general, rising interest rates will negatively impact the price of fixed rate debt instruments. Rising interest rates could also negatively impact the ability of companies to secure their debts to the Funds. In addition, changes in market conditions could cause the level of investment opportunities to decline from a general partner's current expectations. Additionally, changes in tax law, including with respect to the deductibility of interest, may make it harder to source loans. As a result, fewer investment opportunities may be available to the Funds, although if credit markets remain constrained, the Funds may have the opportunity to take larger positions in potential transactions. One possible consequence is that the Funds may take a larger than anticipated period to invest capital, as a result of which, at least for some period of time, the Funds may be relatively concentrated in a limited number of investments. Consequently, during this period, the returns realized by the investors may be substantially adversely affected by the unfavorable performance of a small number of these investments.

General Credit Risk

The Funds are subject to significant credit risk (i.e., the risk that an issuer or borrower will default in the payment of principal and/or interest on an instrument) in light of its investment strategy. Credit risk also includes the risk that a counterparty to a loan assignment or participation will be unwilling or unable to meet its obligations. Financial strength and solvency of an issuer or borrower are the primary factors influencing credit risk. In addition, degree of subordination, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. The degree of credit risk associated with any particular Portfolio Investment or any collateral relating thereto may be difficult or impossible for the Adviser to determine within reasonable standards of predictability.

Risks Factors Relating to Lender Liability Considerations and Equitable Subordination

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 the Funds' Portfolio Investments, the Funds could be subject to allegations of lender liability.

In addition, under the U.S. Bankruptcy Code and 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 Funds’ Portfolio Investments, a Fund could be subject to claims from creditors of an obligor such Fund’s investments issued by such obligor that are held by such Fund should be equitably subordinated. There may be certain Fund investments where a Fund may not be the largest creditor. It is, accordingly, possible that lender liability or equitable subordination claims affecting the Funds’ Portfolio Investments could arise without the direct involvement of the Funds.

Risk Associated with Bankruptcy Cases

There are a number of significant risks inherent in the bankruptcy process. If any issuer of instruments held by the Funds, any counterparties to the instruments entered into by the Funds, any custodians of the Funds’ assets, or any obligors in connection with the Funds’ Portfolio Investments are involved in U.S. bankruptcy proceedings, either voluntary or involuntary, the Funds will be subject to certain of those risks, including potential for reduced recovery on the Funds’ Portfolio Investments, uncertain duration of bankruptcy proceedings, administrative costs and impact of a bankruptcy case on the value of assets administered in bankruptcy or on a company’s value (including that a bankruptcy case may damage or diminish a company’s relationship with its customers and/or suppliers). Many of the events within a bankruptcy case may be adversarial and are often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions in a bankruptcy case, a court may still approve actions which may be contrary to the interests of creditors, potentially including the Funds.

Generally, the duration of a bankruptcy or insolvency case is difficult to predict. The reorganization of a company in bankruptcy usually involves the development and negotiation of a plan of reorganization, court approval to solicit creditor votes on that plan, plan approval by creditors and confirmation by the court. This process can involve substantial legal, professional and administrative costs to the company and the Funds; it is subject to unpredictable and lengthy delays; and during the process the company’s competitive position may erode, key management may depart, relationships with important suppliers may be lost, and the company may not be able to invest adequately. Typically, the liquidation value of a company is substantially lower than when it operates as a going concern. In some cases, the company may not be able to reorganize and may be required to liquidate assets. In addition, the debt of companies in financial reorganization may, in some cases, not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer’s fundamental value. Further, a debtor seeking to reorganize under U.S. federal bankruptcy law will frequently obtain a “first day” order from the bankruptcy court limiting trading in claims against, and shares of, the debtor in order to maximize the debtor’s ability

to utilize net operating losses following a successful reorganization.

During a bankruptcy case, an automatic stay will generally prevent all creditors from taking action against the debtor to collect on amounts owed to such creditors, unless the court lifts that automatic stay for a specified action or purpose. Unless a creditor's claim in such case is secured by assets having a value in excess of such claim, it is likely interest will not be permitted to accrue and, therefore, a creditor's return on investment can be adversely affected by the passage of time during which the plan of reorganization of the debtor is being negotiated, approved by the creditors and confirmed by the bankruptcy court.

A debtor's administrative costs in connection with a bankruptcy proceeding are frequently high and will generally be paid out of the debtor's estate prior to any return to creditors (other than out of assets or proceeds thereof which are subject to valid and enforceable liens and other security interests) and equity holders. In addition, certain claims that have priority by law over the claims of other creditors (for example, claims for certain taxes) may be quite high.

U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that the Funds' influence with respect to a class of instruments can be diminished by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. Even valid claims in bankruptcy cases often recover less than the amount of the claim and, depending on the debtor's assets and liabilities, there may be no recovery at all for some classes of creditors. At the outset of a bankruptcy case, only the debtor may file a proposed plan of reorganization. While the U.S. Bankruptcy Code permits other parties-in-interest to file proposed plans of reorganization and solicit creditor votes on such plans after a debtor's "exclusivity periods" to do so end, bankruptcy courts often extend the debtor's exclusive periods, which effectively permits only the debtor to file a proposed reorganization plan. While creditors can vote on approved plan(s) of reorganization, the unanimous consent of all creditor classes is not necessarily required for the bankruptcy court to confirm a plan. Therefore, in certain circumstances a plan can, subject to the provisions of the U.S. Bankruptcy Code, be "crammed down" on dissenting classes of creditors.

Even if a class of claims is entitled to a recovery in a bankruptcy proceeding, such recovery could be in the form of instruments or interests different from the form of instrument or interest which formed the basis for the creditor's initial claim, including debt securities, equity securities, warrants, options, cash, interests in litigation claims or trusts formed to pursue such litigation claims, interests in liquidation trusts, or other property or interests, any of which could be illiquid and/or difficult to value. Even if the recovery is in the same form as the instrument or interest which formed the basis for the creditor's initial claim, that instrument or interest may have substantially different material terms. For example, debt securities issued in a reorganization may have a significantly reduced interest rate as compared to the security that formed the basis for the creditor's initial claim.

Notwithstanding the corporate structure of various debtor entities, such as special purpose entities created to hold assets and to structure for bankruptcy remoteness, such entities may, in certain cases, be consolidated in bankruptcy proceedings, which can affect the outcome of

such proceedings and the amounts ultimately received by creditors.

Investments may include securities or obligations collateralized by assets located outside of the United States, or of issuers organized under the laws of jurisdictions other than the United States. Similarly, issuers of securities constituting Portfolio Investments may have a principal place of business or substantial assets located outside of the United States. As a result, such securities or obligations may be subject to bankruptcy or insolvency laws of non-U.S. jurisdictions. These laws may be substantially less favorable to creditors than the U.S. Bankruptcy Code.

Various federal and state laws enacted for the protection of creditors may apply to the Funds by virtue of the Funds' role as a creditor with respect to the borrowers under Portfolio Investments. If a court in a lawsuit brought by a bankruptcy debtor's creditor, a debtor-in-possession, trustee in bankruptcy, or their respective representatives, were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and the grant of any security interest or other lien securing such investment or for any transfer of value from the company to the Funds or one of the Funds' Portfolio Investments, such court could, under certain circumstances, invalidate, in whole or in part, such indebtedness and such security interest or other lien as fraudulent conveyances, could subordinate such indebtedness to existing or future creditors of the borrower or could allow the borrower to recover the value of amounts previously transferred by the borrower to the creditor (including to the Funds) in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. Under certain circumstances, claims against bankrupt entities may be subject to re-characterization as equity, thus substantially reducing or eliminating recoveries. In addition, in the event of the insolvency (as determined by a court based on the law of the jurisdiction which is being applied) of an issuer of a portfolio investment or a borrower or counterparty to an instrument held by the Funds, payments made on the Funds' Portfolio Investment or to the Funds could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year) before insolvency depending on a number of factors.

The U.S. Bankruptcy Code and other laws and regulations affecting debtors' and creditors' rights are subject to change, including by way of legislative action or judicial interpretation. Any such actions could alter the expected outcome or introduce greater uncertainty regarding the expected outcome of an investment situation of the Funds, which may adversely affect such investment or the Funds' investment program.

For a complete discussion of risks related to investing in particular Funds and in private equity funds in general interested clients should consult the offering documents for the specific investment Fund of interest.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of the adviser or the integrity of the adviser's management. The advisory firm must disclose legal

and disciplinary events that the firm or any management person has been involved in for a period ten years following the event. The Adviser has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Registered investment advisers must disclose business relationships and/or activities that may create a conflict of interest, such as broker-dealer arrangements and commodity trading or affiliation with financial planners, banks, consultants or other advisers from whom the Adviser will receive compensation.

¹A number of affiliates of the Adviser are the general partners in several Funds. The affiliates are listed below:

- CAPRX Management L.P.
- Capital Royalty Partners II G.P. L.P.
- Capital Royalty Partners II (Cayman) G.P. L.P.
- Capital Royalty Partners II- Parallel Fund “A” G.P. L.P.
- Parallel Investment Opportunities Partners G.P. L.P.
- CRG Partners III G.P. L.P.
- CRG Partners III (Cayman) G.P. L.P.
- CRG Partners III- Parallel Fund “A” G.P. L.P.
- CRG Partners IV G.P. L.P.
- CRG Partners IV (Cayman) G.P. L.P.

The Adviser maintains a policy described in Item 11 to address any actual or potential conflicts of interest arising from its management of the Funds and client accounts described in Item 4 or from the service of affiliates of the Adviser as general partners of such Funds.

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

Code of Ethics

The Adviser has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its advisory clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at the Adviser must acknowledge the terms of the Code of Ethics annually, or as materially amended.

The Adviser anticipates that, in appropriate circumstances, consistent with investment objectives of the Funds, it will cause the Funds over which it has management authority to

¹ NTD: While there is no harm in including them, the Part 2 instructions do not require that you disclose the GPs of the funds.

effect, and will recommend to investment advisory clients the purchase or sale of Fund interests in which the Adviser, its affiliates and/or clients, directly or indirectly, have a position or interest. In such circumstances, the Adviser's employees and persons associated with the Adviser are required to follow the Adviser's Code of Ethics. Officers, directors and employees of the Adviser and its affiliates are prohibited from investing in any security or debt instrument in which any Fund has invested or those in which an investment is contemplated, except as provided in employment contracts and Partnership Agreements or otherwise disclosed to Fund investors. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with making decisions in the best interest of advisory clients.

The Code of Ethics requires pre-clearance of many transactions, and restricts trading in certain securities. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between the Adviser and its clients. The Adviser personnel who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, demotion, suspension or dismissal. The Adviser personnel are required to annually certify compliance with the Code of Ethics. Prospective clients may request a copy of the Adviser's Code of Ethics by contacting the Chief Compliance Officer (email: info@crglp.com).

Participation or Interest in Client Transactions

The Adviser and certain employees and affiliates of the Adviser may invest in and alongside the Funds, either through the general partners, as direct investors in the Funds or otherwise. A Fund or its general partner, as applicable, may waive all or a portion of the Management Fee and Incentive Fee related to investments held by such persons. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see "Conflicts of Interest" immediately below.

Conflicts of Interest

The Adviser and its related entities engage in a broad range of activities, including investment activities for their own account and for the account of other investment Funds, and providing transaction-related, investment advisory, management and other services to Funds and operating companies. In the ordinary course of conducting its activities, the interests of a Fund may conflict with the interests of the Adviser, other Funds or their respective affiliates. Certain of these conflicts of interest, as well as a description of how the Adviser addresses such conflicts of interest, can be found below. Additional information may be found in each Fund's offering documents.

Allocation of Investment Opportunities among Clients and Allocation of Co-Investment Opportunities

In connection with its investment activities, the Adviser may encounter situations in which it must determine how to allocate investment opportunities among various clients and other persons, which may include, but are not limited to, the following:

- The Adviser's Funds and funds advised by its affiliates;
- Any parallel investment entities that have been formed to invest side-by-side with

one or more of the Funds (either in all transactions entered into by such Fund(s) or in a limited subset of such investments), which may include, but are not limited to, parallel investment entities formed to facilitate investments by certain foreign or tax-exempt persons or business associates;

- Any Alternative Investment Vehicles that have been formed to address, for example, specific tax, legal, business, accounting or regulatory-related matters that may arise in connection with a transaction or transactions;
- Any Co-Investment Vehicles that have been formed to invest side-by-side with one or more Funds in particular transactions entered into by such Fund(s) (the investors in such Co-Investment Vehicles may include individuals and entities that are also investors in one or more Funds (“Adviser Investors”) and/or individuals and entities that are not investors in any Funds (“Third Parties”));
- Adviser Investors and/or Third Parties that wish to make direct investments (i.e., not through an investment vehicle) side-by-side with one or more Funds in particular transactions entered into by such Fund(s).

The Adviser has adopted written policies and procedures relating to the allocation of investment opportunities, and will make allocation determinations consistently therewith. Such policies and procedures are generally detailed in the Advisory Agreement, Partnership Agreement and/or offering documents for the particular Fund.

The Funds are subject to investment allocation requirements (collectively, the “Investment Allocation Requirements”). Investment Allocation Requirements may be set forth in the Fund’s governing documents (such as a Fund’s Partnership Agreement or offering documents), or in side letters. To the extent the Investment Allocation Requirements of a Fund do not include specific allocation procedures and/or allow the Adviser discretion in making allocation decisions among the Funds, the Adviser will follow its general investment allocation policies and the requirements of the governing documentation of the applicable Funds.

When allocating investment opportunities, the Adviser will generally first determine which Fund(s) will participate in an investment opportunity. The Adviser assesses whether an investment opportunity is appropriate for a particular Fund(s), based on the Fund’s investment objectives, strategies and structure, and any applicable legal research. A Fund’s investment objectives, strategies and structure typically are reflected in the Fund’s offering documents and operating agreement. Prior to making any allocation to a Fund of an investment opportunity, the Adviser determines what additional factors may restrict or limit the offering of an investment opportunity to the Fund(s). Possible restrictions include, but are not limited to:

- **Obligation to Offer:** The Adviser may be required to offer an investment opportunity to one or more Funds. This obligation to offer investment opportunities may be set forth in a Fund’s offering documents and/or operating agreement.
- **Related Investments:** The Adviser may offer an investment opportunity related to an investment previously made by a Fund(s) to such Fund(s) at the exclusion of, or

resulting in a limited offering to, other Funds.

- Legal and Regulatory Exclusions: The Adviser may determine that certain Funds or investors in such Funds should be excluded from an allocation due to specific legal, regulatory and contractual restrictions placed on the participation of such persons in certain types of investment opportunities.
- Once the Funds that will participate in a particular investment have been identified, the Adviser, in its discretion, decides how to allocate such investment opportunity among the identified Funds. In allocating such investment opportunity, the Adviser may consider some or all of a wide range of factors, which may include, but are not limited to, the following:
 - Each Fund's investment objectives and investment focus;
 - Transaction sourcing;
 - Each Fund's liquidity and reserves;
 - Each Fund's diversification;
 - Lender covenants and other limitations;
 - Amount of capital available for investment by each Fund as well as each Fund's projected future capacity for investment;
 - Each Fund's targeted rate of return;
 - Stage of development of the prospective portfolio company or other investment;
 - Composition of each Fund's portfolio;
 - Suitability of follow-on investment for a current portfolio company of a Fund;
 - The availability of other suitable investments for each Fund;
 - Supply or demand of an investment opportunity at a given price level;
 - Risk considerations;
 - Cash flow considerations;
 - Asset class restrictions;
 - Industry and other allocation targets;
 - Minimum and maximum investment size requirements;
 - Any "ramp-up" period of a newly established Fund;
 - Tax implications;
 - Legal, contractual or regulatory constraints;
 - Vintage year of Fund/account; and
 - Any other relevant limitations imposed by or conditions set forth in the applicable offering and organizational documents of each Fund.

The Adviser will not allocate investment opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Fund or (ii) the profitability of any Fund. There can be no assurance that the application of the Investment Allocation Requirements and factors set forth above will result in a Fund participating in all investment opportunities that fall within its investment objectives.

Subject to any Investment Allocation Requirements, in general, (i) no investor in a Fund has a right to participate in any co-investment opportunity and investing in a Fund does not give an investor any rights, entitlements or priority to co-investment opportunities, (ii) decisions are made, in the sole discretion of the Adviser, regarding whether and to whom to offer co-investment opportunities, as well as the applicable terms on which a co-investment is made, (iii) co-investment opportunities may, and typically will, be offered to some and not other investors in the Funds, and (iv) certain persons other than investors in the Funds (e.g., consultants, joint venture partners, persons associated with a portfolio company and other Third Parties) may be offered co-investment opportunities over Fund investors in the sole discretion of the Adviser. Additionally, non-binding acknowledgements of interest in co-investment opportunities are not Investment Allocation Requirements and do not require the Adviser to notify the recipients of such acknowledgements if there is a co-investment opportunity.

The Adviser will determine if the amount of an investment opportunity exceeds the amount that would be appropriate for the applicable Funds (after taking into account any portion of the opportunity allocated by contract to certain participants in the applicable deal, such as co-sponsors, consultants and advisers to the Adviser and/or the Funds or management teams of the applicable portfolio company, certain strategic investors and other investors whose allocation is determined by the Adviser to be in the best interest of the applicable Fund), and any such excess may be offered to one or more co-investors pursuant to procedures included in such Funds' organizational documents/side letter agreements and as set forth in the following paragraphs.

In exercising its discretion to allocate co-investment opportunities among the Funds and other persons, the Adviser may consider some or all of a wide range of factors, which may include, but are not limited to, the following:

- The Adviser's evaluation of the size and financial resources of the potential co-investment party and the Adviser's perception of the ability of that potential co-investment party (in terms of, for example, staffing, expertise and other resources) to efficiently and expeditiously participate in the investment opportunity with the relevant Fund(s) without harming or otherwise prejudicing such Fund(s), in particular when the investment opportunity is time-sensitive in nature, as is typically the case;
- Any confidentiality concerns the Adviser may have that may arise in connection with providing the other account or person with specific information relating to the investment opportunity in order to permit such potential co-investment party to evaluate the investment opportunity;
- The Adviser's perception of its past experiences and relationships with the potential

co-investment party, such as the willingness or ability of the potential co-investment party to respond promptly and/or affirmatively to potential investment opportunities previously offered by the Adviser;

- The Adviser's perception of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, competitive, confidentiality, reporting, public relations, media or other burdens that make it less likely that the other account or person would act upon the investment opportunity if offered; and
- The Adviser's evaluation of whether the profile or characteristics of the potential co-investment party may have an impact on the viability or terms of the proposed investment opportunity and the ability of the Funds to take advantage of such opportunity (for example, if the potential co-investment party is involved in the same industry as a target company in which a Fund wishes to invest, or if the identity of the potential co-investment party, or the jurisdiction in which the potential co-investment party is based, may affect the likelihood of a Fund being able to capitalize on a potential investment opportunity).

The Adviser's exercise of its discretion in allocating investment opportunities among the persons, including the Funds, the Adviser Investors and Third Parties, in the manner discussed above may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to other such persons. For example, the Adviser may be incentivized to offer a co-investment opportunity to certain persons over others based on its economic arrangements with such persons. The Adviser will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant. There can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which the Adviser may be subject, discussed herein, did not exist.

In addition, to the extent the Adviser has discretion over secondary transfer interests in a Fund pursuant to such Fund's governing documents, the Adviser may consider the factors listed above in exercising such discretion. Subject to any restrictions in the governing documents of the applicable Fund, the Adviser or its related persons may be asked to identify a limited number of Adviser Investors or Third Parties to potentially acquire the interest being transferred.

In exercising its discretion to allocate investment opportunities and fees and expenses, the Adviser may be faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among Funds with differing fee, expense and compensation structures, the Adviser may have an incentive to allocate investment opportunities to the Funds from which the Adviser or its related persons may derive, directly or indirectly, a higher fee, compensation or other benefit.

In addition, principal executive officers and other personnel of the Adviser invest indirectly in and may be permitted to invest directly in Funds and will therefore participate indirectly in investments made by the Funds in which they invest. Such interests will vary Fund by Fund

and may create an incentive to allocate particularly attractive investment opportunities to the Fund in which such personnel hold a greater interest. The existence of these varying circumstances may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund.

Conflicts Related to Purchases and Sales

A Fund may invest in opportunities that other Funds or clients of the Adviser or its affiliates have declined, and likewise, a Fund may decline to invest in opportunities in which other Funds or clients of the Adviser or its affiliates have invested.

Cross-Transactions

In certain cases, the Adviser may cause a Fund to purchase investments from another Fund, or it may cause a Fund to sell investments to another Fund. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to the market forces, a Fund may not receive the best price otherwise possible, or the Adviser might seek to prop up the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn fees. Additionally, in connection with such transactions, the Adviser, its affiliates and/or their professionals (i) may have significant investments or intentions to invest in the Fund that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the underlying investment). The Adviser may receive management or other fees in connection with their management of the relevant Funds involved in such a transaction, and may also be entitled to share in the investment profits of the relevant Funds. To address these conflicts of interest, in connection with effecting such transactions, the Adviser will follow the Investment Allocation Requirements of the relevant Funds.

The Adviser undertakes to resolve conflicts on a fair and equitable basis, which in some instances may mean a resolution that would not maximize the benefit to the Fund's investors. It is the policy of the Adviser to allocate investment opportunities fairly and equitably over time. This means that such opportunities will be allocated among those accounts for which participation in the respective opportunity is considered appropriate, taking into account, among other considerations (i) whether the risk-return profile of the proposed investment is consistent with the account's objectives and program, whether such objectives are considered in light of the specific investment under consideration or in the context of the portfolio's overall holdings; (ii) the potential for the proposed investment to create an imbalance in the account's portfolio (taking into account expected inflows and outflows of capital); (iii) liquidity requirements of the account; (iv) potentially adverse tax consequences; (v) regulatory and other restrictions that would or could limit an account's ability to participate in a proposed investment; and (vi) the need to reduce risk in the account's portfolio.

From time to time, the Adviser may acquire investments or other financial instruments of an issuer for a Fund which are senior or junior to investments or financial instruments of the same issuer that are held by, or acquired for, one or more other accounts (e.g., a Fund may acquire senior debt while one or more accounts may acquire subordinated debt, or another account may make an equity investment in a biopharmaceutical company and the Fund may subsequently invest in a royalty monetization related to a royalty stream from such company).

The Adviser recognizes that conflicts may arise under such circumstances. If practicable, the Adviser may attempt to create pro rata exposure (based on assets under management, capacity constraints or any other factors deemed relevant by the Adviser) of the relevant Funds and accounts to the conflicting investments. In such a case, when conflicts arise, the relevant portfolio managers or the Adviser will attempt to determine which of the “conflicting investments” has the highest profitability potential (such investment, the “Preferred Investment”), taking into account such considerations as size of positions, the risk/reward profile and likelihood of success of a particular course of action.

Once the Preferred Investment is determined, the Adviser will take actions which seek to maximize value. Such actions could possibly be adverse to other investments held by the Fund or accounts. To lessen any adverse impact resulting from such action, the Adviser may seek to sell in a commercially reasonable manner the non-Preferred Investments. Alternatively, a determination may be made that an immediate sale would result in a lower return on the non-Preferred Investment than would be the case if the investment remained in the portfolio, in which case the Adviser would maintain the position. There can be no guarantee, however, that continuing to hold a non-Preferred Investment will not result in greater losses than would have resulted had the investment been sold. If multiple clients invest in the same transaction or have exposure to an issuer through different transactions, those clients may have conflicting interests and objectives, which could result in an action taken by the Adviser on behalf of one client disadvantaging another client.

The Adviser may cause a Fund to engage in “cross-trades” with one or more accounts, typically for purposes of rebalancing the portfolios of the Fund and such accounts in order to further the Fund’s and such accounts’ respective investment programs, or for other reasons consistent with the investment and operating guidelines of the Fund and such accounts. The value of any positions that are so cross-traded will be determined in a manner that is consistent with the valuation policies used by the Adviser. In some cases, the Adviser may seek the approval of an independent third party (including an advisory committee) for such trade. The Adviser may also cause the Funds to engage in “rebalancing” transactions intended to allocate investments among such Funds in a manner consistent with applicable allocation guidelines. Such transactions will be priced in a manner consistent with the Fund’s offering documents.

Principal Transactions

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a “principal transaction”), the Adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client’s consent to the transaction. In connection with the Adviser’s management of the Funds, the Adviser and its affiliates may engage in principal transactions. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Fund(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received. In addition, the offering documents, Partnership Agreements or other organizational documents

and related documents relating to the Funds generally contain additional restrictions on the ability of the Funds or the Adviser to engage in principal transactions.

Management of the Funds

The Adviser manages a number of Funds that may have investment objectives similar to each other. The Adviser may in the future establish one or more additional investment Funds with investment objectives substantially similar to, or different from, those of the current Funds. Allocation of available investment opportunities between the Funds and any such investment Fund could give rise to conflicts of interest. See “Allocation of Investment Opportunities among Clients and Allocation of Co-Investment Opportunities” above. The Adviser may give advice or take actions with respect to the investments of one or more Funds that may not be given or taken with respect to other Funds with similar investment programs, objectives or strategies. As a result, Funds with similar strategies may not hold the same securities or have access to the same credit as another Fund. These differences may result in variations with respect to price, leverage and associated costs of a particular investment opportunity.

In addition, it is expected that employees of the Adviser responsible for managing a particular Fund will have responsibilities with respect to other Funds managed by the Adviser, including Funds that may be raised in the future. Conflicts of interest may arise in allocating time, services or functions of these officers and employees.

Follow-on Investments

Investments to finance follow-on investments may present conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one Fund in an interest or partnership in which another Fund has previously invested. In addition, a Fund may participate in re-leveraging and recapitalization transactions involving partnerships in which another Fund has already invested or will invest. Conflicts of interest may arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the interests with terms that are more or less favorable than the prevailing market terms.

Conflicts Relating to the General Partner and the Adviser

The Adviser, its affiliates, and officers, principals and employees of the Adviser and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to Funds. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by Funds. Such transactions are subject to the policies and procedures set forth in the Adviser’s Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds. If officers, principals and employees of the Adviser have made large capital investments in or alongside the Funds they may have conflicting interests with respect to these investments. In addition, the Adviser may have an incentive to allocate favorable transactions towards its affiliates.

Fee Structure

Because there is a fixed investment period after which capital from investors in the Funds may

only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of the Funds, based upon capital invested by the Funds, this fee structure may create an incentive to deploy capital when the Adviser may not otherwise have done so.

Additionally, as discussed above in Item 6, the general partners of the Funds, or the Adviser, as applicable, are entitled to Incentive Fees under the terms of the Partnership Agreements of the Funds. Such general partners are affiliates of the Adviser. The existence of the general partners' Incentive Fees may create an incentive for the general partners or the Adviser to cause such Funds to make more speculative investments than they would otherwise make in the absence of performance-based compensation. Additionally, certain of the Funds use borrowed funds in advance of capital contributions, such that the Funds' investors generally make correspondingly later capital contributions, but the Funds will bear the expense of interest on such borrowed funds. As a result, the Funds' use of borrowed funds will impact the calculation of net performance metrics (to the extent that they measure investor cash flows) and may make net internal rate of return calculations higher than it otherwise would be without fund-level borrowing as these calculations generally depend on the amount and timing of capital contributions. While the Funds will bear the expense of borrowed funds, such borrowings can also increase the Incentive Fees received by the general partners of the Funds or the Adviser by decreasing the amount of distributions from the Funds that are required to be made to Fund investors in satisfaction of any preferred return described in Item 6. The general partners of the Funds and the Adviser therefore have a conflict of interest in deciding whether to borrow funds because the general partner or the Adviser may receive disproportionate benefits from such borrowings.

Related Services

As described in Item 5 above, the Adviser and its affiliates may perform Related Services for, and may receive fees from the Funds or their investments. Such fees will be in addition to any Management Fees or Incentive Fees paid by the Funds to the Adviser and/or the general partners of the Funds. This creates a conflict of interest between the Adviser and its affiliates and the Funds and their investors because the Funds and their investors generally do not have an interest in these fees. The Adviser determines the amount of these fees for Related Services in its own discretion, and the amount of such fees and reimbursements may not (except in connection with the reductions described in the following sentence) be disclosed to investors in the Funds. The Adviser and its affiliates will in some circumstances reduce the amount of Management Fees paid by the applicable Fund in connection with the receipt of the applicable Fund's share of such fees. The amount and nature of this reduction varies from Fund to Fund and is set forth in the advisory agreements and other organizational documents of the applicable Fund.

Operating Partners

The general partner and the portfolio companies will from time to time retain other companies and individuals ("Operating Partners"), which may be affiliates of the general partner, employees of such affiliates, portfolio companies of other of the Adviser's funds, third party consultants (including specialized consultants, external executives, and industry advisory roundtable members), "operating partners" or "senior advisors". The Operating Partners are engaged to provide operational support, specialized operations and consulting

services and similar or related services to, or in connection with, one or more portfolio companies in relation to the identification, due diligence, acquisition, holding, improvement and disposition of such portfolio companies (“Operations Support Services”). These services may be high-level insight or extensive day-to-day roles, and may include support to the general partner or portfolio companies regarding, among other things, the company’s management (including serving in management positions or participating in determining corporate strategy), the company’s supply chain, revenue and margin management (including determining sales/marketing strategy and retail strategy), data intelligence, finance (including generating metrics and reporting and business restructuring), human capital management (including recruiting personnel and determining executive/incentive compensation), information technology, corporate communications, customer service, sustainability (including, strategy, policy and reporting development), real estate matters and similar operational matters. The nature of the relationship with each such Operating Partner and the time devotion requirements of each such Operating Partner may vary significantly. Certain Operating Partners may be subject to contractual obligations to exclusively provide certain services to the Funds and/or the portfolio companies. These arrangements are sometimes memorialized in a formal written agreement with the Adviser or may be informal and are negotiated individually, depending upon the anticipated Operations Support Services to be provided. Operating Partners may be offered the ability to co-invest alongside Funds, including in investments in which such Operating Partner is involved or participates in the management thereof.

Pursuant to the governing documents of the Funds, fees and expenses associated with Operations Support Services (“Operations Expenses”) are paid and/or reimbursed by portfolio companies and/or the Funds. Operations Expenses will be determined at the discretion of the general partner taking into account the particular Operations Support Services, may include an annual fee or retainer, a discretionary bonus, a profits or equity interest in the Funds and/or portfolio company or other incentive-based compensation to the Operating Partner, and may otherwise be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operating Partner, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such companies. The determination of whether a service is an Operations Support Service will be made by the general partner, in its sole discretion. Operations Expenses will, from time to time, also be incurred in respect of portfolio companies prior to the closing of the investment. In the event one or more Operating Partners (directly or indirectly) is providing services with respect to the Funds, such Operations Expenses will be allocated among the Funds as determined by the general partner or Adviser, as applicable in a fair and equitable manner. To the extent any such Operations Expenses are payable to any affiliated Operating Partner by the Funds or a portfolio company, such Operations Expenses will not reduce any fees otherwise payable to the management company or its affiliates. The general partner’s determination as to whether a service is an Operations Support Service, the categorization of any fees and expenses (e.g., as Operations Expenses) and the allocation of such fees and expenses shall be binding on the Fund and its investors.

Positions with Affiliates of Investments Held by Accounts

Employees of the Adviser may serve as directors of affiliates of investments. Such employees are generally required to transfer any remuneration they may receive as directors to the applicable Funds. In addition, employees of the Adviser may leave the employment of the Adviser or its affiliates and become an officer or employee of an investment. Employees of the Adviser are prohibited from receiving consulting, management or other fees personally from investments.

Side Letter Agreements

The Adviser may enter into certain side letter arrangements with investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

Other Potential Conflicts

The Adviser and the Funds will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the Funds may be investors in a Fund, and may also represent one or more portfolio investments or investors in a Fund. In the event of a significant dispute or divergence of interest between Funds, the Adviser and/or its affiliates, the parties may engage separate counsel, and in litigation and other circumstances separate representation may be required.

The Adviser may, in its discretion, have, and may cause the Funds and/or their portfolio investments to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of the Adviser. The Funds and/or their portfolio investments may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between the Adviser and the Funds (or their portfolio investments) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that the Adviser may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

The Adviser may cause one or more Funds to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for, insurance to insure the applicable Funds, the applicable general partner, the Adviser and/or their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties, against liability in connection with the activities of the Funds. This may include a portion of any premiums, fees, costs and expenses for one or more “umbrella” or other insurance policies maintained by the Adviser that cover one or more Funds, the general partners and/or the Adviser (including their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties). The Adviser will make judgments about the allocation of premiums, fees, costs and expenses for such “umbrella” or other insurance policies among one or more Funds, and/or the Adviser, and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that

a different allocation would not result in a Fund bearing less (or more) premiums, fees, costs and expenses for insurance policies.

A Fund may invest in a pooled investment vehicle that is advised by, or that has another business or other relationship with, the Adviser or its related persons. In such a case, investors in such Fund will bear not only the direct Management Fees and other expenses associated with their investment in the Fund, but also the expenses and fees associated with the investment in the underlying pooled investment vehicle, some of which fees and expenses may be paid to the Adviser or its related persons. Additionally, the interests of the Fund, as an investor, may conflict with the interests of the underlying pooled investment vehicle or the Adviser or its related persons in their capacity as service providers to the underlying pooled investment vehicle, which would create a conflict of interest for the Adviser.

In resolving these and other conflicts, the Adviser may consider various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer-term courses of dealing. In the case of all conflicts involving the Funds or other persons, the Adviser's determination is final as to which factors are relevant, and the resolution of such conflicts.

Resolution of Conflicts

The Adviser and its affiliates will deal with all conflicts of interest using their best judgment. Certain procedures for resolving specific conflicts of interest are set forth below, however, the Adviser will not necessarily follow such procedures in any particular case. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- A Fund will not make an investment unless the Adviser believes that such investment is an appropriate investment considered solely from the viewpoint of such Fund;
- Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the relevant offering documents and/or governing documents for the Funds, such as the Advisory Agreement or Partnership Agreement;
- Generally, each Fund, or related Fund family, has established an advisory committee, consisting of representatives of investors not affiliated with the Adviser. The advisory committees meet as required to consult with the Adviser as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, the Adviser will be guided by its good faith discretion;
- Where the Adviser deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price.

Prior to subscribing for interests in a Fund (except for a Co-Investment Vehicle or an Alternative Investment Vehicle), each investor receives the offering documents containing

detailed information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

Item 12 – Brokerage Practices

The Adviser, in most circumstances, determines which investments are bought or sold by the Funds and client accounts. The Adviser selects broker-dealers to effect any transactions by the Funds and client accounts and the commission rates to be paid. The factors used in selecting brokers are the price of the securities, commission rates, general expertise and the ability to effect an execution in a timely and cost-effective manner. Research and other benefits may be received by the Adviser as a result of effecting securities transactions and these benefits will be considered when determining which broker-dealers to use. The Adviser has adopted written policies to address issues that might arise with respect to purchasing and selling investments in brokered transactions.

Item 13 – Review of Accounts

The Adviser reviews accounts of the Funds periodically and the financial position of each investor in the Funds is determined by the Controller. The accounts are reviewed by the Chief Financial Officer and the Managing Directors and/or the Investment Committee. Account activity and balances are prepared by the Controller and reviewed by the Chief Financial Officer. For separately managed accounts, the client receives a detailed confirmation at the time of the transaction from the Managing Directors and/or the Chief Financial Officer or at any other time and in any other manner in accordance with the relevant agreement with such client. Detailed account information is also available to each individual client on the internet in an individual password-protected section of the Adviser's website.

The investors in the Funds receive financial statements and a written update on investments quarterly and audited financial statements and a written update on investments annually in accordance with the terms of the applicable Partnership Agreement.

Item 14 – Client Referrals and Other Compensation

The Adviser uses the services of placement agents to sell interests in the Funds and may use a placement agent in the future to sell any other investment vehicles organized by related parties. The placement agent is compensated for the services provided in accordance with an agency contract. Such agents generally will receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential investors in the Fund in which they subsequently invest. Such fees are generally paid by the Fund and offset against management fees.

Item 15 – Custody

Most investors in the Funds are not clients of the Adviser, and will not receive custody statements from the Fund's custodian. Instead, they receive the Fund's quarterly and annual

financial statements referred to above. With respect to the Adviser's clients, clients should receive quarterly and annual statements from the bank or other qualified custodian that holds and maintains client's investment assets. The Adviser urges you to carefully review the account statements you receive from the qualified custodian and compare these records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Clients are urged to contact the Adviser if there is any question about account statements.

Item 16 – Investment Discretion

The Adviser receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives and the terms and conditions of the relevant Fund's Partnership Agreement. When selecting securities and determining amounts, the Adviser observes the investment policies, limitations and restrictions of the clients for which it advises.

Item 17 – Voting Client Securities

The Adviser has established written policies and procedures setting forth the principles and procedures by which the Adviser votes or gives consent with respect to securities owned by the Funds (the "Votes"). The guiding principle by which the Adviser votes all Votes is to vote in the best interests of each Fund by maximizing the economic value of the relevant Fund's holdings, taking into account the relevant Fund's investment horizon, the contractual obligations under the relevant Advisory Agreements or comparable documents, and all other relevant facts and circumstances at the time of the vote. The Adviser does not permit voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is the Adviser's general policy to vote or give consent on all matters presented to security holders in any Vote. However, the Adviser reserves the right to abstain on any particular Vote or otherwise withhold its vote or consent on any matter if, in the judgment of the General Counsel or the relevant investment professional, the costs associated with voting such Vote outweigh the benefits to the relevant Funds or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Funds.

Funds generally cannot direct the Adviser's Vote in a particular solicitation.

All voting decisions initially are referred to the General Counsel or appropriate investment professional. In most cases, the General Counsel or investment professional covering the particular investment will make the decision as to the appropriate vote for any particular Vote. In making such decision, he or she may rely on any of the information and/or research available to him or her. If the investment professional is making the voting decision, the investment professional will inform the General Counsel of any such voting decision, and if the

General Counsel does not object to such decision as a result of his or her conflict of interest review, the Vote will be voted in such manner. If the investment professional and the General Counsel are unable to arrive at an agreement as to how to vote, then the General Counsel may consult with the Adviser's investment committee as to the appropriate vote, who will then review the issues and arrive at a decision based on the overriding principle of seeking the maximization of the economic value of the relevant Funds' holdings.

The Chief Compliance Officer has the responsibility to monitor Votes for any conflicts of interest, regardless of whether they are actual or perceived. All voting decisions will require a mandatory conflicts of interest review by the Chief Compliance Officer or General Counsel in accordance with these policies and procedures, which will include consideration of whether the Adviser or any investment professional or other person recommending how to vote and/or the Adviser's affiliates and their clients has an interest in how the Vote is voted that may present a conflict of interest. In addition, the Adviser's investment professionals are expected to perform their tasks relating to the voting of Votes in accordance with the principles set forth above, according the first priority to the best interest of the relevant Funds. The Chief Compliance Officer or General Counsel will use his or her best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his or her independent assessment of the best interests of the Funds.

Where the Chief Compliance Officer deems appropriate, unaffiliated third parties may be used to help resolve conflicts. In this regard, the Chief Compliance Officer shall have the power to retain independent fiduciaries, consultants, or professionals to assist with voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Fund and copies of proxy voting policies are available to any client upon written request to the Adviser at the address on the cover page or email to info@crglp.com. Prospective clients may obtain a copy of the Adviser's proxy voting policies and procedures by emailing a request to info@crglp.com.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the adviser's financial condition. The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.