

**Item 1 Cover Page**

**TPG Credit Management, L.P.**

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**Part 2A of Form ADV: Firm Brochure**

April 14, 2011

This brochure provides information about the qualifications and business practices of TPG Capital Management, L.P. which does business under the name “TPG Credit Management” (“TPGC”). If you have any questions about the contents of this brochure, please contact us at (612) 851-3031. 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.

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

## **Item 2 Material Changes**

This brochure is TPGC's first version of SEC's new disclosure document for advisory clients known as Form ADV Part 2A. As such, there are no previous versions from which material changes have been made. This document should be reviewed in its entirety.

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#### **Item 4 - Advisory Business**

TPG Credit Management, L.P., which does business under the name “TPG Credit Management” (“TPGC”) was established in 2005 and serves primarily as the sponsor of and investment adviser to the following private investment funds focus primarily on distressed assets and corporate distressed debt and securities. These funds include: (i) Airline Credit Opportunities, L.P., a lock-up fund with a global distressed aviation focus whose commitment period has ended; (ii) TPG Credit Opportunities Fund, L.P. and TPG Credit Opportunities Fund (Cayman) Ltd., each open-ended private investment funds with broad investment mandates focusing on all types of distressed opportunities; (iii) TPG Credit Strategies Fund, L.P., a lock-up fund with a broad distressed investment mandate; (iv) Airline Credit Opportunities II, L.P. a lock-up fund with a global distressed aviation focus along with its co-investment vehicle, ACO II Opportunities, LLC.; and (v) Mortgage Opportunities II, LLC, a lock-up fund with investments in non-performing loans in the United Kingdom (collectively, the “Funds”).

TPGC is managed by Rory O’Neill and its partners Julie K. Braun, Evan Carruthers, Jim Musel and Kirk Ogren (collectively, the “Principals”). The Principals own 100% of TPGC. The Funds are categorized as either “lock-up funds” or “open-end funds” Information about the Funds is located in their respective private placement memorandums and governing documents (the “Fund Documents”). TPGC recycles capital in the lock-up funds during the respective commitment periods. The open-end funds do not have defined commitment periods but generally permit investors to make redemptions on a quarterly basis.

TPGC also provides non-discretionary portfolio sub-advisory services to another private investment fund that is not sponsored by TPGC.

As of March 31, 2011, TPGC managed approximately \$1.6164 billion in assets on a discretionary basis, and approximately \$537.6 million in assets on a non-discretionary basis.

#### **Item 5 - Fees and Compensation**

TPGC receives management fees TPGC (calculated and payable either monthly or quarterly) which are described in the respective Fund Documents. TPGC reserves the right to waive any management fees at its sole discretion.

Each Fund pays or reimburses TPGC for certain organizational, operational and other permissible expenses which include, but are not limited to, expenses of custodians, outside counsel, accountants and other experts, other expenses incurred in connection with transactions (whether or not consummated), including any third party fees or profit sharing arrangements that are not payable to a Fund’s general partner or its affiliates, travel expenses, data production and maintenance costs and services, communication expenses and other third-party research expenses, any insurance, indemnification or litigation expense, and any taxes, fees or other governmental charges levied against the Fund. The Funds pay no interest or carrying charges associated with expense payments made on their behalf by TPGC.

*Valuation.* The Funds may hold positions in non-marketable investments or other investments for which independent quotations are unavailable or are not reliable indications of the fair value of the Funds’

position. The Funds are not required to obtain independent appraisals or valuations of any such positions.

TPGC is responsible for valuing the securities and other investments comprising the assets of the Funds. TPGC generally values the Funds' portfolio using U.S. generally accepted accounting principles ("U.S. GAAP"). Typically the valuations would be "marked to market" by reference to the last generally available price quotation. However, where a security is subject to any resale restriction, lack of available price quotations, illiquid market conditions or other factors preventing immediate liquidity of the Funds' entire position, TPGC has the sole and absolute discretion to value such security using its best good faith estimate as to fair value. This causes the potential for a conflict of interest due to the fact that a higher fair value assigned to such security will result in greater management fees paid, and possibly in higher performance allocations credited to, the general partner or managing member of the Fund. Valuations assigned to securities and other investments are not necessarily equivalent to the value that can be realized by the Funds on the sale of those securities and other investments. In addition, there is a risk that the valuations of a security made pursuant to U.S. GAAP may differ from the price at which the security may actually be sold.

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

The Funds may pay performance compensation to their respective general partners or managing members, each of which are affiliated entities of TPGC. The calculation of this performance compensation is described more fully in the respective Fund Documents and in each case is based upon the value and performance of investments in the Funds. Performance compensation for the lock-up funds is payable after the end of a Fund's commitment period. For the open-end funds, performance compensation is payable annually. TPGC's investment allocation process described in Item 10 of this brochure mitigates the risk of investments being allocated for the primary purpose of increasing performance compensation. The respective general partners and managing members of the Funds reserve the right to waive performance allocation at their sole discretion.

Performance compensation may create a conflict of interest by incentivizing TPGC to make more speculative investments with the aim to increase fees paid. This conflict is mitigated not only by provisions requiring affiliates of TPGC to invest a certain minimum amount in each Fund, but also by restrictions in the lock-up funds on the distribution of performance compensation until after a preferred rate of return.

TPGC serves as an investment adviser primarily to the Funds.

#### **Item 7 - Types of Clients**

TPGC's only clients are the Funds and its non-discretionary sub-advisory relationship with another private investment fund that is not sponsored by TPGC. The Fund investors generally consist of high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, endowments, corporations, business entities, private fund-of-funds, and foreign sovereign wealth funds. Employees of TPGC who qualify as "knowledgeable employees" under Rule 3c-5 of the Investment Company Act of 1940 are also permitted to invest (directly or indirectly) in the Funds.

Each Fund imposes minimum investment limits upon investors in the Fund that can be waived in certain circumstances, as set forth in the respective Fund Documents.

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

### **Investment Strategies**

TPGC's investment strategies involve investments across the credit spectrum, including the areas of distressed opportunities as described below. More detailed information regarding TPGC's investment strategies and activities is set forth in the Fund Documents.

*Distressed Assets.* TPGC's distressed asset strategies are centered on: (i) global distressed aircraft assets and aviation finance, (ii) European non-performing loan portfolios and (iii) U.S. non-performing loans and distressed assets. Consistent with TPGC's overall distressed investment approach, there is an emphasis on smaller distressed asset opportunities. With most investments in aircraft and non-performing loan assets, TPGC works with asset managers and servicers to acquire, manage and position the assets. For aircraft investments, if remarketing options are exhausted, TPGC retains asset managers to disassemble the aircraft and sell components to global airlines and maintenance facilities.

*Corporate Distressed Debt and Securities.* TPGC's corporate distressed loan investments include senior secured and other bank loans with a focus on asset rich, middle market companies in the U.S. and Europe. TPGC's corporate distressed investments include senior bonds, and other investable instruments within corporate capital structures with a focus on asset rich, middle market companies in the U.S. and Europe. A focus is maintained on deep value middle market opportunities where control can be established or an active role can be taken in a restructuring. These investments can also take the form of purchases of smaller asset rich loans or portfolios of loans which can include equipment leases.

*Structured Products.* TPGC pursues investments in asset-backed securities, including residential mortgage-backed securities, commercial mortgage-backed securities and collateralized debt obligations.

### **Methods of Analysis**

The methods of analysis are conducted at varying levels depending upon the markets and participants involved. TPGC performs extensive quantitative and qualitative fundamental research to determine the suitability of a particular investment itself and in the context of the relevant industry as well as overall market. Investment professionals develop a financial model to perform an analysis of comparable valuations in the public and private markets, a discounted cash flow analysis, a reorganization analysis and liquidation analysis, and an analysis of potential returns for the investment and many other types of financial analysis as warranted. At the completion of a favorable due diligence process, TPGC determines the price range at which to pursue the investment opportunity.

### **General Risks**

The transactions in which TPGC will engage involve substantial risks. Growing competition may limit the TPGC ability to take advantage of investment opportunities in rapidly changing markets or to access

investment opportunities believed to be attractive. Investing involves risk of loss that an investor should be prepared to bear.

Due to the nature of the TPGC's trading and investment activities, the results of the TPGC's activity may fluctuate from month to month and from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results in future periods. The material risks presented by the strategies and their investments are set forth below. Additional information is contained in the respective Fund Documents. This brochure does not purport to contain a complete disclosure of all risks that may be relevant to a prospective investor.

## **Material Risks**

*Access to Non-Public Information.* From time to time, the Funds, through the principals, employees or agents of TPGC, may be represented on the boards of directors or creditors' committees, or serve as observers to the boards of directors, of certain of the companies in which the Funds make investments. In addition, TPGC may have access to nonpublic information regarding issuers of securities that are investments or potential investments of the Funds. While such representation or access to nonpublic information is important to TPGC's investment strategy and may enhance its ability to manage the Funds investments, it may also have the effect of impairing the ability of the Funds to purchase or sell the related investments when, and upon the terms, it might otherwise desire, including as a result of applicable securities laws in nondisclosure agreements entered into by TPGC or the Funds in connection with obtaining such representation or access. Furthermore, material, nonpublic information may be obtained for the benefit of one of TPGC's Funds, yet result in the restriction of trading by other Funds.

*Non-Controlling Investments.* The Funds will make non-controlling investments and, therefore, may have a limited ability to protect its investments although, as a condition of investment, TPGC may negotiate representation on the creditors' committee and supervisory rights to protect the Funds' investments.

*Concentration of Investments.* TPGC is generally not limited in the amount of the Funds' capital that it may commit to any one investment or one industry. Although TPGC will follow a general policy of seeking to spread the Funds' capital among a number of investments and industries, TPGC may depart from such policy from time to time and the Funds may hold one or more positions that are relatively large in relation to a Fund's capital or are concentrated in a single issuer or a group of related issuers or in a single industry. The result of such concentration of investments is that a loss in any such position could materially reduce the Fund's capital.

*Diversification of Investments.* In order to diversify the Funds' capital, TPGC will invest the Funds' assets in multiple investments. Although this diversification is intended to offset losses while maintaining the possibility of capitalizing on profitable price movements, there can be no assurance that the use of multiple investments will provide any material diversification, that it will not result in overall losses generated by one investment exceeding profits achieved by another or that the selection of multiple investments will prove more successful than would selection of a single investment.

*Competition for Investments.* The Funds may be unable to find a sufficient number of attractive opportunities to meet its investment objectives or invest its capital fully. There can be no assurance that the Firm will be able to identify or successfully pursue attractive investment opportunities in all market

environments. Among other factors, competition for suitable investments in the market may reduce the availability of investment opportunities.

*Increases in Assets under Management.* TPGC has not presently agreed to limit the amount of additional assets it may manage and new investment strategies of Funds it may raise, and will continue to seek new investment capital. There can be no assurance that appropriate investment opportunities will be available to accommodate future increases in assets under management, which may require TPGC to modify its investment decisions for the Funds because it cannot deploy all the assets in the manner it desires. Furthermore, due to the overlap of strategies and investments across many of the Funds, the Funds may be adversely affected in the event of rapid or large liquidations of investment positions by other the Funds or may find it more difficult to liquidate positions held by the Funds due to a lack of liquidity resulting from large position sizes in the same investments held by other the Funds.

*Illiquidity of Investments.* The Funds may invest in securities, loans or other assets for which no (or only a limited) liquid market exists or that are subject to legal or other restrictions on transfer. The market prices, if any, for such assets tend to be volatile, and may fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic or international economic or political events, developments or trends in any particular industry, and the financing condition of the obligors on the Funds' assets. The Funds may not be able to sell assets when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. For example, recent developments in the financial services industry and the credit crisis resulted in a contraction of demand for certain types of assets, making such assets practically illiquid and resulting in a significant discount of such assets. The sale of illiquid assets and restricted securities often requires more time and can result in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets.

A portion of the Funds' investments may consist of securities that are subject to restrictions on resale by the Funds because they were acquired in a "private placement" transaction or because the Funds are deemed to be an affiliate of the issuer of such securities as a result of significant ownership stakes held by the Funds or for other reasons. Generally, the Funds will be able to sell such securities without restriction to other large institutional investors, but may be restrained in its ability to sell them to other investors and may be subject to liability as such under the Securities Act. In addition, the Funds may hold securities subject to contractual restrictions on transfer.

*Risks Associated with Bankruptcy Cases.* The Funds' investment activities, particularly involving companies in distressed situations, may result in them becoming involved as a creditor in bankruptcy cases. In addition, the Funds may purchase securities or assets of, or claims against, companies in bankruptcy. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. Generally, the duration of a bankruptcy case can only be roughly estimated. This process can involve substantial legal, professional and administrative costs to 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 and the company may not be able to reorganize and may be required to liquidate assets.

The debt of companies in financial reorganization will in most cases not pay current interest, may not accrue interest during the reorganization and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal. There exists a significant risk



that the Funds' influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. In addition, certain administrative costs and claims that have priority by over the claims of certain creditors (for example, claims for taxes) may be quite high.

Commercial bankruptcy laws in Europe are slowly evolving into a system more akin to the Chapter 11 process in the United States, supporting potential financial restructurings rather than effective liquidations. U.S. insolvency procedures have historically been, and remain, on average, more debtor-orientated. The reverse is true for the United Kingdom and many other European jurisdictions where secured creditors have had extensive powers to protect their own rights, frequently overriding the interests of other creditors and the debtor.

Under common law principles, if a lending institution (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors, or (iv) uses its influence as a shareholder 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' investments, the Funds could be subject to claims from creditors of an obligor that Fund investments issued by such obligor should be equitably subordinated. A number of the Funds' investments involve investments in which the Funds would not be the lead creditor. Accordingly, it is possible that equitable subordination claims affecting the Funds' investments could arise without the direct involvement of the Funds.

*Counterparty and Settlement Risks.* Some of the markets in which TPGC affects transactions on behalf of the Funds are "over-the-counter" or "interdealer" markets. The participants in these types of markets and the counterparties in such private transactions are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. There is a risk that any of such institutions could become bankrupt or insolvent. The bankruptcy or insolvency of any such institutions may result in the Funds losing all or a portion of its assets held with such institutions or the termination of any outstanding transactions. In addition, brokers and dealers, custodians and counterparties may use sub-custodians and disclaim responsibility for any losses which may result therefrom.

In addition, the Funds may use counterparties and custodians located in various jurisdictions outside the United States. Such local counterparties and custodians are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Funds' assets are subject to substantial limitations and uncertainties. Investors should assume that the insolvency of any non-U.S. counterparty or custodian would result in a loss to the Funds, which could be material. Certain markets have experienced periods when settlement dates are extended, and during the interim, the market value of an instrument may change. Moreover, certain markets have experienced periods when settlements did not keep pace with the volume of transactions resulting in settlement difficulties. Because of the lack of standardized settlement procedures, settlement risk is more prominent.

In an effort to mitigate such risks, TPGC will entrust transactions and assets to multiple counterparties and custodians, both within and outside the United States, which it believes are established, well-capitalized and creditworthy. However, as the events of 2008 and 2009 have shown, even the

capitalization of a long-established institution may deteriorate rapidly when it has substantial risk exposure to one or more asset classes that become distressed, its counterparties and customers lose confidence in its ability to perform its transactions and safeguard assets, or it encounters other severe difficulties. There can be no guarantee that the Funds could unwind transactions and withdraw assets from a once-creditworthy institution if the institution's capital begins to deteriorate rapidly.

*Co-Investment Risks.* TPGC, when appropriate, may permit third party investors to co-invest with the Funds in certain of the Funds' investments. Such co-investments may have the effect of reducing the size of the Funds' investment in such opportunities, subject to TPGC's trade allocation policies.

*Third Party Involvement.* The Funds may co-invest with third parties through limited liability companies, joint ventures or other entities. These investments may involve risks not present if a third party were not involved, including the possibility that the third party may be in a position to take action contrary to the investment objectives of the Fund. In addition, a Fund may in certain circumstances be liable for actions of its third party co-venturer. Also, the ability to exercise control or significant influence in connection with the joint venture may be limited and will depend on the nature of the governing documentation.

*Prime Broker and Custody.* Cash or assets that a prime broker holds or receives on the Funds' behalf may not be treated by a prime broker as "client assets," may not be segregated from the Prime Broker's own assets and may be used by a prime broker in the course of its investment business. In such event, the Funds will rank as one of a prime broker's unsecured creditors. The Funds' custodian may not be responsible for cash or assets that are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by the Funds as a result of the bankruptcy or insolvency of any such sub-custodian. Custody services in certain non-U.S. jurisdictions remain undeveloped and accordingly there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy in certain non-U.S. jurisdictions, the ability of the Funds to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy would be in doubt.

*Asset Managers and Service Companies.* The Funds retain from time to time asset managers or service companies (the "Asset Managers") of specific portfolios of assets owned by the Funds. The Asset Managers may provide asset or collateral management and due diligence services to the Funds. These services are provided pursuant to management or service agreements between the Funds (or other special purpose vehicle in which the Funds own an interest) and the Asset Managers, which provide for the payment of servicing or other fees. If an asset manager breaches its servicing agreement or otherwise fails to perform its responsibilities adequately, the Funds may be adversely affected. In addition, given the specialized nature of these service providers, they may be difficult to replace if needed and transfers of servicing may cause a disruption of cash flow on the related investment.

*Execution Risks.* The execution of the trading and investment strategies employed by TPGC can involve complex trades, difficult to execute trades and use of negotiated terms with counterparties. In each case, TPGC seeks best execution and has trained execution and operations professionals devoted to executing, settling and clearing such trades. However, in light of the complexity and global diversity involved, some slippage, errors and miscommunications with brokers and counterparties are inevitable and may result in losses to the Funds. TPGC may choose to forego pursuing claims against brokers and counterparties on behalf of the Funds for any reason including, but not limited to, the cost of pursuing claims relative to the likely amount of any recovery and the maintenance of its business relationships

with brokers and counterparties. TPGC is not liable to the Funds for losses caused by brokers or counterparties.

*Tax Considerations.* The Funds may take positions with respect to certain tax issues that depend on legal conclusions not yet addressed by the courts. Should any such positions be successfully challenged by governing tax authorities, there could be a material adverse effect on the Funds. For tax-exempt U.S. investors, TPGC structures investments to address the risks of earning income that would be considered unrelated business taxable income ("UBTI"). For foreign investors, TPGC structures investments to address the risks from certain investments which may generate effectively connected income ("ECI").

*Litigation.* Litigation can and does occur in the ordinary course of the management of an investment Fund or vehicle. The Funds may be engaged in litigation both as a plaintiff and as a defendant. This risk is somewhat greater where TPGC exercises control or significant influence over a company's direction, *e.g.*, as a result of board participation or being active on a creditors' committee. Such litigation can arise as a result of issuer defaults, issuer bankruptcies or other reasons. TPGC and others are indemnified by the Funds and, in certain circumstances, other Funds in connection with such litigation, subject to certain conditions. The expense of defending against third-party claims made against the Funds or persons indemnified by the Funds and paying any amounts pursuant to settlements or judgments generally would be borne by the Funds and reduce net assets to the extent that the Funds have not been able to protect itself through indemnification or other rights against the relevant portfolio company, is not entitled to such protections, or is entitled to such protections but the portfolio company is not solvent.

*Non-U.S. Investments.* The Funds take positions on a global basis and may invest a significant portion of assets in non-U.S. positions. This requires consideration of certain risks typically not associated with investing in U.S. securities or property. These risks include, among other things, trade balances and imbalances and related economic policies, potential price volatility in, and relative illiquidity of, some non-U.S. securities markets, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the United States or foreign governments, U.S. and foreign withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries, political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability in foreign nations.

## **Investment Risks**

*Debt Securities.* Debt securities are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). With bonds and other fixed income securities, a rise in interest rates typically causes a fall in values, while a fall in interest rates typically causes a rise in values. Debt securities generally involve less market risk than stocks. However, the risk of debt securities can vary significantly depending upon factors such as the issuer and maturity. For example, the issuer of a security or the counterparty to a contract may default or otherwise become unable to honor a financial obligation. The debt securities of some companies may be riskier than the stocks of others. The ability of these companies to refinance debt securities may depend on their ability to sell new securities in the public high-yield debt market or otherwise.

*High Yield Securities.* The Funds may invest in “high-yield” bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities.) Securities in the lower categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be greater risk with respect to the issuer’s capacity to pay interest and repay principal. Further, investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those of higher-rated securities.

*Distressed Securities.* The Funds may purchase, directly or indirectly, securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Such purchases may involve a substantial degree of risk and may not show any return for a considerable period of time. In fact, many of these securities and investments ordinarily remain unpaid unless and until the company reorganizes and/or emerges from bankruptcy proceedings. A wide variety of considerations, including, for example, the possibility of litigation between the participants in a reorganization or liquidation proceeding may affect the value of these securities and investments. There is no assurance that TPGC will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to the company in which the Funds invest, the Funds may lose its entire investment or may be required to accept cash or securities with a value less than the Funds’ original investment.

*Defaulted Securities.* The Funds may invest in the securities of, and trade claims against, companies involved in bankruptcy proceedings, reorganizations and financial restructurings and may have a more active participation in the affairs of the issuer than is generally assumed by an investor. This may subject the Funds to litigation risks or prevent the Funds from disposing of securities. In a bankruptcy or other proceeding, the Funds as a creditor may be unable to enforce its rights in any collateral or may have its security interest in any collateral challenged, disallowed or subordinated to the claims of other creditors.

*Equity Securities.* The Funds invest in common and preferred stock and other equity securities, including both public and private equity securities. Equity securities generally will be subordinate to the debt securities and other indebtedness of the issuers of such equity securities. Prices of equity securities generally fluctuate more than prices of debt securities and are more likely to be affected by poor economic or market conditions, general stock market fluctuations and changes in market confidence and perceptions of their issuers. In some cases, the issuers of such equity securities may be highly leveraged or subject to other risks such as limited product lines, markets or financial resources. Some of the small and mid-cap issuers of equity securities in which the Funds may invest may be more vulnerable than larger companies to adverse business or market developments, may have limited markets or financial resources and may lack experienced management. In addition, some equity securities may be illiquid. Due to perceived or actual illiquidity or investor concerns regarding leveraged capitalization, certain equity securities often trade at significant discounts to otherwise comparable investments or are not readily tradable.

*Private Equity Securities.* While private equity investments are not part of the Funds’ principal investment strategies, the Funds may make private equity investments from time to time, including investments in companies undergoing debt restructurings and recapitalized companies, which involve a high degree of business and financial risk. Such companies may have highly leveraged capital structures, require substantial additional capital to support expansion or to achieve or maintain a competitive position, produce substantial variations in operating results from period to period or operate at a loss.

Although TPGC may seek protective provisions, including, possibly, board representation, in connection with certain of its private equity investments, to the extent the Funds take minority positions in companies in which it invests, TPGC may not be in a position to exercise control over the management of such companies. Private equity investments may have extended holding periods of several years and there can be no assurance that a viable exit mechanism will be available at the end of the anticipated holding period.

*Capital Structure Arbitrage.* The fixed-income sectors of certain Funds' investment portfolios may emphasize a hedged form of investing known as capital structure arbitrage. In capital structure arbitrage, the Funds take a long position in a debt security and hedge that position with a short position in a junior debt security or equity security of that issuer, or a combination thereof, expected to move similarly in price, thereby attempting to limit downside risk while preserving a senior position. Such positions are either fully or partially hedged, depending upon analysis of such factors as total yield or return, hedging and carrying costs and TPGC's perception of relative risk.

*Investment in Loans.* The Funds may invest in loans which may entail the following risks:

- *General Credit Risks* - The Funds may be exposed to losses resulting from default and foreclosure. The value of the underlying collateral, if any, the creditworthiness of the borrower and the priority of the lien are each of great importance (although the Funds may invest in subordinate or second priority liens). There is no assurance that the Funds will correctly evaluate the value of the assets collateralizing the loans or the prospects for a successful restructuring or bankruptcy reorganization or similar action. The Funds cannot guarantee the adequacy of the protection of the Funds' interests, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, the Funds cannot assure that claims may not be asserted that might interfere with enforcement of the Funds' rights. In the event of a foreclosure, the Funds or an affiliate of the Funds may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to the Funds.
- *Lower Credit Quality Loans* - Because there are no restrictions on the credit quality of the Funds' loans, loans purchased by the Funds may be deemed to have substantial vulnerability to default in payment of interest and/or principal. The market values of certain of these loans also tend to be more sensitive to changes in economic conditions than better quality loans.
- *Second Lien Loans* - The Funds may invest in loans that are secured by a second lien on assets. Second lien loans are subject to intercreditor arrangements with the holders of first lien indebtedness, pursuant to which the second lien holders have waived many of the rights of a secured creditor, and some rights of unsecured creditors, including rights in bankruptcy which can materially affect recoveries. While there is broad market acceptance of some second lien intercreditor terms, no clear market standard has developed for certain other material intercreditor terms for second lien loan products.
- *Direct Loans* - On occasion, the Funds may provide financing to borrowers that have difficulty obtaining financing from other sources. Deterioration in a borrower's financial

condition and prospects may be accompanied by a decrease in the value of any collateral and a reduced likelihood of the borrower's repayment and of the Funds capitalizing on any guarantees it may have obtained from the borrower's management or other parties. Although the Funds may sometimes seek to be the senior, secured lender to a borrower, some of the Funds' direct loans may be subordinated to a senior lender, and the Funds' interest in any collateral would, accordingly, likely be subordinate to another lender's security interest.

*Trade and Other General Unsecured Claims.* The Funds may acquire interests in claims of trade creditors and other general unsecured claim holders of a debtor ("trade claims"). Trade claims generally include, but are not limited to, claims of suppliers for goods delivered and not paid, claims for unpaid services rendered, claims for contract rejections and claims related to litigation. Trade claims are typically unsecured and may, in unusual circumstances, be subordinated to other unsecured obligations of the debtor. The repayment of trade claims is subject to significant uncertainties, including potential set-off by the debtor as well as the other uncertainties described herein with respect to other distressed securities. Because bankruptcy claims are frequently unsecured, holders of such claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. Under judicial decisions, it is possible that the purchase of a bankruptcy claim could be disallowed by the bankruptcy court if the court determined that the purchaser had taken unfair advantage of an unsophisticated seller, which might result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser. A Fund's investments in trade claims and high risk receivables may also entail special risks including, but not limited to, logistical and mechanical issues which may affect the ability of the Funds or its agent to collect the claim in whole or in part.

*Aircraft and Aircraft Operating Leases.* The Funds may acquire direct or indirect ownership interests in aircraft and related engines which are leased to airline or other operators. The aircraft leasing market is affected by various cyclical factors that are not within the control of TPGC such as: interest rates; the availability of credit; fuel costs and general economic conditions affecting lessee operations; manufacturer production level; passenger demand; retirement and obsolescence of aircraft models; manufacturers merging or exiting the industry or ceasing to produce aircraft types; re-introduction into service of aircraft previously in storage; governmental regulation; and air traffic control infrastructure constraints. The availability of commercial jet aircraft for lease or sale has periodically experienced cycles of oversupply and undersupply, producing sharp decreases and increases in aircraft values and lease rates.

*Investments in Other Assets.* The Funds may invest in equipment or other assets. The identification of investment opportunities in undervalued assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued assets offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. In addition, the Funds may be required to hold such assets for a substantial period of time before realizing their anticipated value.

*Real Estate Investments.* The Funds may, from time to time, invest in a variety of real estate and related transactions, either as a direct investment or through investment in other entities, including affiliates of the Funds. Such real estate investments may entail the extension of, or participation in, mortgage loans. The value of real estate is subject to market conditions, and adverse changes in the local real estate market may lower the value that may be derived from a liquidation. Other risks incident to the ownership and operation of commercial and residential real estate include (i) dependence on cash flow,

(ii) changes in the financial conditions of tenants, buyers and sellers of properties, and (iii) environmental liabilities that may arise with respect to collateral securing obligations.

Adverse changes in real estate markets increase the probability of default on mortgage loans, as the incentive of the borrower to retain equity in the property declines. Non-performing mortgage loans often require workout negotiations and/or restructuring, which may entail, among other things, a write-down of the principal of the loan and/or reduction of the interest rate. In addition, in the event that foreclosure of a mortgage loan is required, the foreclosure process is often lengthy and expensive, sometimes taking several years. In addition, the foreclosure process can itself disrupt the use of the property, thereby reducing the economic returns.

*Collateralized Loan Obligations ("CLOs").* The Funds may invest from time to time in the securities of CLO issuers that use high levels of leverage as part of their business strategy. Such issuers may invest in real estate transactions, including, without limitation, mortgage loans and project investments, and may extend business loans, which may or may not be secured. In addition, such issuers may invest in mezzanine loans and credit-oriented investments, as well as other less liquid investments. The amount of leverage that may be maintained by such issuers will increase the exposure of such companies to adverse economic factors such as downturns in the economy or deterioration in the conditions of such companies or their respective industries. They are also substantially dependent on the servicing of the underlying asset pools and therefore subject to risks associated with the negligence of, or defalcation by, their collateral managers.

*Mortgage-Backed and Asset-Backed Securities.* The Funds invest in any tranche, including unrated tranches, of a variety of types of asset-backed securities, including residential and commercial mortgage-backed securities and other asset-backed securities. These types of securities are primarily exposed to the performance and credit risk of the underlying collateral. They are also substantially dependent on the servicing of the underlying asset pools and therefore subject to risks associated with the negligence of, or defalcation by, their servicers. For mortgage-backed securities, more mortgages are refinanced when market interest rates decline and the securities are paid off earlier than expected. Prepayments may also occur on a scheduled basis or due to foreclosure. When market interest rates increase, the market values of mortgage-backed securities decline. Asset-backed securities are structured like mortgage-backed securities, but instead of mortgage loans or interests in mortgage loans, the underlying assets may include, but are not limited to, such items as motor vehicle installment sales or installment loan contracts, leases of various types of real and personal property, and receivables from credit card agreements. The ability of an issuer of asset-backed securities to enforce its security interest in the underlying assets may be limited. Asset-backed securities are subject to many of the same risks as mortgage-backed securities.

*Derivative Instruments.* The Funds may use various derivative instruments which may be volatile and which may be subject to wide and sudden fluctuations in market value. The Funds may enter into interest rate swaps and similar transactions primarily as a means of hedging its own borrowing against fluctuations in interest rates or preserving or enhancing a return or spread on a particular investment or portion of its portfolio. The Funds may enter into interest rate swaps on either an asset-based or liability-based basis, depending on whether it is hedging its assets or its liabilities. The Funds may also enter into credit default swaps and may either buy protection or sell protection from losses caused by the occurrence of a negotiated default event (a "credit event"). Use of derivative instruments presents various risks, including the following:

- *Liquidity* – Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets TPGC may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative positions limits on exchanges on which TPGC may conduct its transactions in certain derivative instruments may prevent prompt liquidation of positions, subjecting the Funds to the potential of greater losses.
- *Leverage* – Trading in derivative instruments can result in large amounts of synthetic leverage. Thus, the leverage offered by trading in derivative instruments may magnify the gains and losses experienced by the Funds and could cause the Funds' net asset value to be subject to wider fluctuations than would be the case if TPGC did not use derivative instruments that provide leverage.
- *Over-the-Counter-Trading* – Derivative instruments that may be purchased or sold by TPGC include instruments not traded on an exchange. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which TPGC can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation as exchange traded instruments, and many of the protections afforded to participants in a regulated environment.

*Short Sales.* The Funds may engage in short selling. Short selling involves the sale of securities that are not owned by the Funds in the expectation of purchasing the same securities at a later date at a lower price. To make delivery to the buyer, the Funds must borrow the security, and the Funds are obligated to pay the lender of the security any dividend or interest payable on the security until it returns the security to the lender. There can be no assurance that the securities necessary to cover a short position will be available for purchase. The person from whom the securities were borrowed to accomplish the short sale may demand the return of the securities before the Funds had planned. In this situation, the Funds may be forced to cover the short position in the market at a higher price than its short sale.

*Currencies.* Because the Funds' investments in other countries will likely be denominated in the currencies of such countries, a change in the value of these currencies against the U.S. dollar may well result in a corresponding change in the U.S. dollar value of the Funds' assets denominated in those currencies. The value of such assets may be affected favorably or unfavorably by fluctuations in currency rates. TPGC may seek to hedge the foreign currency exposure, but such hedging strategies may not necessarily be available or effective and may not always be employed. Accordingly, the Funds may at times be, directly or indirectly, subject to foreign exchange risks.

## **Item 9 - Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding certain legal or disciplinary events that would be material to an evaluation of TPGC or the integrity of TPGC's management. TPGC has no legal or disciplinary event responsive to this Item to report.



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

TPGC is the investment manager for each of the Funds, and also provides non-discretionary portfolio sub-advisory services to another private investment fund that is not sponsored by TPGC. The general partner of TPGC is TPG Credit Holdings, LLC, a Delaware limited liability company. TPGC is a related person to the general partners or managing members to the Funds and the private investment fund for which it provides non-discretionary portfolio sub-advisory services. Please see Item 6 of this brochure regarding performance-based fees that may be paid by a Fund to its general partner or managing member.

### **Conflicts of Interest**

Investors should be aware that there will be occasions where the General Partner and its affiliates may encounter potential conflicts of interest in connection with the Funds' activities. The following discussion enumerates certain of those potential conflicts of interest. For example, investors in the Funds may have conflicting investment, tax and other interests with respect to their investments in the Funds. The conflicting interests of investors may relate to or arise from, among other things, the nature of investments made by the Funds, the structuring or acquisition of investments and the timing of disposition of investments.

*Co-Investments.* The Funds often co-invest in private transactions with other of TPGC's Funds, through collectively owned SPVs and otherwise. Some of these SPVs may be required to pay management and performance fees, but TPGC Fund assets invested in such SPVs are not assessed any management or performance fees. In addition, assets of each co-investing Funds may become exposed to the risk of claims involving one or more other co-investing Funds, *e.g.*, a third party to a transaction may require the co-investing Funds to agree to joint and several liability, or certain types of trades may be pooled together in a common SPV without segregation of liabilities arising from different trades even though not all participating Funds participate in all trades entered into by the SPV. TPGC intends to mitigate such risks as it deems appropriate from time to time, such as through cross-indemnification arrangements among TPGC Funds, but there can be no guarantee that such risks can be mitigated in full.

*Allocation of Investment Opportunities.* The Principals and TPGC are required to devote substantially all of their business time and attention to the affairs of the Funds. In addition, whenever transactions are executed on behalf of the Funds, TPGC seeks to allocate investment opportunities among the Funds in such a manner that, to the extent feasible, no Fund receives less favorable treatment than any other Fund. From time to time, a limited opportunity may be suitable for more than one of the Funds. In such event, to the extent there is an overlap in investment strategy between the Funds, investment opportunities suitable for such Funds will be allocated on a *pro rata* basis amongst the Funds based on capital under management that is then available for investment by each Fund; provided that such investment opportunities may be allocated other than on a *pro rata* basis where TPGC determines another equitable allocation is appropriate in light of (i) requirements or limitations in a Fund's partnership agreement or other governing documents, (ii) liquidity of the investment opportunity, (iii) issuer and industry diversification guidelines, (iv) maturity or duration constraints, and (v) tax profiles and considerations of the participating accounts.

*Capital Structure Conflicts.* The Funds may invest in securities or other instruments of the same issuer (or affiliated group of issuers) having a different seniority in the issuer's capital structure. If the issuer becomes insolvent or suffers financial distress, there may be a conflict between the interests of the

Funds insofar as the issuer may be unable to satisfy the claims of all classes of its creditors and security holders. Under these circumstances it may not be feasible for TPGC to reconcile the conflicting interests of the Funds in a way that protects all of the Funds' interests.

*Transactions with Affiliates.* From time to time TPGC may determine that a sale of positions from one or more of the Funds to another is in their respective best interests. For example, a Fund may acquire investments from unrelated sellers and may re-offer a portion of such investments to another Fund that was subject to legal, fiscal or other restrictions on participating in the original transaction. While these transactions with related parties are expected to expand the universe of opportunities that are available to the Funds, the Funds will not necessarily derive a benefit from each such transaction, and the Funds and the other party to a particular transaction may have divergent interests. Moreover, there may be uncertainties regarding the valuation of investments that are subject to these transactions.

*Board Participation.* The Funds' investment programs may from time to time enable the Funds to place its representatives on creditors' committees and/or boards of certain companies in which the Funds have invested. While such representation may enable the Funds to enhance the sale value of its investments, it may also prevent it from freely disposing of its investments and may subject the Funds to additional liability. The Funds will indemnify the General Partner, TPGC, its affiliates, or any other person designated by any of them for claims arising from such creditors' committee and/or board representation. The Funds will attempt to balance the advantages and disadvantages of such representation when deciding whether and how to exercise its rights with respect to such companies, but the exercise of such rights could produce adverse consequences in particular situations.

*Third Party Involvement.* The Funds may co-invest with third parties through joint ventures or other entities. Such investments may involve risks in connection with such third-party involvement, including the possibility that a third-party co-venturer may have financial difficulties, resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with those of the Funds, or may be in a position to take (or block) action in a manner contrary to the Funds' investment objectives. In addition, the Funds may in certain circumstances be liable for the actions of its third-party co-venturers. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

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

*Code of Ethics.* TPGC has adopted a Code of Ethics for all employees of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics requires that all of TPGC's employees and partners act in a professional and ethical manner. Persons subject to TPGC's Code of Ethics are subject to, among other things, various restrictions relating to their purchase or sale of securities. These restrictions include pre-clearance and disclosure requirements, and general prohibitions on transactions in securities in certain circumstances, including when in possession of material non-public information; transactions in securities of issuers on TPGC's restricted list; and acquisition of securities in initial public offerings. There are also restrictions on the acquisition by persons subject to TPGC's Code of Ethics in private placements, which acquisitions require the prior approval of Adviser's chief compliance officer and the satisfaction of certain conditions.

The Code of Ethics also addresses the fiduciary duties expected of the persons subject to the Code, including confidentiality obligations, gift and policies, and restrictions on outside business activities. A copy of the Code of Ethics is available upon request from TPGC.

TPGC employees may trade for their own accounts in securities which are recommended to and/or purchased for the Funds. Because TPGC permits such personal trading, this creates the conflict that employees could use their knowledge of pending client transactions in an attempt to benefit their own personal transactions. For example, if an employee owns a security the employee knows TPGC will be selling out of client accounts, the employee could sell the personal holding ahead of time in an effort to obtain a higher price than might exist when Fund holdings are sold. To address certain conflicts related to personal trading, the Code of Ethics requires pre-approval of many types of personal securities transactions. Because TPGC does not prohibit employees from investing in the same securities in which Funds invest, TPGC's Chief Compliance Officer monitors the periodic personal securities transactions and holdings reports in an effort to ensure that employees do not personally benefit from, or try to take advantage of, their knowledge of upcoming buys and sells by Funds. In general, given the nature of Funds' investments and the limited personal securities activities of our employees, TPGC does not believe as a practical matter that employees will be able to benefit personally from such knowledge.

*Gifts.* TPGC personnel may receive or give certain gifts and gratuities from or to broker-dealers or other persons with whom TPGC, its affiliates or the Funds do business (including Funds portfolio brokers). Receipt of such gifts and gratuities might be viewed as causing a conflict of interest for TPGC in selecting brokers and dealers and other service providers. It is a violation of TPGC's Code of Ethics for employees to offer or accept inappropriate gifts, favors, entertainment, special accommodations, or other things that could be viewed as overly generous and could influence their decision-making.

## **Item 12 - Brokerage Practices**

*Selection of Brokers.* Securities transactions are executed by brokers selected solely by TPGC in its sole discretion. In placing portfolio transactions, TPGC seeks to obtain the best execution for the Partnership. Commission rates are a factor in achieving best execution but are not solely determinative as to whether best execution has been achieved. TPGC will take into account certain factors, including: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the level of trading expertise for the particular type of investment at hand; the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker. TPGC is not required to weigh any of these factors equally. TPGC does not recommend, request or require that a Fund direct TPGC to executed transactions through a specified broker-dealer.

*Soft Dollars.* As a practical matter, the receipt of research from the broker-dealers that execute TPGC's transactions is not a material factor in the selection of such brokers. TPGC does not receive third party research, receive brokerage or execution services and does not "pay up" for such research. Rather, to the extent consistent with TPGC's obligation to seek best execution, and all other considerations being equal, TPGC will place trades with broker-dealers who provide TPGC with their own research ("proprietary research"). This determination is informal and is subject to the discretion of TPGC's head trader. There are no formal or informal commission targets for the broker-dealers that provide TPGC with research. During the last fiscal year, TPGC received the following types of proprietary research: reports and commentary on companies, industries and the economy; and access to broker-dealer

research analysts to discuss companies. TPGC believes this research benefits all of the Funds' accounts and does not seek to allocate the research proportionately to the specific accounts whose trades are with the broker-dealer that provides the research. Obtaining this research benefits TPGC because it does not have to produce or pay for the research itself. As a result, TPGC theoretically may have an incentive to select or recommend a broker-dealer based on TPGC's interest in receiving the research, rather than on the Funds' interest in receiving most favorable execution. However, as noted above, TPGC's receipt of proprietary research is a very minor consideration in its selection of broker-dealers to execute transactions, TPGC does not "pay up" and it always seeks best execution.

*Best Execution.* TPGC seeks best execution of transactions for Funds in such a manner that the total cost or proceeds in each transaction is the most favorable under the circumstances. Although TPGC generally seeks competitive commission rates, it will not necessarily pay the lowest commission. Given the differences in market structures or the characteristics of financial instruments, it is not possible to identify and apply a uniform standard of, and procedure for, best execution that would be valid and effective for all types of instruments. With the understanding that certain other circumstances, such as liquidity and complexity of the instrument, Funds have given the discretionary mandate that the best possible price available may not always represent best execution. Furthermore, in some circumstances there will only be a very limited number of venues through which the transaction can be executed. In such cases best execution is demonstrated through achieving the desired transaction at a price deemed appropriate by TPGC.

Funds may invest in securities or other instruments of the same issuer (or affiliated group of issuers) having a different seniority in the issuer's capital structure. If the issuer becomes insolvent or suffers financial distress, there may be a conflict between the interests of the Funds insofar as the issuer may be unable to satisfy the claims of all classes of its creditors and security holders. Under these circumstances it may not be feasible for TPGC to reconcile the conflicting interests of the Funds in a way that protects each Fund's interests.

*Aggregations and Partial Fills.* TPGC will place orders for all of the Funds on a combined basis. If all such orders are not filled at the same price, they will be filled for each Fund at the average price. If it is not possible under prevailing market conditions to fill the entire order for all Funds at the same price that would be obtainable if an order were placed for only one of the Funds, TPGC will usually allocate the trade amongst the Funds with transaction costs being shared pro rata, or otherwise on a basis that it considers in good faith to be equitable.

*Cross Trades.* Transactions between Funds with or without the involvement of a broker may be permitted provided they are conducted on an arms-length basis and TPGC does not receive any brokerage or other compensation in connection with the transaction which is settled at then existing market prices. TPGC may cause a Fund to buy positions from or to sell positions to another Fund in re-balancing transactions resulting from circumstances where such transactions are considered advisable for both parties. All such transactions will be effected at prevailing market prices.

*Trade Errors.* The execution of the trading and investment strategies employed by TPGC can involve complex trades, difficult to execute trades and use of negotiated terms with counterparties such as in the use of derivatives. In light of the complexity and global diversity involved, some slippage, errors and miscommunications with brokers and counterparties are inevitable and may result in losses to Funds. TPGC will evaluate the merits of potential claims for damage against brokers and counterparties who are at fault, and to the extent practicable may seek to recover losses from those parties. TPGC may choose

to forego pursuing claims against brokers and counterparties on behalf of Funds for any reason including, but not limited to, the cost of pursuing claims relative to the likely amount of any recovery and the maintenance of its business relationships with brokers and counterparties and overall market. In addition, TPGC's own investment and operations professionals may be solely or partly responsible for errors in placing, processing, and settling trades. Losses resulting from such errors will be borne by the Funds.

### **Item 13 - Review of Accounts**

Publicly traded investments are reviewed daily by the Adviser's investment professionals and operations team. Private investments are reviewed monthly by TPGC's investment professionals and operations team. In addition, each Fund is reviewed regularly by TPGC's Chief Financial Officer, Compliance, and the Principals. Compliance also reviews and tests the Funds regularly providing oversight and review of the trading activity. An independent auditor annually audits each Fund's financial statements.

Statements are prepared and sent to Fund investors on a monthly basis within 30 days after the end of each month for TPGC's open end funds, and on a quarterly basis within 45 days after the end of the quarter for TPGC's lock up funds. These statements include an investor's beginning account balance, contributions, distributions, periodic net income and ending balance. Additionally, investors receive monthly or quarterly written updates of the activity in and performance of their Fund.

On an annual basis, investors in Funds received audited financial statements. Also, investors in Funds have their income reported to them on Schedule K-1s, Schedule 1042s or a combination of the two.

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

The general partner of TPG Credit Strategies Fund II, L.P., has entered into an agreement with a broker-dealer pursuant to which the broker-dealer acts as the exclusive placement agent for that Fund. For this service, Denning is paid fees that will be offset against management fees that TPGC does or will earn. This broker-dealer agreement also provides for TPGC to pay a percentage of the management fees and performance fees received from advisory clients referred by the broker-dealer that enter into direct advisory relationships with TPGC. Any such referrals will be subject to the requirements of Rule 206(4)-3 under the Advisers Act, which include the prospective client receiving a disclosure statement from the broker-dealer addressing its arrangement with TPGC and its receipt of compensation for referrals.

### **Item 15 - Custody**

TPGC does not maintain physical custody of any securities or cash owned by the Funds and does not serve as the qualified custodian of any of the assets owned by the Funds. However, TPGC is deemed by the applicable regulatory rules to have constructive custody of the assets of each Fund. TPGC satisfies the applicable regulatory requirements related to custody by, among other things, ensuring that each Fund is subject to an annual audit by an independent accounting firm that is registered and examined by the Public Company Accounting Oversight Board, and that audited financial statements for each Fund are provided to its investors within 120 days of the applicable Fund's fiscal year-end.

## **Item 16 - Investment Discretion**

TPGC exercises broad investment discretion over all of the Funds it sponsors and manages. This discretion is established in and subject to the terms of the Fund Documents. Investors in the Funds endorse TPGC's discretionary authority by executing the subscription documents related to their investment in a Fund and accepting the terms outlined in the respective Fund Documents.

## **Item 17 - Voting Client Securities**

TPGC has the authority to vote the securities held by the Funds. TPGC's proxy voting guidelines cover certain types of proposals. These guidelines indicate whether TPGC votes for or against a particular proposal, or whether the matter should be considered on a case-by-case basis. TPGC's operations team is responsible for reviewing all proxies and voting them consistent with the policies and procedures. TPGC will endeavor to avoid material conflicts of interest in the voting of proxies. However, where material conflicts of interest arise, TPGC is committed to resolving the conflict in the Fund's best interest. In situations where TPGC perceives a material conflict of interest, TPGC may defer to the voting recommendation of an independent third party provider of proxy services; send the proxy directly to the relevant advisory clients or their representatives for a voting decision; vote the proxy based on the voting guidelines set forth in the policies if the application of the guidelines to the matter presented involved little discretion on the part of TPGC; or take such other action in good faith that would protect the interest of advisory clients.

Under certain circumstances, TPGC may not be able to vote proxies or may find that the expected economic costs from voting outweigh the benefits associated with voting. For example, TPGC may not vote proxies on certain foreign securities due to local restrictions or customs.

A copy of TPGC's written proxy voting policies and procedures as well as information on how proxies were voted for the Fund in which they have invested is available to any investor upon request.

## **Item 18 - Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. TPGC has no financial condition that impairs its ability to meet contractual commitments to the Funds, and has never been the subject of a bankruptcy proceeding.