

**ITEM 1 – COVER PAGE**

**Castle Creek Advisors IV LLC  
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**March 31, 2015**

**This brochure provides information about the qualifications and business practices of Castle Creek Advisors IV LLC. If you have any questions about the contents of this brochure, please contact us at 858-756-8300. 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 Castle Creek Advisors IV LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Castle Creek Advisors IV LLC is a registered investment adviser. This registration does not imply any level of skill or training.**

## **ITEM 2 - MATERIAL CHANGES**

This brochure is intended to provide potential and existing clients with an overview of the Company (as defined below). It also contains important disclosures such as certain practices of the firm, potential material conflicts that may arise, and key potential investment risks.

The Company last filed its annual amendment to its brochure with the Securities and Exchange Commission (the “SEC”) on March 27, 2014 (the “Prior Brochure”).

This brochure contains routine annual updates to the Prior Brochure, as well as other updates including those regarding payments of fees and expenses by clients, conflicts of interest, and the manner of voting related to securities held by clients.

### **ITEM 3 - TABLE OF CONTENTS**

<b>ITEM 1 – COVER PAGE .....</b>	<b>1</b>
<b>ITEM 2 - MATERIAL CHANGES.....</b>	<b>2</b>
<b>ITEM 3 - TABLE OF CONTENTS.....</b>	<b>3</b>
<b>ITEM 4 - ADVISORY BUSINESS .....</b>	<b>4</b>
<b>ITEM 5 - FEES AND COMPENSATION .....</b>	<b>7</b>
<b>ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....</b>	<b>9</b>
<b>ITEM 7 - TYPES OF CLIENTS.....</b>	<b>10</b>
<b>ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....</b>	<b>11</b>
<b>ITEM 9 - DISCIPLINARY INFORMATION.....</b>	<b>21</b>
<b>ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....</b>	<b>22</b>
<b>ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....</b>	<b>23</b>
<b>ITEM 12 - BROKERAGE PRACTICES .....</b>	<b>25</b>
<b>ITEM 13 - REVIEW OF ACCOUNTS.....</b>	<b>27</b>
<b>ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION.....</b>	<b>27</b>
<b>ITEM 15 - CUSTODY .....</b>	<b>28</b>
<b>ITEM 16 - INVESTMENT DISCRETION .....</b>	<b>28</b>
<b>ITEM 17 - VOTING CLIENT SECURITIES.....</b>	<b>29</b>
<b>ITEM 18 - FINANCIAL INFORMATION .....</b>	<b>29</b>

#### **ITEM 4 - ADVISORY BUSINESS**

**A. Describe your advisory firm, including how long it has been in business. Identify your principal owner(s).**

Castle Creek Advisors IV LLC, Castle Creek TARP Advisors LLC, Castle Creek Class B TARP Advisors LLC, and Castle Creek Special Situations Advisors LLC (collectively, the “Company” or the “Firm”) are Delaware limited liability companies formed in November, 2008; May, 2012; January, 2014; and May, 2014, respectively. The significant voting owner(s) of the Company are JME Advisory Corp., Legions IV Corp., Mikesell Advisory Corp., and Pietrzak Advisory Corp., each a Delaware Corporation owned respectively by John M. Eggemeyer III, Mark G. Merlo, J. Mikesell Thomas, and John T. Pietrzak (each a “Principal”). The Company, the Company’s predecessor advisory company, the General Partners (as defined below) and the five current Castle Creek Funds (as defined below) (known aggregately as “Castle Creek”) were founded by Mr. Eggemeyer.<sup>1</sup> Currently, Mr. Eggemeyer, in combination with the other significant voting owners of the Company, serve as Principals and are collectively responsible for running the Company. The Company provides investment advisory services to (i) private equity funds sponsored by the Company or its affiliates (a “Castle Creek Fund” or “Fund”), whose respective general partners (“General Partners”) are affiliates of the Company, and (ii) non-discretionary managed accounts (the “Managed Accounts”).

Beginning in 1995, Castle Creek’s Principals helped forge the way for private equity investing in the banking industry, and today, the Firm remains a prominent and active investor in the community banking sector. The team’s strategy remains true to its original roots, effectuating change through board participation, hands-on strategic and operational input, and in most cases, acting in the “lead investor” role of equity syndications that have coalesced around Castle Creek. Together the Principals have over 150 years of experience working in the banking industry as well as extensive industry experience in raising capital, managing risk, cutting costs and enhancing profitability. As part of Castle Creek, the Principals have initiated and led over \$2.0 billion of equity investments in over 75 community banks. In the non-hostile environment in which each of Castle Creek’s investments are made, the Firm believes that it is an attractive partner for both community bank management teams and boards of directors, given the cumulative banking experience and financial leadership demonstrated by the Principals.

**B. Describe the types of advisory services the firm offers. If the firm holds itself out as specializing in a particular type of advisory service, explain the nature of that service in detail. If the firm provides investment advice only with respect to limited types of investments, explain the type of investment advice firm offers and disclose that the advice is limited to those types of investments.**

Castle Creek Funds are structured as limited partnerships, with a specific General Partner formed for each respective Castle Creek Fund, and both the Castle Creek Fund and its General Partner are deemed affiliates of the Company. In addition, the Company provides investment advisory services to Managed Accounts. The investors and other persons who invest in a Castle Creek

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<sup>1</sup> Note: For Castle Creek Advisors IV LLC, its predecessor advisory company and the general partners of the Castle Creek Funds advised by such entities, William J. Ruh was a co-founder.

Fund are generally referred to herein as “investors”, and the beneficial owner of a Managed Account is generally referred to herein as an “owner.” Unless otherwise expressly stated herein, the terms “Castle Creek Fund” and “Managed Account” do not include “investors” or “owners”, respectively.

The Castle Creek Funds and the Managed Accounts invest in the banking and financial services industry. On each Castle Creek Fund’s and Managed Account’s behalf, the Company will (1) originate, recommend, structure, and identify sources of capital for investment, (2) monitor, evaluate, and make investment recommendations regarding the timing and manner of disposition of portfolio investments, and (3) provide such other services as required in support of such Fund or such Managed Account.

Investment opportunities in the Castle Creek Funds are privately offered only to “accredited investors” as defined in and pursuant to exemptions available under the Securities Act of 1933, as amended (the “Securities Act”), and the regulations promulgated there under. Such Castle Creek Funds, including parallel funds and alternate investment vehicles, are not registered with the SEC as investment companies based on specific exclusions from the Investment Company Act of 1940, as amended (“1940 Act”). Managed Account services are privately offered only to “qualified clients” as defined in the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Typically, interests in Castle Creek Funds and Managed Account services are offered to institutional investors and high net worth individuals. Other qualified individuals who may not be employees of Castle Creek, but who have pre-existing business relationships with Castle Creek or industry experience in the banking sector in which a particular Fund or Managed Account may be investing, also may invest or participate in or alongside the Funds and/or Managed Accounts. Some of these outside investors and industry experts are current and/or former executives of portfolio companies in which a Fund or a Managed Account may invest.

**C. Explain whether (and, if so, how) the firm tailors advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.**

The Company must tailor its advisory services to the limitations imposed by the organizational documents of the applicable Castle Creek Fund and the investment advisory agreement of the applicable Managed Account. In addition, certain Castle Creek Funds (x) are subject to investment restrictions provided for in such Fund’s organizational documents and/or (y) have a limited partner advisory committee that is composed of certain of such Fund’s investors and that may have purview over certain investments made by such Fund.

**D. If the firm participates in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how the firm manages wrap fee accounts and how it manages other accounts, and (2) explain that the firm receives a portion of the wrap fee for its services.**

The Company does not provide portfolio management services to wrap fee programs.

**E. If the firm manages client assets, disclose the amount of client assets it manages on a discretionary basis and the amount of client assets on a non-discretionary basis. Disclose the date “as of” which it calculated the amounts.**

As of December 31, 2014, the Company managed approximately \$792,344,000 in client assets over which it or an affiliate of the Company has full investment discretion (subject to the investment guidelines for the applicable Castle Creek Funds), and \$96,565,000 in client assets on a non-discretionary basis.

## **ITEM 5 - FEES AND COMPENSATION**

**A. & B. Describe how the firm is compensated for its advisory services. Provide the fee schedule. Disclose whether the fees are negotiable. Describe whether the firm deducts fees from clients' assets or bills client for fees incurred. Explain how often firm bills clients or deducts its fee.**

The Company and/or its affiliates receive management fees and/or carried interest or similar profit allocations from the Castle Creek Funds and the Managed Accounts. Castle Creek Funds may also indirectly incur or generate other fees payable to the Company and its affiliates, depending on the nature of their portfolio activities. The Company or its affiliates may, for example, earn fees and other compensation from prospective and actual portfolio companies, purchasers, sellers and other parties as compensation for services (collectively, "Other Fees"). These Other Fees can include structuring, break-up, directors', organizational, closing, advisory, and similar fees in connection with the purchase, monitoring, or disposition of underlying investments or from unconsummated transactions. The organizational documents of the relevant Castle Creek Fund (or the investment advisory agreement between the Company and such Castle Creek Fund) or the investment advisory agreement between the Company and the relevant Managed Account sets forth the fee structure relevant to such Castle Creek Fund or such Managed Account. In the case of Castle Creek Funds, to the extent provided in the applicable organizational documents or investment advisory agreements for such Funds, the Company's management fees in many cases are reduced by 100% of the Other Fees that are borne by such Fund.

For most Castle Creek Funds, the annual management fee typically ranges from one-half percent to two percent of third-party investors' committed capital during the relevant Castle Creek Fund's investment period, and afterward, the fee percentage is typically applied only to the amount of third-party capital remaining in investments that have not yet been exited. In some situations, a Castle Creek Fund pays management fees based on the cost basis of the investments held by such Castle Creek Fund during and after the investment period. For most Managed Accounts, the annual management fee typically ranges from one-half percent to one percent of the cost basis of the investments held by such Managed Account.

For Castle Creek Funds, management fees are generally paid by or on behalf of each such Fund by (i) requiring investors in such Fund to make capital contributions in respect of such fees, or (ii) withholding the amount of such fees from investment proceeds that would otherwise be distributable to the investors of such Fund. In addition, the Company often has the ability to cause a Fund to borrow money for the payment of such fees. For Managed Accounts, management fees are generally invoiced to the applicable Managed Account's owner quarterly.

Management fees are negotiable and, depending on the Castle Creek Fund or the Managed Account, may be paid in advance or in arrears. If management fees with respect to a Castle Creek Fund or a Managed Account are assessed in advance, they are generally required to be returned to the investors in such Castle Creek Fund or owner of such Managed Account should Castle Creek's management services to such Castle Creek Fund or such Managed Account be terminated prior to the end of the period in respect of which the fees have been paid (including, for example, situations where the final distribution from a Castle Creek Fund or the termination of an investment advisory agreement with a Managed Account occurs prior to the end of a period

for which management fees have already been paid). In general, the amount of such fees to be returned is calculated based on the number days remaining in the applicable period. Management fees payable by Castle Creek Funds and Managed Accounts generally are paid on a quarterly basis.

**C. Describe any other types of fees or expenses clients may pay in connection with firm's advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.**

#### Brokerage Expenses

Expenses paid to third parties in connection with the acquisition or disposition of investments are borne by the investors in the Castle Creek Funds or owners of the Managed Accounts. These expenses include brokerage commissions (direct or in the form of a spread), account fees, custodial expenses, other bank service fees and other investment costs, fees, and expenses incurred in connection with completed investments. These fees and expenses are also discussed in more detail in Item 12 – “Brokerage Practices”.

#### Organizational/Offering Expenses

Typically, legal, accounting, filing, travel, capital raising, and other expenses incurred in connection with organizing and establishing a Castle Creek Fund or a Managed Account are borne by the investors in such Castle Creek Fund or owner of such Managed Account. For Castle Creek Funds, such expenses often are capped in the organizational documents for such Castle Creek Funds.

#### Broken Deal Expenses

Investors in the Castle Creek Funds and owners of the Managed Accounts generally are required to bear out-of-pocket fees, costs, and expenses incurred in connection with developing, negotiating, and structuring deals that are not ultimately completed. Typically, these expenses include (i) legal, accounting, advisory, market research, consulting, or other third-party expenses in connection therewith and any related travel and accommodation expenses, although the Company and its affiliates may be required to bear travel and accommodation expenses, (ii) all fees (including commitment fees), costs, and expenses of lenders, investment banks and other financing sources, and (iii) any deposits or down payments of cash or other property which are forfeited in connection with a proposed portfolio investment.

#### Other Expenses

Investors in a Castle Creek Fund and owners of a Managed Account generally are required to pay all costs and expenses related to the operation of such Fund or such Managed Account. These costs and expenses can include fees, costs and expenses related to developing, negotiating, structuring, and disposing of portfolio investments, including without limitation any financing, legal, accounting, advisory, and consulting expenses in connection therewith; fees and expenses of tax advisors, legal counsel, auditors, consultants, administrators, and other professionals and service providers; expenses incurred in connection with complying with provisions in side letter



agreements, including “most favored nations” provisions; out of pocket fees, costs and expenses, if any, incurred in connection with legal and regulatory compliance with U.S. federal, state, local, non-U.S. or other law or regulation by such Fund or Managed Account (including, without limitation, reports to be filed with the U.S. Commodity Futures Trading Commission, reports, disclosures, filings and notifications prepared in accordance with the European Union Alternative Investment Fund Managers Directive, expenses relating to filings under the U.S. Securities Exchange Act of 1934, as amended, and any forms, schedules, filings, information or other documents prepared with respect to the Foreign Account Tax Compliance Act, in each case relating to such Fund’s or Managed Account’s activities); any insurance, indemnity, or litigation expense; interest on, and fees and expenses arising out of, borrowings made by such Castle Creek Fund or such Managed Account, including but not limited to, the arranging thereof; the out-of-pocket and legal and other advisory expenses of a limited partner advisory committee; the expenses of investor meetings, updates and reporting (which may include travel expenses); expenses of liquidating such Castle Creek Fund or terminating such Managed Account; and certain taxes and any fees or other governmental charges levied against such Castle Creek Fund or such Managed Account.

**D. If the firm’s clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.**

Management fees are negotiable and, depending on the Castle Creek Fund or the Managed Account, may be paid in advance or in arrears. If management fees with respect to a Castle Creek Fund or a Managed Account are assessed in advance, they are generally required to be returned to the investors in such Castle Creek Fund or owner of such Managed Account should Castle Creek’s management services to such Castle Creek Fund or such Managed Account be terminated prior to the end of the period in respect of which the fees have been paid (including, for example, situations where the final distribution from a Castle Creek Fund or the termination of an investment advisory agreement with a Managed Account occurs prior to the end of a period for which management fees have already been paid). In general, the amount of such fees to be returned is calculated based on the number days remaining in the applicable period.

**E. If the firm or any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact.**

The Company does not accept compensation for the sale of securities or other investment product.

#### **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

**If the firm or any of its supervised persons accepts performance-based fees, that is, fees based on a share of capital gains on or capital appreciation of the assets of a client, disclose this fact. If the firm or any of its supervised persons manages both accounts that are**

**charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or asset-based fee, disclose this fact.**

In addition to the management fee paid to the Company, the General Partner of a Castle Creek Fund or the Company with respect to a Managed Account may receive a performance-based fee or carried interest that is calculated as a share of the profits for such Fund or such Managed Account, respectively, based as a percentage of such profits, which may vary from Fund to Fund or Managed Account to Managed Account. The terms of the manner of calculation and application of management fees and carried interest profit allocations or other performance-based fees, as applicable, with respect to the Company, the affiliated General Partner or other affiliates are set forth in the organizational documents of the relevant Fund or the investment advisory agreement between the Company and the relevant Managed Account. In addition, known or reasonably anticipated conflicts of interest involving the Company (or its affiliates) with respect to carried interest profit allocations or other performance-based fees are disclosed in the offering documents of the applicable Fund or Managed Account, if any. Investors in the Castle Creek Funds and owners of Managed Accounts are strongly encouraged to actively review the offering documents of such Funds, if any, prior to undertaking an investment.

While the Company may act as the investment adviser to more than one Castle Creek Fund with similar investment objectives at the same time, other than in cases of customized “fund of one” Castle Creek Funds, typically the earlier Castle Creek Fund is in its realization or wind down phase when a subsequent Castle Creek Fund completes its initial close. Other than in cases of customized “fund of one” Castle Creek Funds, the organizational documents are typically drafted to limit the side-by-side management conflicts that can occur by stipulating that none of the Company, the General Partner of the applicable Castle Creek Fund nor any of their respective related parties can close any other limited partnership or pooled investment vehicle (i.e., a subsequent Castle Creek Fund) in which any of the foregoing acts as the general partner or investment manager until a certain level (usually 75% or greater) of the committed capital to such Fund is invested or until the end of the investment period of such Fund.

The existence of performance fees or carried interest allocations may create an incentive for the Company and/or its affiliates to make more speculative investments on behalf of a Castle Creek Fund or a Managed Account than it would otherwise make in the absence of such performance-based arrangement. If there should ever be an instance in which more than one Castle Creek Fund or Managed Account has the ability to participate in an investment opportunity, there could be incentives in allocating riskier investment opportunities to favor Castle Creek Funds or Managed Accounts with higher potential performance fees or carried interest allocations over Castle Creek Funds or Managed Accounts with lower potential performance fees or carried interest allocations. Each Castle Creek Fund and Managed Account has its own investment guidelines and organizational documents and/or investment advisory agreement that must be taken into account when making investment allocation determinations. Final allocation decisions are under the purview of the Principals, which is charged with allocating investment opportunities in compliance with the Company’s fair allocation policies.

## **ITEM 7 - TYPES OF CLIENTS**

**Describe the types of clients to whom the firm generally provide investment advice, such as individuals, trusts, investment companies or pension plans. If the firm has any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.**

Castle Creek Funds are pooled investment vehicles or investment funds with entities affiliated with the Company acting as the general partners of such Castle Creek Funds. The Company and its affiliates require that each third-party investor in a Castle Creek Fund be an “accredited investor” as defined in Regulation D under the Securities Act and a “qualified purchaser” as defined in the 1940 Act. The Managed Accounts are non-discretionary managed accounts for which the Company acts as investment adviser. The Company requires the owner of a Managed Account to be a “qualified client” as defined in the Advisers Act.

Other than customized “fund of one” Castle Creek Funds, typically a minimum investment amount is imposed on third parties investing in a Castle Creek Fund. This minimum investment often is set at \$10 million, but can be subject to a reduction upon prior agreement with the Company or an affiliate (subject to applicable legal requirements). A minimum investment amount can also be established pursuant to the laws of the jurisdiction in which the investment vehicle was established.

## **ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets.**

Castle Creek’s investment strategy has been developed over the past two decades in combination with 65 direct and follow-on bank acquisitions. The process has four steps: screening, investment, operational execution and exit.

#### **SCREENING**

Castle Creek primarily seeks bank investments, be they distressed or healthy, operating in regions of the U.S. that are characterized by favorable demographics (e.g., above average population and economic growth) and/or fragmentation (e.g., top 5 banks in the market have less than 65% combined deposit market share). Castle Creek believes that fragmentation provides significant opportunity for potential acquisitions once a “platform” investment has been completed in an established market. Many of the past investments by Castle Creek were underperforming at the point of investment or simply lacked the critical mass necessary to offer comprehensive banking services. Castle Creek believed these banks were undervalued relative to the ultimate realizable value of their banking franchise.

With regards to distressed bank opportunities, investment value is generated from risk stabilization and execution of an operating strategy focused less on asset growth and acquisitions and more on profitability, risk/capital management and cost reductions. While attractive market characteristics are preferable, Castle Creek has, on occasion, pursued distressed investments with a strong franchise value and quantifiable risk in markets where the demographic and fragmentation characteristics were less attractive.

The Company believes that Castle Creek's reputation in the banking community and proactive approach to deal sourcing has created significant deal flow. Castle Creek uses its own proprietary financial model to help identify attractive targets, which a Principal then contacts directly. The Company's Principals have also developed extensive contacts with investment banks, lawyers, consultants and other intermediaries, as well as public money managers who specialize in financial services.

## INVESTMENT

Typically, a preliminary plan for a targeted bank is developed and discussed with the bank's management and board members, followed, as appropriate, by extensive due diligence.

A Principal is assigned to lead the deal team based on past experience, geography and/or chemistry with existing management. Castle Creek has developed a proprietary banking model to analyze the strengths and weaknesses of a potential investment. Castle Creek also utilizes the previously discussed relationships with intermediaries to help assess the financial condition of the bank and the ability of Castle Creek to implement its cost reduction and operational improvements.

Upon completing due diligence, a comprehensive written presentation is compiled, reviewed, and discussed among the Principals and other investment professionals. Maintaining pricing and valuation discipline increases the likelihood that Castle Creek is able to generate desired returns while maintaining an appropriate margin of safety. Investment decisions must be approved by a majority of the Principals, including Mr. Eggemeyer. Historically, all investment decisions have been unanimously approved.

## OPERATIONAL EXECUTION

Castle Creek's experience as bankers and private equity investors allows for a rapid assessment of the management team and board of directors to identify areas that Castle Creek believes need to be supplemented with Castle Creek's knowledge and experience. Castle Creek simultaneously works in concert with the board of directors to provide insight regarding the alignment of management and shareholder interests. Incentive programs are assessed to increase the likelihood that such programs support desired results and corporate governance and controls are reviewed and improved as necessary. Castle Creek works within the bank regulatory framework to support management and help provide input related to realistic performance goals which are regularly benchmarked against peer banks. As part of monitoring portfolio companies, Castle Creek emphasizes teamwork and clear, open communication.

## EXITS AND REALIZATIONS

The ultimate purpose of the Castle Creek strategy is to work in concert with the board of directors and senior management to build banks with solid franchises, stable and growing earnings bases and conservative balance sheets that are highly profitable as independent community banks and that are also attractive to potential strategic acquirers. The Principals then provide input as needed to help effect a timely investment exit through an outright sale or IPO.

## TARP INVESTMENTS

As part of the U.S. Department of the Treasury's (the "Treasury") ongoing efforts to explore options for the management and ultimate recovery of its remaining investments under the Troubled Asset Relief Program ("TARP"), the Treasury has held a series of auctions to exit many of its TARP investments. Castle Creek believes that the Treasury's auctions exhibit pricing inefficiencies based on numerous factors, and Castle Creek attempts to take advantage of such inefficiencies. Certain customized "fund of one" Castle Creek Funds and Managed Accounts have been formed to participate in such auctions.

**B. For each significant investment strategy or method of analysis the firm uses, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss the risks in detail. If the firm's primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.**

An investment in a Castle Creek Fund or participating in a Managed Account involves a significant degree of risk. There can be no assurance that such Fund's or such Managed Account's investment objectives will be achieved or that there will be any return of or on capital. In addition, potential investors should be aware that there might be occasions when the Company and its affiliates could encounter potential conflicts of interest in connection with such Castle Creek Fund or such Managed Account. Prospective investors should carefully consider the following risk factors before investing in a Fund or participating in a Managed Account. The following risk factors do not purport to be a complete or exhaustive explanation of the risks involved with respect to a Castle Creek Fund or a Managed Account.

### NO ASSURANCE OF INVESTMENT RETURN

There can be no assurance that a Castle Creek Fund or a Managed Account will be able to choose, make and realize portfolio investments in any particular company or portfolio of companies. In addition, the success of a Fund or a Managed Account may be affected by economic and other factors beyond the control of the Company and its affiliates. There is no assurance that a Fund or a Managed Account will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein. There can be no assurance that expected returns for a Fund or a Managed Account will be achieved, or that an investor or an owner will receive a return of its capital. An investment in a Fund or participation in a Managed Account is suitable only for investors or owners able to sustain a complete loss of their investment.

### INVESTMENTS IN WHICH ANOTHER CASTLE CREEK FUND OR MANAGED ACCOUNT HAS A DIFFERENT PRINCIPAL INVESTMENT

A Castle Creek Fund or a Managed Account may invest in companies or other entities in which another Castle Creek Fund or Managed Account has or is concurrently making a different principal investment (e.g., an equity and a debt investment). Castle Creek may have conflicting loyalties between its duties to such Castle Creek Funds or such Managed Accounts.

## LEVERAGED NATURE OF INVESTMENTS

A Fund's or a Managed Account's portfolio companies will, as is customary for financial services firms, use leverage, which will increase the exposure to adverse economic factors such as rising interest rates, downturns in the economy or deterioration in the condition of a portfolio company or its industry (as well as particular risks associated with investing in the industries targeted by a Fund or a Managed Account). Moreover, rising interest rates may significantly increase portfolio companies' interest expense, causing losses and/or the inability to service debt levels. In the event that a portfolio company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of a Fund's or a Managed Account's investment in such company could be significantly impaired or even eliminated.

## RELIANCE ON THE COMPANY

Decisions with respect to the management of a Castle Creek Fund will be made by the Company and its affiliates (including the relevant General Partner) and investment advice with respect to a Managed Account will be made by the Company. As such, the Castle Creek Funds and the Managed Accounts will be wholly dependent for the identification, negotiation, acquisition, management, and disposition of investments on the diligence and skill of the Principals and other professional employees of the Company and its affiliates. For Castle Creek Funds other than customized "fund of one" Castle Creek Funds, the Company and its affiliates will have exclusive responsibility for each such Castle Creek Fund's activities, and other than as expressly set forth in the organizational documents of such Castle Creek Fund (or the investment advisory agreement between the Company and such Castle Creek Fund), investors will not participate in making investment or other decisions in the management of such Fund. In addition, for such Fund, the investors will also not have the opportunity to evaluate the relevant economic, financial, and other information that will be utilized by the Company and its affiliates in the selection of investments, nor to receive the detailed financial information issued by portfolio companies that is available to the Company and its affiliates.

The success of a Castle Creek Fund or a Managed Account will depend on the ability of the Company and its affiliates to identify suitable investments for such Fund or such Managed Account (and, in the case of a Castle Creek Fund, to consummate and to dispose of investments for a profit). There can be no assurance that all of the Principals will continue to be associated with the Company or its affiliates throughout its term. The loss of the services of John Eggemeyer, in particular, could have a material adverse effect on a Fund's or a Managed Account's business and prospects.

## ILLIQUID AND LONG-TERM INVESTMENTS

Investment in a Castle Creek Fund or participation in a Managed Account requires a long-term commitment with no certainty of return. There most likely will be little or no near-term cash flow available to the investors or owners, respectively. Many of the portfolio investments will be highly illiquid and there can be no assurance that such Fund or such Managed Account will be able to realize returns on such portfolio investments in a timely manner. Consequently, dispositions of such portfolio investments may require a lengthy time period or may result in distributions in kind to the investors or owners, respectively. While a portfolio investment may be sold at any time, it is not generally expected that this will occur for a number of years after the portfolio investment is made. Castle Creek Funds and Managed Accounts will generally acquire

securities that cannot be sold except pursuant to a registration statement filed under the Securities Act, or in a private placement or other transaction exempt from registration under the Securities Act. In some cases, a Castle Creek Fund or a Managed Account may be prohibited by contract from selling certain securities for a period of time. Even where a Fund or a Managed Account holds freely tradable publicly traded securities, such Fund's or such Managed Account's position may represent a significant portion of the outstanding public float of a particular company, creating a degree of illiquidity when such Fund or such Managed Account wishes to dispose of or reduce its position in such company by selling shares into the market.

## HIGHLY COMPETITIVE MARKET FOR INVESTMENTS

The business of identifying, negotiating, acquiring, monitoring, managing, and selling financial services companies is highly competitive, and involves a high degree of uncertainty. It is expected that the Castle Creek Funds and the Managed Accounts will encounter competition from other persons and entities with similar investment objectives. These competitors are likely to include banks, other investment partnerships and corporations, large financial companies investing directly or through affiliates, foreign investors of various types and individuals. Further, over the past several years, an ever-increasing number of private equity funds and managed accounts have been formed (and many existing funds have grown in size). Additional funds or managed accounts with similar investment objectives may be formed in the future by other unrelated parties. Some of these competitors may have more relevant experience, greater financial resources, and more personnel than the Company, the General Partners, the Castle Creek Funds, the Managed Accounts, and their affiliates. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to a Fund or a Managed Account and adversely affecting the terms upon which portfolio investments can be made. There can be no assurance that a Castle Creek Fund or a Managed Account will be able to locate or consummate suitable investment opportunities, acquire them at appropriate prices, achieve its objective of capital appreciation, or fully invest its committed capital. To the extent that a Fund or a Managed Account encounters competition for investments, returns to investors or owners may decrease.

## RISK OF LIMITED NUMBER OF INVESTMENTS/INDUSTRY CONCENTRATION

The Castle Creek Funds and Managed Accounts intend only to participate in a limited number of portfolio investments and certain of these portfolio investments may require equity investments that are larger than were required in Castle Creek's historical transactions. As a consequence, the aggregate return of a Fund or a Managed Account may be substantially adversely affected by the unfavorable performance of even a single portfolio investment. Investors have no assurance as to the degree of diversification of a Fund's or a Managed Account's portfolio investments, either by geographic region, asset type, or sector. In addition, for Castle Creek Funds other than customized "fund of one" Castle Creek Funds, generally up to 25% of the aggregate amount of capital commitments may be invested in any one portfolio investment at any one time.

To the extent a Castle Creek Fund or a Managed Account concentrates investments in a particular issuer, industry, security or geographic region, its investments will become more susceptible to fluctuations in value resulting from adverse economic to business conditions with respect thereto. Furthermore, if a Fund or a Managed Account co-invests with other private equity funds or managed accounts, an investor that participates in both such Fund or such Managed Account and such other private equity funds or managed accounts may have exposure

to portfolio investments through more than one fund and/or managed account. In circumstances where the Company or its affiliates intends to refinance all or a portion of the capital invested in a transaction, there will be a risk that such refinancing may not be completed, which could lead to increased risk as a result of a Fund or a Managed Account having an unintended long-term investment as to a portion of the amount invested and/or reduced diversification. Although it is the intention of the Company and its affiliates generally to diversify a Fund's or a Managed Account's portfolio, the inability of the Company and/or its affiliates to satisfactorily achieve this objective could adversely affect the performance of such Fund or such Managed Account. In addition, the Company and its affiliates intend to concentrate Fund and Managed Account investments in the banking sector, and as such, a Castle Creek Fund or a Managed Account could be adversely affected if the business conditions underlying such sector were to deteriorate or the regulatory regime governing such sector were to change.

## RISKS IN EFFECTING OPERATING IMPROVEMENTS

In some cases, the success of a Castle Creek Fund's or a Managed Account's investment strategy will depend, in part, on the ability of such Fund or Managed Account to restructure and effect improvements in the operations of a portfolio company. The activity of identifying and implementing operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that a Fund or a Managed Account will be able to successfully identify and implement such improvements.

## RELIANCE ON MANAGEMENT

Although it is the intent of the Company that the Castle Creek Funds and the Managed Accounts invest in companies with strong and stable management, there can be no assurance that the existing management team of a portfolio company, or a new one, will be able to operate such company successfully. Furthermore, although the Company and its affiliates will monitor the performance of each portfolio company, company management will have primary responsibility for operating the business on a day-to-day basis.

## NON-U.S. INVESTMENTS

Generally, a Castle Creek Fund or a Managed Account may invest a portion of such Fund's or such Managed Account's capital outside of the United States. Non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to: (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which a Fund's or a Managed Account's foreign investments are denominated, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities markets, including potential price volatility in and relative liquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (iii) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation; (iv) foreign statutory and regulatory requirements; (v) the possible imposition of foreign taxes on income and gains recognized with respect to such securities; and (vi) less developed corporate laws regarding fiduciary duties and the protection of investors.



## MINORITY POSITIONS IN PORTFOLIO COMPANIES

As part of its overall investment strategy, a Castle Creek Fund or a Managed Account expects to hold a minority position in one or more portfolio companies, and as such it may not be able to exercise control over such companies. In such cases, a Castle Creek Fund or a Managed Account will be significantly reliant on the existing management and board of directors of such companies, which may include representatives of other investors with whom such Fund or such Managed Account is not affiliated and whose interests may conflict with the interests of such Fund or such Managed Account.

## PUBLIC COMPANY HOLDINGS

A Castle Creek Fund's or a Managed Account's investment portfolio may contain securities issued by publicly held companies. Such investments may subject such Fund or such Managed Account to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of a Fund or a Managed Account to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, and increased costs associated with each of the aforementioned risks.

## TROUBLED COMPANIES

A Castle Creek Fund or a Managed Account may invest in portfolio companies that are in various stages of correcting previous operational or regulatory problems. Some or all of these companies may operate at a loss or with substantial variation in operating profits and losses from period to period, and may have a need for substantial additional capital to support expansion or to achieve or maintain a stable operating position. If turnarounds are not achieved, these portfolio companies could experience failures or substantial declines in value, and such Fund or such Managed Account may not be able to divest itself of such unprofitable investments in a timely fashion or at all. Additionally, turnarounds may not be achieved within the contemplated investment horizons.

## GENERAL ECONOMIC AND MARKET CONDITIONS

The success of a Castle Creek Fund's or a Managed Account's investment activities will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and national and international political, environmental, and socioeconomic circumstances. A Castle Creek Fund's or a Managed Account's financial condition may be adversely affected by a significant general economic downturn and it may be subject to legal, regulatory, reputational, and other unforeseen risks that could have a material adverse effect on such Fund's or such Managed Account's business and operations and thereby could impact such Fund or such Managed Account. Moreover, a sustained downturn in the U.S. or global economy (or any particular segment thereof) could adversely affect a Castle Creek Fund's or a Managed Account's profitability, impede the ability of a Castle Creek Fund's or a Managed Account's portfolio companies to perform under or refinance their existing obligations, and impair a Castle Creek Fund's or a Managed Account's ability to effectively exit its investments on favorable terms. Any of the foregoing events could result in substantial or total losses to a Castle Creek

Fund or a Managed Account in respect of certain investments, which losses will likely be exacerbated by the presence of leverage in a portfolio company's capital structure.

## FINANCIAL MARKET FLUCTUATIONS

General fluctuations in the market prices of securities may affect the value of the portfolio investments held by a Castle Creek Fund or a Managed Account and may reduce the availability of attractive investment opportunities for a Castle Creek Fund or a Managed Account. Instability in the securities markets may also increase the risks inherent in a Castle Creek Fund's or a Managed Account's portfolio investments. The ability of portfolio companies to refinance debt securities may depend on their ability to sell new securities in the public high-yield debt market or otherwise. Moreover, to the extent that such marketplace events occur, they may have an adverse impact on the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies. Such an economic downturn could adversely affect the financial resources of corporate borrowers in which a Castle Creek Fund or a Managed Account has invested and result in the inability of such borrowers to make principal and interest payments on outstanding debt when due. In the event of such defaults, a Castle Creek Fund or a Managed Account may suffer a partial or total loss of capital invested in such companies, which could, in turn, have an adverse effect on such Fund's or such Managed Account's returns. Such marketplace events also may restrict the ability of a Castle Creek Fund or a Managed Account to sell or liquidate investments at favorable times or for favorable prices and may negatively impact potential buyers of a Castle Creek Fund's or a Managed Account's portfolio investments. Additionally, a Castle Creek Fund or a Managed Account may be required to pay break-up, termination or other fees or expenses even if such Fund or such Managed Account is willing to close on an investment if it is ultimately unable to close on such investment due to a lender's unwillingness to provide previously committed financing.

## INVESTMENTS WITH THIRD PARTIES

A Castle Creek Fund or a Managed Account may co-invest with third parties, thereby acquiring non-controlling interests in certain portfolio companies. A Fund or a Managed Account may not have control over these companies and, therefore, may have a limited ability to protect its position therein. Such portfolio investments may involve risks not present in portfolio investments where a third party is not involved, including the possibility that a third party partner or co-investor may have financial difficulties resulting in a negative impact on such portfolio investment, may have economic or business interests or goals which are inconsistent with those of a Fund or a Managed Account, or may be in a position to take action contrary to a Fund's or a Managed Account's investment objectives. In addition, a Fund or a Managed Account may in certain circumstances be liable for the actions of its third party partners or co-investors.

## HEDGING POLICIES/RISKS

In connection with the financing of certain portfolio investments, a Castle Creek Fund or a Managed Account may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices and currency exchange rates. While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while a Fund or a Managed Account may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, or currency exchange rates

may result in a poorer overall performance for such Fund or such Managed Account than if it had not entered into such hedging transactions.

## INVESTMENTS LONGER THAN TERM

A Castle Creek Fund or a Managed Account may make investments which may not be advantageously disposed of prior to the date that such Fund will be dissolved or the investment advisory agreement for such Managed Account will be terminated, either by expiration of its term or otherwise. Although the Company expects that investments will be disposed of prior to dissolution or termination, as the case may be, or be suitable for in-kind distribution at dissolution or termination, such Fund or such Managed Account may have to sell, distribute, or otherwise dispose of investments at a disadvantageous time as a result of dissolution or termination.

## RISKS FROM THE PROVISION OF MANAGERIAL ASSISTANCE

The Company and its affiliates intends to use reasonable best efforts to avoid having the assets of a Castle Creek Fund or a Managed Account constitute “plan assets” of any plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), and may, in this regard, elect to operate a Castle Creek Fund as a “venture capital operating company” (“VCOC”) within the meaning of regulations promulgated under ERISA. Operating a Castle Creek Fund as a VCOC would require that such Fund obtain rights to substantially participate in or influence the conduct of the management of a number of such Fund’s portfolio companies. It is expected that a Castle Creek Fund will typically designate a director to serve on the board of directors of each portfolio company as to which it obtains such rights. The designation of directors and other measures contemplated could expose the assets of such Fund to claims by a portfolio company, its security holders and its creditors. While the Company and its affiliates intend to minimize exposure to these risks, the possibility of successful claims cannot be precluded.

**C. If the firm recommends primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.**

## FINANCIAL SERVICES INDUSTRY RISK FACTORS

Financial services institutions have asset and liability structures that are essentially monetary in nature and are directly affected by many factors, including domestic and international economic and political conditions, broad trends in business and finance, legislation, and regulation affecting the national and international business and financial communities, monetary and fiscal policies, interest rates, inflation, currency values, market conditions, the availability and cost of short-term or long-term funding and capital, the credit capacity or perceived creditworthiness of customers and counterparties, and the level and volatility of trading markets. Such factors can impact customers and counterparties of financial services institutions and may impact the value of financial instruments held by financial services institutions. Fluctuations in interest rates, which affect the value of assets and the cost of funding liabilities, are not predictable or

controllable, may vary from country to country and may impact economic activity in various regions.

The profitability of the financial services industry may be adversely affected by a worsening of general economic conditions in domestic and international markets and by monetary, fiscal, or other policies that are adopted by various governmental authorities and international bodies. Monetary policies have had, and will continue to have, significant effects on the operations and results of financial services institutions. There can be no assurance that a particular financial services institution will not experience a material adverse effect on its net interest income in a changing interest rate environment. Factors such as the liquidity of the global financial markets, the level and volatility of prices of financial instruments, investor sentiment, and the availability and cost of credit may significantly affect the activity levels of customers with respect to size, number, and timing of transactions. A change in all or any of these factors would likely lead to a decline in the volume of transactions that financial services institutions execute for their customers and thus lead to a decline in revenues from fees, commissions, and spreads. See “Financial Market Fluctuations” in Item 8.B. above.

The financial services industry is extremely competitive, and it is expected that competitive conditions in the industry will continue to intensify. Merger activity in the financial services industry has resulted in, and is expected to continue to result in, larger institutions with greater financial and other resources that are capable of offering a wider array of financial products and services. The financial services industry has become considerably more concentrated as numerous financial institutions have been acquired by or merged into other institutions. Technological advances and the growth of e-commerce have made it possible for non-financial institutions to offer products and services that have been traditionally offered by financial services institutions. It is expected that cross-industry competition will continue to intensify.

The financial services industry is highly dependent on communications and information systems and is exposed to many types of operating risk, including the risk of fraud by employees or other parties, record keeping error, errors resulting from faulty computer or telecommunications systems, computer failures, and damage to computer and telecommunications systems caused by internal or external events.

Each prospective investor and owner is strongly urged to consult its own legal advisers with respect to the consequences under applicable regulatory regimes regarding banks and other financial institutions and investors therein of the purchase and ownership of interests in a Fund or of participation in a Managed Account.

## **CERTAIN BANK AND FINANCIAL SERVICES REGULATORY CONSIDERATIONS**

Financial services companies operate in a highly regulated environment and are subject to extensive legal and regulatory restrictions and limitations and to supervision, examination and enforcement by regulatory authorities. Various agencies and departments of the U.S. government and state governments regulate the banking and financial services sector in the United States. Outside of the United States, this sector may be regulated by various non-U.S. governmental bodies and institutions. New and existing regulations and burdens of regulatory compliance may have a material adverse effect on portfolio companies that operate in these industries. Failure to comply with any of these laws, rules, or regulations, some of which are subject to interpretation and may be subject to change, could result in a variety of adverse

consequences, including civil penalties, fines, suspension, or expulsion, and termination of deposit insurance, which may have material adverse effects. In order to comply with banking laws, rules, and regulations, a Fund or a Managed Account may be required to invest in a manner that may not be as advantageous as the manner of making investments that are not subject to such laws, rules, and regulations.

## INTEREST RATE RISK

It is anticipated that the Castle Creek Funds and the Managed Accounts will invest principally in the securities of depository banks. The income of such institutions is principally dependent upon net interest income, i.e., the difference between net income earned on loans and investments and the interest expense paid on deposits and other borrowings. The U.S. banking sector is affected by the monetary policies of the Federal Reserve Board, which regulates the national money supply in order to mitigate recessionary and inflationary pressures. Some of the techniques of monetary policy available to the Federal Reserve Board are engaging in open market operations in United States government securities, setting the discount rate on member bank borrowings, targeting the overnight federal funds rate, and determining reserve requirements. These techniques are used in varying combinations to influence overall growth and distribution of bank loans, investments, and deposits, and their use may also affect interest rates charged on loans or paid on deposits. The monetary policies of the Federal Reserve Board have had a significant effect on the operating results of depository banks in the past and are expected to continue to do so. The effect, if any, of such policies on the future business and earnings of a Castle Creek Fund's or a Managed Account's portfolio companies cannot be accurately predicted.

## **ITEM 9 - DISCIPLINARY INFORMATION**

**If there are legal or disciplinary events that are material to a client's or prospective client's evaluation of the firm's advisory business or the integrity of the firm's management, disclose all material facts regarding those events.**

During the period from in or about March 2004 and July 2004, Castle Creek Financial ("CCF"), a broker-dealer related to the Company, participated in the private placement offering of stock of Centennial C Corp ("Centennial") to raise funds for the acquisition of Centennial Bank Holdings, Inc. ("CBH"). The private placement memorandum provided that the offering was contingent upon receiving subscription agreements for a minimum of \$165 million. Between July 12, 2004 and July 15, 2004, investors provided \$185 million in payments for their interests in Centennial. Investor funds were deposited into Centennial Bank of the West, a subsidiary of CBH, in an account designated as "Centennial Bank Holdings, Inc. Bank Sale Proceeds." In so doing, CCF failed to establish an escrow account. CCF was fined \$10,000 and censured by NASD in May, 2005.

In June 2014, certain former directors, officers and employees of First Chicago Bank & Trust ("First Chicago"), including J. Mikesell Thomas, settled claims by the Federal Deposit Insurance Corporation (the "FDIC") against such individuals, without admission of any liability on the part of such individuals, arising from their duties as directors, officers and employees of First Chicago. The claims related to First Chicago's closure on July 8, 2011 by the Illinois Department of Financial and Professional Regulation, where the FDIC was named receiver.

## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

**A. If the firm or any of its management person are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.**

Neither the Company nor any of its management persons is registered or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

**B. If the firm or any of its management persons are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.**

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

**C. Describe any relationship or arrangement that is material to the firm's advisory business or to your clients that the firm or any of its management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.**

The employees of the Company and its affiliates may serve on the boards of directors of portfolio companies of Castle Creek Funds or Managed Accounts. Serving in such capacity may give rise to conflicts to the extent that an employee's fiduciary duties to a portfolio company as a director may conflict with the interests of the applicable Castle Creek Fund or Managed Account.

Because the Company acts as an investment adviser to multiple Castle Creek Funds and Managed Accounts, it may face a number of potential conflicts of interest, including (i) allocation of investment opportunities among the Castle Creek Funds and/or the Managed Accounts, (ii) Castle Creek Funds or Managed Accounts making investments in portfolio companies in which other Castle Creek Funds or Managed Accounts have a different principal investment, and (iii) allocation of time of Company personnel among the business affairs of the Castle Creek Funds the Managed Accounts.

Investment opportunity allocation decisions are under the purview of the Principals, which is charged with allocating investment opportunities in compliance with the Company's fair allocation policies as further described in Item 11. In addition, the Company and/or its affiliates are bound by fiduciary duties with respect to the Castle Creek Funds and the Managed Accounts under Delaware law (as general partner of the Castle Creek Funds) and under the Advisers Act, which generally impose an obligation to act in the interest of clients, act in good faith and disclose conflicts of interest.

Because the Company's investment strategy is focused on the financial services industry, the Castle Creek Funds and/or Managed Accounts have portfolio investments in various types of financial institutions, including but not limited to retail, commercial and investment banks and thrifts. Some of these investments may be deemed "control" investments. As a result, certain conflicts of interest with the Fund may arise; for example, as described in Item 11, investment opportunities that may be appropriate for the Castle Creek Funds and/or Managed Accounts may be allocated in whole or in part to such entities. However, the Company does not believe such conflicts of interest to be material.

**D. If firm recommends or selects other investment advisers for its clients and receives compensation directly or indirectly from those advisers that creates a material conflict of interest, or if the firm has other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.**

Castle Creek does not recommend or select other investment advisers for the Castle Creek Funds and the Managed Accounts.

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

**A. If the firm is an SEC-registered advisor, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any client or prospective client upon request.**

The Company has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the Company. In addition, the Code of Ethics governs personal trading by each employee of the Company and is intended to ensure that securities transactions effected by all employees of the Company are conducted in a manner that avoids any conflict of interest between such persons and clients of the Company or its affiliates. The Company collects, monitors, and maintains records of securities holdings and securities transactions effected by its employees. These records are regularly reviewed to ensure compliance and to resolve any potential conflicts of interest.

The Company maintains a Code of Ethics and it is available to clients, investors, prospective clients, and prospective investors and owners upon request or by writing to Castle Creek Advisors IV LLC, PO Box 1329, Rancho Santa Fe, CA 92067.

**B. If firm or its related persons recommends to clients, or buys or sells for client accounts, securities in which the firm or a related person has a material financial interest, describe the firm's practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

The organizational documents of many Castle Creek Funds prohibit such Castle Creek Funds from buying or selling securities of issuers in which the Company or a related person has a material financial interest without limited partner advisory committee consent.

**C. If the firm or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that the firm or a related person recommends to clients, describe the firm's practice and discuss the conflicts of interest this presents and generally how the firm addresses the conflicts that arise in connection with personal trading.**

The Company maintains a restricted list that is disseminated to its employees on a weekly basis and monitors the employee brokerage statements to resolve conflicts of interest, which may include reversing a conflicting trade and returning any profits.

The organizational documents of many Castle Creek Funds prohibit Castle Creek personnel from investing directly in the same securities as a Castle Creek Fund. Generally, Castle Creek personnel invest in such securities through the applicable General Partner's investment as an investor of the applicable Fund.

**D. If the firm or related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that the firm or related person buys or sells the same securities for your own account, describe the firm's practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

The Company maintains a restricted list that is disseminated to its employees on a weekly basis and monitors the employee brokerage statements to resolve conflicts of interest, which may include reversing a conflicting trade and returning any profits.

### **Other Potential Conflicts of Interest**

**Allocation of Investment Opportunities.** The Company may, from time to time, be presented with investment opportunities that fall within the investment objectives of more than one Castle Creek Fund or Managed Account, and in such circumstances, subject to the terms of the applicable governing documents, the Company will allocate such opportunities among such Castle Creek Funds and/or Managed Accounts on a basis that the Company reasonably determines in good faith to be fair and reasonable taking into account the sourcing of the transaction, the nature of the investment focus of each such Castle Creek Fund and/or Managed Account, the relative amounts of capital available for investment, the nature and extent of involvement in the transaction on the part of the respective teams of investment professionals for each such Castle Creek Fund and/or Managed Account, and other considerations deemed relevant by the Company in good faith.

**Side Letters.** The General Partner of a Castle Creek Fund may enter into side letters or other similar agreements with certain investors in connection with their admission to such Castle Creek Fund without the approval of any other investor. Such side letters or other similar agreements may alter and/or supplement the terms of such Castle Creek Fund's governing documents in a manner that makes the terms applicable to such investors more favorable than those applicable to other investors. Such rights or terms in any such side letter may include,



without limitation, (i) excuse rights applicable to particular investments; (ii) reporting obligations of the applicable General Partner; (iii) waiver of certain confidentiality obligations; (iv) consent of the applicable General Partner to certain transfers by such investor; (v) special rights with respect to co-investment; (vi) rights or terms necessary in light of particular legal, public policy or regulatory characteristics of an investor; (vii) additional obligations and restrictions of the General Partner and of such Castle Creek Fund with respect to the structuring of any particular Investment in light of the legal, tax and regulatory considerations of particular investors and (viii) agreements to assist with applicable tax filings.

**Resolution of Conflicts of Interest** In the case of all conflicts of interest which are not managed pursuant to a contractual obligation, policy or procedure, the Company's determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Company's best judgment, but in its sole discretion. In resolving conflicts, the Company considers various factors, including the interests of the applicable Castle Creek Funds or Managed Accounts with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth in the governing documents of the Castle Creek Funds and Managed Accounts. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- A Castle Creek Fund or Managed Account will not make an investment unless the Company believes that such investment is an appropriate investment considered solely from the viewpoint of such Castle Creek Fund or Managed Account;
- Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the relevant offering and/or governing documents for the Castle Creek Funds and Managed Accounts;
- Generally, each Castle Creek Fund has established an advisory committee, consisting of representatives of investors not affiliated with the Company. The advisory committees meet as required to consult with the Company as to certain material potential conflicts of interest. Where conflicts of interest are not presented to the advisory committee, the Adviser will be guided by its good faith discretion;
- Prior to subscribing for interests in a Castle Creek Fund or Managed Account, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of such Castle Creek Fund or Managed Account; and
- The Company will seek to treat its clients fairly and equitably.

## **ITEM 12 - BROKERAGE PRACTICES**

**A. Describe the factors the firm considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g. commissions).**

The Company has discretion to select broker-dealers for the Castle Creek Funds and the Managed Accounts and must do so in accordance with the organization documents of the Castle Creek Funds and the investment advisory agreements of the Managed Accounts, respectively. The Company will seek to obtain best prices and executions for the Castle Creek Funds and the Managed Accounts and will choose broker-dealers based on criteria such as their experience,

their ability to handle the orders to the best advantage of the applicable Castle Creek Fund or Managed Account, the nature of the investments to be bought or sold, and the overall price of the order. The Company is not compensated with respect to making such selections.

### **1.a.-f. Research and Other Soft Dollar Benefits**

**If the firm receives research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions (“soft dollar benefits”), disclose the firm’s practices and discuss the conflicts of interest they create.**

Historically, the Company has used several major broker-dealers to effectuate securities transactions on behalf of the Castle Creek Funds and the Managed Accounts, and it intends to continue the practice with regards to future Funds and Managed Accounts. The Company may choose other broker-dealers for the purchase of bank securities when it is more advantageous for a Castle Creek Fund or a Managed Account to do so. The Company receives a broad array of research from several broker-dealers, a number of which may or may not provide other services or conduct securities transactions for a Fund or a Managed Account. The research the Company receives is that which a broker-dealer provides to any of its institutional clients and the Company does not “pay up” for such research. However, investments by a Castle Creek Fund or a Managed Account in a portfolio company are not dependent upon securities coverage, and often times, such portfolio company investments are negotiated directly with the issuer and dependent upon execution by a broker-dealer.

### **2. Brokerage for Client Referrals.**

**If the firm considers, in selecting or recommending broker-dealers, whether the firm or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.**

The Company does not receive client referrals from any broker-dealer or third party as a result of the Company selecting that broker-dealer for its Castle Creek Funds or Managed Accounts.

### **3.a. Directed Brokerage**

**If the firm routinely recommends, requests or requires that a client direct you to execute transactions through a specified broker-dealer, describe the firm’s practice or policy.**

The Company has discretion to select broker-dealers for its Castle Creek Funds and Managed Accounts and must do so in accordance with the organization documents of the Castle Creek Funds and the investment advisory agreements of the Managed Accounts. The Company does not permit clients to direct brokerage to a specific broker-dealer.

### **3.b. If the firm permits a client to direct brokerage, describe your practice.**

The Company does not permit clients to direct brokerage.

**B. Discuss whether and under what conditions the firm aggregates the purchase or sale of securities for various client accounts. If the firm does not aggregate orders when it has the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.**

The Company does not aggregate the purchase or sale of securities for various client accounts.

### **ITEM 13 - REVIEW OF ACCOUNTS**

**A. Indicate whether your firm periodically reviews client accounts or financial plans. If you do, describe the frequency and nature of the review and the titles of the supervised persons who conduct the review.**

The portfolio investments of the Castle Creek Funds and the Managed Accounts are regularly reviewed by the Principals. They monitor operations, overall performance, financial performance, and strategic direction of each portfolio company owned by the Castle Creek Funds and the Managed Accounts.

**B. If the firm reviews client accounts on other than a periodic basis, describe the factors that trigger a review.**

See Item 13A above.

**C. Describe the content and indicate the frequency of regular reports the firm provides to clients regarding their accounts. State whether these reports are written.**

Investors in Castle Creek Funds receive quarterly financial reports and audited annual financial statements. The reports contain financial information related to the Funds themselves as well as updates on the financial and regulatory condition of the investments. Investors have the ability to access these reports via a password-protected website.

### **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

**A. If someone who is not a client provides an economic benefit to the firm for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how the firm addresses the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.**

Employees of the Company may serve as directors of the portfolio companies and receive directors' fees as compensation for such service. For certain Castle Creek Funds, 100% of

directors' fees so earned are netted against the management fee owed by such Castle Creek Funds.

**B. If the firm or a related person directly or indirectly compensates any person who is not a supervised person for client referrals, describe the arrangement and the compensation.**

The Company and its affiliates may enter into cash compensation arrangements with unaffiliated placement agents or third parties for introducing investors to Castle Creek with respect to investing in a Fund or participating in a Managed Account. Any sales charge associated therewith will ultimately be payable by the Company or its affiliates, either directly or through an offset of the management fee payable by the relevant Fund or Managed Account.

**ITEM 15 - CUSTODY**

**If the firm has custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements.**

The Company uses unaffiliated, qualified, third-party custodians to hold the assets of its Castle Creek Funds in a manner that it believes complies with current SEC standards and guidance. For example, these qualified custodians maintain the client assets in a manner that segregates them from assets for other clients of the custodian.

The Company is deemed to have custody of the underlying assets of all of its Castle Creek Funds. The Company relies on an exception available to "pooled investment vehicles" from the reporting and surprise audit obligations imposed by the SEC's custody rule. In addition to holding client assets with an unaffiliated, qualified, third-party custodian, these client assets are also subject to a year-end audit by a major accounting firm that is a member of, and examined by, the Public Company Accounting Oversight Board ("PCAOB"). The audited financial statements are then provided to the underlying investors of these Castle Creek Funds within 120 days of the end of the fiscal year.

**ITEM 16 - INVESTMENT DISCRETION**

**If the firm accepts discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).**

The Company provides investment advice to its Castle Creek Funds on a discretionary basis and the Managed Accounts on a non-discretionary basis. For Castle Creek Funds, an affiliate of the Company, typically the General Partner of the applicable Castle Creek Fund, accepts discretionary investment authority for such Castle Creek Fund. Generally this discretion is subject only to the investment guidelines set forth in the organizational agreements of a Castle

Creek Fund. Such organizational agreements generally expressly provide that the applicable General Partner has the authority to make all decisions concerning the investigation, selection, negotiation, structuring, commitment to, monitoring of, and disposition of investments.

#### **ITEM 17 - VOTING CLIENT SECURITIES**

**A. If the firm has, or will accept authority to vote client securities, briefly describe the voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6 and the applicable state securities rules.**

Because the Company has, or will accept, authority to vote company securities held by a Castle Creek Fund, it has adopted policies and procedures (the “Proxy Voting Policies and Procedures”) that it believes are reasonably designed to comply with the requirements of the Advisers Act. The Proxy Voting Policies and Procedures reflect the Company’s commitment to vote such instruments in a manner consistent with the best interests of the Castle Creek Funds and the investors in such Funds. Subject to the foregoing, the Company will vote the securities held by a Castle Creek Fund in accordance with its fiduciary duty to such Castle Creek Fund and in a manner that maximizes the value of such Castle Creek Fund’s assets. Conflicts may arise between the interest of a Castle Creek Fund, on the one hand, and the interest of the Company, on the other hand. The Chief Financial Officer of the Company will oversee the voting process, including evaluating whether the Company is subject to any material conflict of interest in connection with any vote and developing a course of action to address such conflict of interest.

Proxy voting reports identifying how proxies were voted where the Company has been delegated proxy voting authority and the Company’s Proxy Voting Policies and Procedures are available upon written request to Castle Creek Advisors IV LLC, PO Box 1329, Rancho Santa Fe, CA 92067.

**B. If the firm does not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.**

The Company has authority to vote all Castle Creek Fund securities but does not have authority to vote Managed Account securities.

#### **ITEM 18 - FINANCIAL INFORMATION**

**A. If the firm requires or solicits prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.**

The Company does not require or solicit prepayment of any client fees, six months or more in advance.

**B. If firm has discretionary authority or custody of client funds or securities, or firm requires or solicits prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.**

At this time, the Company is not aware of any financial condition that could impair its ability to meet its contractual obligations to its Castle Creek Funds or Managed Accounts.

**C. If firm has been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought and the current status.**

The Company has not been the subject of any bankruptcy petitions.