

Form ADV Part 2A: Firm Brochure

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RP Management, LLC is an investment adviser that is registered with the United States Securities and Exchange Commission (the “SEC”). Registration with the SEC does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of RP Management, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 883-0200. 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 RP Management, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Material Changes

This is the first version of our Form ADV Part 2A Brochure.

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1. Advisory Business

- A. RP Management, LLC (also referred to as we, the firm and RPM), founded in 2003, is an investment services firm specializing in investment management for its clients, Royalty Pharma Select (“RPS”) and Royalty Pharma Investments (“RPI”), each an Irish Unit Trust, and their respective feeder funds. The principal owner of our firm is Pablo Legorreta.
- B. RPM specializes in offering investment management services to its clients. In providing our advisory services to our clients, we focus on advising on royalty interests in marketed and late stage developmental biopharmaceutical products.
- C. Our firm tailors our advisory services to the individual needs and specified investment mandates of our clients. We adhere to the investment strategy set forth in our clients’ prospectuses and investment management agreements.
- D. We do not participate in wrap fee programs.

The amount of client assets that we manage on a discretionary basis, as of December 31, 2011 is approximately \$7,024,648,713.

We do not manage any client assets on a non-discretionary basis.

2. Fees and Compensation

- A. Our firm, or an affiliate of our firm, typically receives compensation from our clients in the form of a management fee (which is a fixed annual fee, subject to increase in the event that new capital contributions are made by investors to our clients) and performance based compensation, based on the performance of the clients' investments.

Management Fees

The terms of our management fees are disclosed in the private placement memorandum of each of our clients' feeder funds. Management fees are paid to us quarterly in advance. In the event that a management agreement is terminated, we are required to refund a pro rata portion of the management fee to our client.

Performance Compensation

An affiliate of RPM is entitled to receive performance compensation from certain feeder funds of our clients. The terms of our performance compensation are disclosed in the private placement memorandum of each of our clients' feeder funds.

Our fees are not negotiable.

- B. We generally deduct the management fees from clients' accounts quarterly in advance. Performance based compensation is made to an affiliate of our firm concurrently with or shortly after distributions to our clients' investors, provided that the conditions for payment of such performance based compensation have been met as described above.
- C. Each client generally bears its own organizational expenses, investment and trading expenses and accounting and administrative expenses, including, without limitation:
- expenses incurred in connection with the offering of interests in the feeder funds;
 - administrative and operating expenses;
 - out-of-pocket costs and expenses incurred in holding, developing, negotiating, structuring, acquiring and disposing of investments and prospective investments;
 - expenses incurred in connection with investigating investment opportunities;

- interest on and fees and expenses arising out of borrowings by the feeder funds;
- costs of any litigation, directors & officers liability or other insurance and indemnification or extraordinary expense or liability relating to the affairs of the feeder funds;
- expenses of liquidating the feeder funds;
- any taxes, fees or other governmental charges levied against our feeder funds and all expenses incurred in connection with any tax audit, investigation, settlement or review of our feeder funds;
- expenses of our investment committee; and
- legal and accounting fees and expenses and other expenses incurred by us or our affiliates on behalf of our feeder funds in connection with the preparation for, and conduct and closing of any offering of additional interests of the feeder funds.

The nature of our investment strategy typically does not result in brokerage transactions and associated costs. However, for more information on our policies regarding brokerage transactions and costs, please see Section 9: Brokerage Practices.

- D. Investors in our clients are generally not permitted to withdraw money and therefore they will not pay a management fee in excess of what they owe. In the event that an investor is required to withdraw from a feeder fund of a client, such investor will receive a pro rated refund of previously paid management fees.
- E. Neither our firm nor any of our principals or employees receives any transaction-based compensation for the sale of securities or other investment products.

3. Performance-Based Fees and Side-By-Side Management

RPM (or one of our affiliates) receives performance-based compensation from each of its clients, indirectly through feeder funds of RPS and RPI. We do not manage any funds or accounts that do not pay a performance-based fee. As a result, we and our affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees or compensation from some clients, but not from other clients.

4. Types of Clients

All of our clients are pooled investment vehicles. Interests in our clients are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements in order to comply with applicable federal securities laws and regulations. Typically, these investors are high net worth individuals, trusts, estates, corporate and public pension and profit sharing plans, endowments, charitable organizations, funds of funds, family offices, institutions and other entities.

To ensure that each potential investor meets the applicable qualification discussed above, each investor in one of our funds must complete and execute written subscription documents before we can consider its subscription.

This firm brochure is not an offer to invest in our funds.

5. Method of Analysis, Investment Strategies and Risk of Loss

A. Investment Strategies

RPM, on behalf of its clients, acquires revenue producing royalty interests in marketed and late stage development biopharmaceutical products. Neither RPM nor its clients discover, develop, manufacture or market products. Instead, RPM and its clients provide liquidity to royalty owners, and assume the future risks and rewards of ownership through the royalty interest. RPM and its predecessor entities have been working with research institutions, inventors, and biotechnology and pharmaceutical companies for over 15 years. Royalty Pharma has been a pioneer and believes it is the largest and most experienced of all investors in royalty interests of pharmaceutical and biotechnology products.

Through our diverse portfolio of royalty interests, our clients are entitled to receive a portion of the revenue from the sale of the associated product without having to bear the infrastructure costs and risks associated with development and commercialization of that drug or other biotechnology product. Our clients currently own royalty interests in 35 products, including 29 approved and marketed products, one under review with the Food and Drug Administration (the “FDA”) and five in development. These products treat a wide range of diseases, including cancer, diabetes, rheumatoid arthritis and other autoimmune disorders, HIV/AIDS, fibromyalgia, neuropathic pain, diabetes management and cardiovascular disease. The products are marketed by leading industry participants, including, among others, Abbott, Amgen, Bristol-Myers Squibb, Celgene, Gilead Sciences, Johnson & Johnson, Lilly, Merck, Pfizer, Novartis and Roche/Genentech.

Royalty interests generally are created pursuant to a license agreement between a licensor and a licensee providing for the ongoing use by the licensee of an asset, such as patented intellectual property. On behalf of our clients, we purchase from intellectual property licensors the royalty interests that licensors own pursuant to their license agreements. Following a transfer of royalty interests to our clients, licensees generally become obligated to make their royalty payments to our clients, rather than to the original licensor.

We generally purchase royalty interests for our clients’ accounts through one of the following three contracting methods:

1. Entering into a contract with a patent owner/licensor to purchase a patent or patents and the licensor’s interests in the exclusive license agreement connected to those patents;
2. Entering into a contract with a licensor to purchase the licensor’s interests in an exclusive license agreement connected to patents without purchasing the underlying patents; or

3. Entering into a contract with a licensor to purchase royalties owed by the licensee under an exclusive license agreement without actually purchasing interests in the license agreement or any underlying patents.

Methods of Analysis

Royalty receivables are calculated as a percentage of product sales. Our practice in purchasing royalty interests is to complete a thorough assessment of the products that will generate the royalty receivables. In this regard, we analyze clinical data, consult leading clinicians utilizing the product, conduct intellectual property due diligence, evaluate the strength of the product's marketers and identify current and pipeline competition. We use this assessment, as well as other relevant information, to evaluate the sales potential of the product and calculate the present value and future value of the product's royalty stream.

- B. Despite our investment approach and methodology, investing in any royalty interest and other assets in the portfolios of RPS and RPI involves a risk of loss that our clients and the investors in our clients must be prepared to bear.

Certain risks associated with an investment in any of our clients include:

- *The Products in Which We Own Royalty Interests Face Intense Competition.* The biopharmaceutical and pharmaceutical industries are highly competitive and rapidly evolving. The length of any product's commercial life, including that of any product in which our clients own a royalty interest or in which our clients may own a royalty interest in the future, cannot be predicted. There can be no assurance that any product in which our clients own a royalty interest will not be rendered obsolete or non-competitive by new products or improvements made to existing products, either by the current marketer of the product or by another marketer.

Competitive factors affecting the market position of the products in which our clients own royalty interests include:

- effectiveness;
- side effect profile;
- price;
- timing and introduction of the product;
- effectiveness of marketing strategy;
- governmental regulation;
- introduction of generic competition;
- new and improved medical procedures; and

- third-party insurance reimbursement policies.

If a product in which our clients own a royalty interest is rendered obsolete or non-competitive by new products or improvements on existing products, such developments could have a material adverse effect on our clients' investment performance.

- *Sales of the Products in Which Our Clients Own Royalty Interests Are Subject to Regulatory Actions that Could Harm Our Clients' Ability to Generate Revenues.* Most of the products in which our clients currently own a royalty interest have been approved for at least one indication by the FDA. There can be no assurance, however, that any of these regulatory approvals will not be revoked or restricted in a manner that would have a material adverse effect on the sales of such products and therefore, on the financial condition and results of operations of our clients. In addition, there can be no assurance that regulatory authorities will approve additional indications for any products in which our clients own a royalty interest.

- *The Products in Which Our Clients Own Royalty Interests Are Subject to Governmental Healthcare Policy Changes and Managed Care Considerations, Which Could Affect their Pricing.* The healthcare industry is likely to continue to change as the public, government, medical practitioners, and the pharmaceutical and biopharmaceutical industries focus on ways to expand medical coverage while controlling the growth in healthcare costs. In the United States, comprehensive legislative changes have been enacted and others may be proposed from time to time. These enactments and proposals could reduce the prices charged for pharmaceutical and biopharmaceutical products. In addition, the growth of large managed care organizations and prescription benefit managers as well as the prevalence of generic substitution has hindered price increases for prescription drugs. These conditions may have a material adverse effect on our clients. In Europe, following approval by European Agency for the Evaluation of Medicinal Products (EMA) the pricing of a new pharmaceutical or biopharmaceutical product is negotiated on a country-by-country basis with each national regulatory agency. In addition, each European country has an approved formula for which it reimburses the cost of prescription drugs. The failure of any product in which our clients own a royalty interest to be added to the formula, or to achieve satisfactory pricing, could have a material adverse effect on our clients.

- *Our Clients Depend on Third Parties to Maintain, Enforce and Defend Patent Rights on the Products in Which Our Clients Own Royalty Interests.* Our clients' right to receive payments from their royalty interests generally depends on the existence of valid and enforceable claims of registered and/or issued patents in the United States and elsewhere throughout the world. Our clients are typically dependent on patent protection for the products in which it owns a royalty interest and on the fact that the manufacturing, marketing and selling of such products does not infringe intellectual property rights of third parties. In many cases, our clients have no ability to control the prosecution, maintenance, enforcement or defense of

patent rights, but must rely on the willingness and ability of third parties to do so. In these cases, we believe that the parties required or entitled to maintain, enforce and defend the underlying patent rights are in the best position and have the requisite business and financial motivation to do so, there can be no assurance that these third parties will vigorously maintain, enforce or defend such rights. Even if such third parties seek to maintain, enforce or defend such rights, they may not be successful. In other cases, our clients have the right to control and require enforcement and defense of underlying patent rights. In either case, any failure to successfully maintain, enforce or defend such rights would have a material adverse effect on our clients. Our clients could incur substantial litigation costs if it is necessary to assert their interest in intellectual property or contractual rights, or to participate in the defense of patent suits brought by third parties.

- *Product Development Related Risks.* We may acquire royalty interests for our clients in products undergoing development or clinical trials that have not yet received marketing approval by any regulatory authority. There can be no assurance that the FDA, the EMEA or other regulatory authorities will approve such products or that such products will be brought to market timely or at all. Although we currently estimate that future acquisitions in products in Phase III clinical trials will be limited to no more than 10% of total royalty asset value, there can be no assurance as to what proportion of our clients' overall assets will constitute Phase III products or that failure of such products to receive regulatory approval will not have a material adverse effect on returns to investors in our clients.
- *Leveraged Capital Structure.* Use of leverage is an investment technique that involves certain risks to our clients. Our clients utilize leverage through the use of proceeds from borrowings or the proceeds from the offering of debt securities and may utilize further leverage in the future. The use of leverage creates an opportunity for increased income and gains to our clients but also increases the risk of loss of capital. The leverage provided to our clients under the terms of their indebtedness will result in interest expense and other costs incurred in connection with such borrowings that may not be covered by the net income and appreciation of our clients' portfolio of investments.
- *The Material Indebtedness of Our Clients Could Limit Their Ability to Respond to Changing Business Conditions.* The various agreements relating to our clients' leverage that they may enter into with their creditors, including indentures, credit agreements and intercreditor agreements and other agreements will affect the way that we manage our clients investment programs, imposing operating and financial restrictions on our clients. Therefore, no assurance can be given that our clients will be able to take advantage of favorable conditions or opportunities as a result of covenants under such indebtedness. There can also be no assurance that additional debt or equity financing, either to replace or increase existing debt financing, will be available when needed or, if available, will be obtainable on terms that are favorable to our clients. The following is a list of possible risk factors related to our clients' leverage activities.

- Our clients' ability to obtain additional capital or engage in additional borrowing, either to replace or increase existing debt financing, may be restricted, impairing their investment programs.
- All or most of our clients' royalty interests, contract rights, intellectual property and other assets may be used as collateral for our clients' borrowings.
- In the event of a default by our clients, one or more of our clients' creditors or its assignees could obtain control of the royalty interests and/or the other assets. It is reasonable for the investors to expect that the creditors would realize less, and potentially significantly less, for the assets of our clients in the event of a distressed sale than we would realize for them.
- We and our clients may have to comply with various financial covenants in the credit documents, including diversification, concentration and total capitalization restrictions and an over-collateralization requirement, which may affect our execution of our clients' investment program.
- Our clients' ability to make payments or distributions to its feeder funds, and ultimately, the investors, may be restricted.
- The interest rates at which our clients borrow are not fixed, but rather vary from time to time in relation to the overall interest rates in the economy. To the extent that interest rates generally increase, our clients' borrowing costs will increase and our clients' leveraging strategy will become more costly, leading to diminished net profits.
- *Product Liability Claims May Diminish Revenues.* The manufacturers, developers or marketers of products in which our clients own royalty interests could become subject to product liability claims. A successful product liability claim could adversely affect the amount of revenues payable to our clients on the particular royalty interest. Although we believe neither we nor our clients will bear responsibility in the event of a product liability claim against the company manufacturing, marketing and selling the underlying products, there can be no assurance that such claims would not materially and adversely affect our clients.
- *Risk of Loss.* All financial investments risk the loss of capital. The nature of the royalty interests and the investment techniques and strategies to be employed in an effort to increase profits may increase this risk. While we will devote our best efforts to the management of our clients' investment portfolio, there can be no assurance that our clients will not incur losses. Many unforeseeable events, including actions by various government agencies and domestic and international political events, may cause sharp fluctuations in the value of the royalty interests.

- C. We primarily recommend and provide investment management services with respect to royalty investments. The natural risks of those investments are described above.

6. Disciplinary Information

There have been no legal or disciplinary events involving RPM or any of our principals or executive officers that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

7. Other Financial Industry Activities and Affiliates

Neither our firm nor any of our directors, officers or principals is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither our firm nor any of our directors, officers or principals is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

We do not have any related person who is:

- A broker-dealer, municipal securities dealer or governmental securities dealer or broker;
- A futures commissions merchant, commodity pool operator or commodity trading adviser;
- A banking or thrift institution;
- An accountant or accounting firm;
- A lawyer or law firm;
- An insurance company or agency;
- A pension consultant; or
- A real estate broker or dealer.

We do not recommend or select unaffiliated investment advisers for our clients, receive compensation directly or indirectly from unaffiliated advisers that create a material conflict of interest, or have other business relationships with them that create a material conflict of interest.

Relationships with Pooled Investment Vehicles

We or one of our affiliates manages each of our clients, RPS and RPI, and their respective feeder funds, either as the general partner and/or investment manager, including:

RPS:

- Royalty Pharma US Partners, LP
- Royalty Pharma US Partners 2008, LP
- Royalty Pharma Cayman Partners, LP

- Royalty Pharma Cayman Partners 2008, LP
- Royalty Pharma Cayman Holdings, LP
- Royalty Pharma Cayman Holdings 2008, LP

RPI:

- RPI US Partners, LP
- RPI US Partners II, LP
- RPI International Holdings, LP
- RPI International Partners, LP
- RPI International Partners II, LP

As described above, none of the compensation, liquidity or other terms of our client funds are negotiated at arm's-length. However, we disclose to prospective investors the terms of all of our fees and performance-based compensation, as well as the other terms of an investment, in detail in the Private Placement Memorandum relating to each client fund.

The performance-based compensation to one of RPM's affiliates may give RPM an incentive to effect transactions that are more risky or speculative than would be the case in the absence of such arrangements. All of our clients' investments must be approved by an investment committee, which is primarily comprised of representatives of significant investors in our clients' feeder funds. Several members of the investment committee have an ownership interest in the entity that receives performance-based compensation.

Relationship with Investment Adviser

We are affiliated with Pharmakon Advisers, LP because our principal, Pablo Legorreta, owns a 33% economic interest in Pharmakon Advisers, LP. This relationship is not material to our advisory business and we believe it does not create any material conflict of interest with our clients.

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

- A. As of the effective date of our registration as an investment adviser, we have adopted a Code of Ethics in accordance with the U.S. Securities and Exchange Commission requirements. This Code of Ethics is designed to ensure, among other things, that employees conduct their investing activities in accordance with applicable law and in a manner where clients' interests are placed first and foremost. All employees are responsible for upholding our firm's fundamental principles of openness, integrity, honesty and trust. The Code of Ethics focuses on specific areas where employee conduct has the potential to affect clients' or investors' interests adversely.

An employee must submit an Initial Disclosure Report to our firm's Compliance Department, for the review of the Chief Compliance Officer, or his designee, within 10 days after the start of his or her employment. The Initial Disclosure Report includes all covered accounts such as (1) any personal account of an employee or such employee's related persons; (2) any joint or tenancy in common account in which either the employee or his or her related person has an interest or is a participant; (3) any account for which either the employee or his or her related person acts as trustee, executor, or custodian; (4) any account over which either the employee or his or her related person has power of attorney; and (5) any corporate or investment club accounts in which either the employee or his or her related person has investment discretion or otherwise participates in the investment decision-making process relating to such account. In addition, employees must report any new covered account to the Chief Compliance Officer within 10 days of opening the account on our Add Brokerage Account form. Any changes to a covered account, including account number, name, whether the account is closed, etc. should be reported within 10 days of the change.

Employees must provide our firm with all necessary information to arrange for their broker-dealer, bank or other third-party financial institution to send periodic account statements for each covered account directly to the Chief Compliance Officer.

Our Code of Ethics applies to all of our employees and each of our employee's related persons, which include (i) the employee's spouse, (ii) members of the employee's immediate family living in the same household, including children and/or stepchildren and (iii) other relatives of the employee living in same household who are supported financially by the employee, whose investment holdings and accounts the employee exercises direct or indirect influence or control or from whose investment holdings and accounts the employee derives a financial benefit.

Employees must obtain prior written approval before either they or a related person places an order to sell or otherwise dispose of a security that is being offered as part of an initial public offering or investing in a private placement. Prior to placing an

order for one of these types of securities transaction, a pre-trade request via email must be sent. The submitted request will be reviewed and, as soon as practicable, a determination will be made as to whether the proposed securities transaction(s) can be authorized. If the securities transaction(s) is denied, no explanation will be provided.

Violation of our Code of Ethics provides for a range of sanctions, both legal and those that our firm may impose as we deem appropriate, should anyone violate the Code of Ethics. These sanctions include, but are not limited to, disgorgement of profits (if any), and depending upon the facts or circumstances, more severe actions up to and including monetary fines and termination of employment.

In addition to the policies described above, the Code of Ethics is comprised of several other policies and procedures that are designed to eliminate or reduce potential conflicts of interest, including prohibitions against market manipulation or front running. RPM prohibits the misuse of material non-public information ("inside information") and maintains a Restricted List of securities that may not be purchased or sold by its employees for their own accounts or for client accounts because of the actual or possible possession of inside information. RPM also has a gifts & entertainment policy which covers the acceptance of gifts or entertainment from service providers and other parties.

Each employee must annually execute a statement to the effect that he has read and understands, has complied with and will continue to comply with, the procedures set forth in this Code of Ethics.

The paragraphs above only represent a summary of key provisions in our Code of Ethics. We provide a copy of our Code of Ethics to any client or any investor in our clients that requests one.

- B. Employees of our firm do not recommend to clients, nor do they buy or sell for client accounts, securities in which they have a material financial interest. Our firm, its employees, officers, partners, directors (and any persons performing similar functions), and persons directly or indirectly controlling our firm, controlled by our firm or under common control with our firm, may not engage in a principal transaction with the firm's clients, unless such transactions have been approved as required by law.
- C. Principals and employees of our firm are not permitted to invest in the same securities that principals and employees recommend to clients.
- D. Principals and employees of our firm do not recommend securities to clients, or buy or sell securities for client accounts, at the same time that they buy or sell the same securities for their own (or a related person's own) account.

9. Brokerage Practices

Because of the nature of our investment strategy, and because most of our investments are made on a negotiated basis, we typically are not involved in securities trade executions on public markets and do not anticipate being involved in securities trade executions on public markets in the future. To the extent that we arrange execution of securities trades on public markets on behalf of our clients, we will strive to obtain best overall execution of securities trades for our clients based on the circumstances of each transaction we place. The following description of our policies contemplates that we may arrange for execution of securities trades on public markets for our clients in the future, although there is currently no intention to do so.

In selecting broker or dealers and determining the reasonableness of their commissions for our clients' transactions, we will take into account the following factors:

- the broker-dealer's ability to execute difficult trades
- commitment of capital,
- access to new issues,
- nature and frequency of sales coverage,
- breadth of services provided,
- operational capabilities,
- back office and processing capabilities,
- financial stability and responsibility,
- reputation, access to markets,
- confidentiality,
- commission rates,
- responsiveness, and
- the value of research products and services provided by such brokers.

Recognizing the values of these factors, in the event that we arrange for execution of securities trades for our clients, our clients may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction.

We will periodically review brokerage commissions to ensure that they remain reasonable. Using brokers' commissions as a guideline, we will make a good faith determination that the amount of commission paid over time is reasonable based on the totality of the circumstances and in relation to the value of the research received, viewed in terms of either the specific transaction or our overall responsibility to our clients.

To the extent that we arrange for execution of securities trades on public markets for our clients, we will establish a committee, which meets on a periodic basis, to oversee and monitor compliance with this policy. The committee's review will

include trading volumes, commissions paid, gifts and entertainment, as well as trade errors, among other things. Members of the committee will include our Chief Executive Officer, Chief Compliance Officer and representatives from our investment staff and operations department.

We will maintain an approved executing broker list. Generally, all client trades will be required to be placed through a firm-approved broker, unless otherwise approved by the Chief Compliance Officer. All requests to add a new broker to the executing broker list are subject to approval by the Chief Compliance Officer. A broker request form must be completed and the required documentation must be provided for review prior to approval. The Chief Compliance Officer also monitors commissions paid for executed trades that are outside of the established commission schedule range, if any. Additionally, on a monthly basis the Chief Compliance Officer will review a report of the brokers to whom commissions were paid, to determine whether an unusual amount of commissions was paid to a broker that is not considered a top tier broker by the firm. The Chief Compliance Officer is responsible for the reviews and will escalate any issues to the Executive Committee. Additionally, the compliance department reviews on a monthly basis the FINRA disciplinary activities to determine if any approved broker is subject to a material violation.

We may buy and sell securities for our clients from brokers with whom our clients' assets are custodied.

1. We May Utilize Research and Other Soft Dollar Benefits. Soft dollar benefits include research and related services furnished by brokers including written information and analyses (including specific market, financial and economic studies and forecasts), statistics and pricing services, third party research, trade execution services, discussions with research personnel and similar services used in the investment and trading process. We may pay a broker a commission in excess of that which another broker might have charged for effecting the same transaction, in recognition of the value of the brokerage or research services, or other services or facilities provided by the broker. To the extent we enter into soft dollar transactions, we will effect these transactions in compliance with the safe harbor provided by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended. Since commission rates in the U.S. as well as in certain other jurisdictions are negotiable, selecting brokers on the basis of considerations that are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

The Use of Soft Dollars Can Create a Conflict of Interest. Using client transactions to obtain research and other benefits creates incentives that result in conflicts of interest between advisers and their clients. The availability of these benefits may influence us to select one broker-dealer rather than another to perform services for clients, based on our interest in receiving the products and services instead of on our clients' interest in receiving the best execution prices. Obtaining these benefits may cause our clients to pay higher fees than those

charged by other broker-dealers. However, we will make a good faith determination that the amount of commission is reasonable in relation to the value of the research and other soft dollar benefits received, viewed in terms of either the specific transaction or our overall responsibility to its clients. We will regularly evaluate the placement of brokerage and the reasonableness of commissions paid as described above.

The use of soft dollars to obtain research services and to pay for other costs and other investment expenses that our firm might otherwise incur (such as third party research and investment information, trade execution services, research and financial newsletters) creates a conflict of interest between our firm and our clients because our clients pay for products and services that are not exclusively for their benefit and that may be primarily or exclusively for the benefit of our firm. To the extent that we are able to acquire these products and services without expending our own resources, our use of soft dollar benefits tends to increase our profitability.

2. Our Clients Do Not Direct Brokerage. Our firm does not recommend, request or require that a client, nor do we permit a client to, direct us to execute transactions through a specified broker-dealer.

10. Review of Accounts

- A. Our analysts review all the client fund portfolios for which they are responsible and analyze their performance on a regular basis. The status of royalty interests in each portfolio is reviewed on the basis of quarterly sales data at least on a quarterly basis. Our analysts monitor news and other financial developments with respect to the royalties on a daily or weekly basis.
- B. The analysts will meet with our Chief Financial Officer and Chief Executive Officer at least monthly or more frequently, as deemed necessary, and will meet upon the occurrence of certain significant events. A “significant event” is generally an event that will materially affect the value of a royalty interest for a period of time.
- C. We provide investors in our client funds with unaudited quarterly reports. Additionally, we provide audited annual reports containing financial statements examined by our independent auditors as well as such tax information as is necessary for each investor in our funds to complete its U.S. federal and state income tax or information returns, along with any other tax information required by law.

11. Client Referrals and Other Compensation

- A. Our firm does not, nor do any principals or employees of our firm, receive any economic benefit from non-clients for providing advisory services to our clients.
- B. We do not have any arrangements with placement agents or arrangements to compensate third party persons or entities for client referrals or to solicit clients. We do not currently have any arrangements with placement agents to solicit investors in our clients. However, we may appoint placement agents to assist with the offering of interests in the Royalty Pharma funds in the future.

12. Custody

Due to our access to client funds and securities as general partner or investment manager of our client funds that we manage, and our authority to deduct fees and other expenses from a client's account, we are deemed to have custody of our clients' funds and securities within the meaning of Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended.

All of our clients are pooled investment vehicles. Accordingly, we comply with the periodic reporting requirements of the Custody Rule by arranging for annual financial statements for clients accounts, which are prepared in accordance with generally accepted accounting principles and are audited by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, to be delivered to each investor in our clients' feeder funds within 120 days of the end of the fiscal year of the fund.

13. Investment Discretion

Scope of Authority

All of our firm's investment advisory services involve the management of client accounts on a fully discretionary basis. We have the authority to determine, without obtaining specific client consent, which investments to acquire on behalf of our clients. In exercising this authority, we adhere to the investment strategy and program set forth in the private placement memorandum of each Royalty Pharma fund.

Procedures for Assuming Authority

Before accepting investors' subscriptions for interests, we provide all investors in our clients with a private placement memorandum and governing documents that set forth, in detail, our investment strategy and program and the terms of investment for investors. By completing our subscription documents to acquire an interest in one of our funds, investors give us complete authority to manage their investments in our clients in accordance with the private placement memorandum and governing documents they each received.

14. Voting Client Securities

A. Proxy Voting Policies and Procedures

Our firm generally has the authority to exercise voting discretion over securities or other financial instruments held in our client accounts. Our investment professionals, in consultation with the Chief Compliance Officer, will be responsible for voting proxies, either in writing or via the internet, for such clients. When voting client proxies, our firm is required to vote such proxies in the best interest of its clients. However, we may abstain from proxy votes when, in our reasonable opinion, the outcome of the vote has been decided (regardless of how we may vote) or when the subject of the vote is immaterial to the investment or interest of our clients. The firm will be responsible for maintaining records of the manner in which each proxy was voted.

Our accounting department is responsible for monitoring corporate actions and receiving, processing and voting proxies. Our investment professionals and the Chief Compliance Officer will set the voting policy, and will review on a periodic basis new corporate governance issues as they arise and determine how our firm will respond to such issues. They also will take steps to ensure that those who assist in the administration of the voting of proxies perform their responsibilities consistent with these voting policies.

Proxies will be voted (i) on computerized proxy cards, where such cards are used by the security issuer, (ii) by returning the proxy voting card via mail per instructions provided by the security issuer, (iii) via e-mail or fax, or (iv) via the internet, in accordance with the specific procedures of such vote.

Factors We Consider When Determining Whether to Vote Proxies

Our investment professionals consider the following factors, and any other factors he or she determines is relevant, when determining whether to vote a client proxy:

- The holding period of a security's position.
- The economic value of a security's position.
- Whether the cost of voting (e.g., required in-person voting at a distant location) will likely exceed the value of any potential benefits of voting.
- Whether voting is impracticable due to timing or mechanics.
- Whether our custodian lent the securities and had not recalled them as of the relevant voting date.

- Whether the relevant client has specified in writing (e.g., an agreement with us) that it will maintain the authority to vote proxies or that it has delegated the right to a third party.

When an investment professional determines that voting a proxy is in a client's best interest, he or she uses all relevant factors and information at his or her disposal to determine how to vote in a client's best interest.

Our investment professionals do not vote securities that our account custodian has loaned to a third party.

Clients cannot direct our portfolio managers' proxy votes.

Potential Conflicts of Interest

The Chief Compliance Officer is responsible for identifying potential conflicts of interest concerning the proxy voting process. While this will generally be evaluated on a case-by-case basis, one or more clients' ownership of securities in a company which is the subject of a proxy vote for another client will not in itself create a conflict of interest. In cases where it is determined that a potential conflict exists, the Chief Compliance Officer will disclose the nature of the conflict to the affected client(s), disclose the specific matter under proposal to the clients, and obtain the client(s) consent before voting

In certain circumstances, to address a conflict of interest in the context of proxy voting, we may establish policies for proxy voting with respect to certain issues on which we will vote consistently. In other circumstances, where appropriate, to resolve conflicts of interest, we may consult with counsel and/or appoint an independent third party to evaluate and recommend the voting of proxies.

Recordkeeping

We will provide a copy of our proxy voting policies and procedures and information regarding any proxies actually voted on behalf of a client to any investor in such client upon the request of such investor.

Our firm maintains written records of client requests for proxy information and any written response to any (written or oral) client request for information on how our firm voted proxies on their behalf for a period of seven years.

15. Financial Information

- A. We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.
- B. We are not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients.
- C. RPM has never been the subject of a bankruptcy petition.