
FORM ADV PART 2A: FIRM BROCHURE

ITEM 1 – COVER PAGE

CRAYHILL CAPITAL MANAGEMENT LP

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

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

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

ITEM 2 – MATERIAL CHANGES

This brochure has been updated to reflect the discretionary investment advisory services provided by Crayhill Capital Management LP to various advisory clients. Such updates reflect the only material changes from the previous update of this brochure, dated April 27, 2016.

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ITEM 4 – ADVISORY BUSINESS

A. General Description of the Advisory Firm

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

B. Description of Advisory Services

Crayhill provides discretionary investment advisory services to Crayhill Principal Strategies Fund LP, Crayhill Principal Strategies Parallel Fund LP, Knights Hill Capital Ireland DAC (together with their respective parallel funds, co-investment vehicles and affiliates, “CPSF”), Crayhill Strategic Opportunity Fund LP (“CSOF”) and Crayhill Northbrook Fund LP (“CNF”). CPSF, CSOF and CNF are each a “Crayhill Fund” and together comprise the “Crayhill Funds.” The Crayhill Funds pursue an investment strategy that targets private structured credit investments secured by real and financial assets and cash flows. Crayhill offers capital solutions to asset heavy companies with strong operating teams that produce, originate or service assets such as loans, leases and receivables. The Principals have developed this strategy over the course of their structured finance careers and have expertise in sourcing, structuring and managing complex asset based financings. The Crayhill Funds are focused on a range of asset heavy market sectors, including renewable energy, specialty finance, media, equipment finance, trade finance and structured real estate. The Crayhill Funds primarily target investments in North America and Europe.

Crayhill provides non-discretionary investment advisory services to Magnetar Solar Opportunities Master Fund Ltd and Magnetar Solar Holdings (Cayman) LP (together, the “Solar Fund” and together with the Crayhill Funds, the “Clients”) through a sub-advisory agreement (the “Solar Sub-Advisory Agreement”) by and between the Firm, the Solar Fund, certain officers and directors of the Firm and Magnetar Financial LLC (“MFL”). MFL has full discretionary power and authority over the management of the Solar Fund’s assets, including the right to retain one or more sub-advisers. The Solar Fund is a closed-end fund that is not currently accepting additional capital commitments and with respect to which the period for drawing capital commitments for new investments has expired. The sub-advisory services provided by the Firm to the Solar Fund are provided with respect to limited types of investments. The Solar Fund invests in a variety of primarily large-scale solar photovoltaic (“PV”) power generation projects (“Solar PV Assets”) in the United Kingdom (the “UK”) and other global locales.

C. Tailored Advisory Services

Crayhill provides investment advisory services to the Clients in accordance with the Clients’ investment objectives and limitations. The investment objectives and limitations for the Clients are outlined in the applicable offering memoranda and other governing documents, which include but are not limited to subscription agreements, side letters and investment management agreements.

D. Wrap Fee Programs

Crayhill does not participate in wrap fee programs.

E. Assets Under Management

Crayhill manages approximately \$438,232,478 in Client assets (including committed but undrawn capital), including approximately \$139,010,770 on a discretionary basis and approximately \$299,221,708 on a non-discretionary basis. The Firm's non-discretionary assets under management are attributed to the Solar Fund and are provided as of December 31, 2016. All other assets under management are provided as of the date of this brochure.

ITEM 5 – FEES AND COMPENSATION

A. Fees

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

An affiliate of Crayhill acting as the general partner of the Crayhill Funds is entitled to receive incentive compensation from the Crayhill Funds in the form of a carried interest in the profits generated by the Crayhill Funds. The Principals are entitled to receive a percentage of the incentive compensation received by MFL or its affiliates from the Solar Fund. Such carried interest and incentive compensation is referred to as "Carried Interest."

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

B. Charging Fees

The Firm primarily deducts management fees from client assets or, from time to time, may bill Clients for fees incurred. Such fees are paid quarterly in advance or in arrears, depending on the Client. Crayhill receives compensation from MFL monthly for sub-advisory services rendered in accordance with the Solar Sub-Advisory Agreement.

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

C. Other Fees and Expenses

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

own general operating and overhead costs (excluding any fund accounting or administrative functions and related expenses).

In addition to compensation payable to Crayhill, and in some cases subject to certain limitations, the Solar Fund pays its own investment, administrative and operating expenses, including: brokerage commissions and other transactional costs, fees and expenses; interest expense; research and due diligence expenses, including related travel expenses; administrative, custodial, legal, compliance, regulatory reporting, accounting, valuation, tax and audit expenses; consulting fees and expenses; fees and expenses of valuation agents and investor representatives, if any; expenses relating to the licensing, development, implementation and/or monitoring of software and data; insurance costs; taxes; costs and expenses related to the offer and sale of Solar Fund shares or interests; expenses incurred as a result of the Solar Fund's indemnity obligations; all expenses incurred in connection with any threatened, pending or anticipated litigation, examination or proceeding; and extraordinary expenses.

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

D. Timing of Fee Payments

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

As described above, Crayhill receives compensation from MFL monthly for sub-advisory services rendered in accordance with the Solar Sub-Advisory Agreement.

E. Payments to Supervised Persons

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

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

The general partner of the Crayhill Funds may receive Carried Interest equal to a percentage of the Crayhill Funds' distributions based on their performance. The Principals may receive Carried Interest (subject to certain vesting provisions) equal to a percentage of the Solar Fund's distributions based on its performance. Carried Interest, where applicable, is payable after investors have received a return of their capital contributions, a hurdle rate of return, or some other contractually-specified return or distribution.

ITEM 7 – TYPES OF CLIENTS

Crayhill provides investment advisory services to pooled investment vehicles. Currently, the Firm provides discretionary investment advice to the Crayhill Funds and non-discretionary investment advice to the Solar Fund. Investors in the Clients may include pension plans, foundations, funds of funds, other institutional investors and high net worth individuals. The minimum investment in the Crayhill Funds is generally \$10 million (although the general partner of the Crayhill Funds has the right to accept investments of lower amounts) and the minimum investment in the Solar Fund is generally \$5 million.

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

A. Methods of Analysis and Investment Strategies

The investment strategy of the Crayhill Funds targets private structured credit investments secured by real and financial assets and cash flows. Private structured credit is an alternative to traditional financing channels with a focus on providing tailored capital solutions to counterparties. Crayhill's investment team has relationships that enable early identification of investment themes and proactive sourcing of investment opportunities. Crayhill seeks to apply a highly analytical approach to asset analysis and cash flow modeling to inform bespoke structuring, with a primary emphasis on downside protection and incorporating upside optionality.

Crayhill positions itself as a capital solutions provider for assets originated or serviced by strong operating teams with solid business plans that do not have ready access to funding through traditional channels. Crayhill has created a platform to identify thematic investment strategies, develop replicable transaction structures and deploy capital to scale over time. The Firm sources and underwrites investments with the intention to scale to substantial size, but initial transactions often start relatively small and are structured to grow pursuant to an underwritten origination plan over two or three years. Crayhill believes that this bespoke, flexible funding approach will encounter less competition for the investments targeted by the Crayhill Funds. The investment strategy for the Crayhill Funds features several strategic tenets that leverage the experience and execution capabilities of the investment team, including:

- (i) Proprietary sourcing informed by deliberate investment themes targeting funding gaps;
- (ii) Ability to monetize complex investment opportunities through tightly structured and bilaterally negotiated transactions that emphasize downside protection while retaining upside optionality; and
- (iii) Disciplined asset-level underwriting supported by in-depth due diligence, modeling and analysis.

This investment strategy relies heavily on the investment team's ability to identify funding gaps in specific industries where the Crayhill Funds can provide an attractive capital solution to counterparties with limited or unfavorable funding alternatives. Crayhill expects the Crayhill Funds to benefit from a market environment that has experienced a diminishing supply of structured credit solutions as traditional providers (e.g., bank principal desks) have exited the market in response to changing global financial regulations, and conventional private credit lenders such as REITs and BDCs are not well-suited to address complex, special situations financings. Crayhill's strategy is most effective when exploiting this supply/demand imbalance in sectors where there is current or potential increased demand for innovative financing solutions. These funding gaps are driven by catalysts such as secular trends, disruptive technologies, and regulatory, tax or accounting changes.

Crayhill dedicates meaningful time and resources to developing top-down investment themes that take into account in-depth forward looking analysis of markets undergoing or susceptible to disruption. Crayhill tends to derive investment themes focused on asset-heavy sectors where cash flow streams are accompanied by adequate collateral coverage. When an investment theme has been identified, Crayhill seeks to originate investment opportunities with contractual cash flows capable of meeting the Crayhill Funds' risk-return objectives. The Firm seeks opportunities where it can redeploy established or develop new structured finance approaches to introduce an innovative solution to a new market segment, creating a first mover advantage that allows the Crayhill Funds to scale investments prior to attracting new market participants.

The investment strategy of the Solar Fund is to invest in Solar PV Assets in the UK and other global locales, seeking to build a portfolio that presents strong relative value and stable cash flows in a differentiated asset class. Crayhill has generally targeted Solar PV Assets for the Solar Fund at the shovel-ready stage in the project's life cycle where financing is more scarce and expensive relative to financing available after project completion will permit the structuring and exercising of more optimal terms. The Solar Fund may utilize a broad range of debt securities, equity securities, equity-linked securities and notes, derivatives and other financial instruments, and investments may be hedged using a variety of financial instruments.

B. Types of Risks

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

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

General Risk Factors

Privately Held Company Risks

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

Illiquid and Long-Term Investments

Investment in the Clients requires a long-term commitment with no certainty of return. Many of the investments of the Clients will be highly illiquid, and there can be no assurance that the Clients will be able to realize on such investments in a timely manner. While an investment may be securitized, sold or otherwise disposed of, it is generally expected that the Client will hold its investments until maturity, securitization or sale, which may not occur for a number of years after the investment is made. In addition, in some cases the Client may be prohibited by contract or legal or regulatory reasons from selling certain investments for a period of time or without prior consent from third parties.

Hedging Risks

Crayhill will not, in general, attempt to hedge all market or other risks inherent in the positions held by the Clients, and will hedge certain risks, if at all, only partially. Specifically, Crayhill may choose not, or may determine that it is economically unattractive, to hedge certain risks, either in respect of particular positions or in respect of the Client portfolios overall. The portfolio composition of Clients may result in various directional market risks and other risks remaining unhedged.

Due Diligence Risks

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

Leverage of Borrower Companies

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

Uncertain Value of Investments

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

Non-U.S. Securities

Investing in securities of non-U.S. entities that are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the U.S. government or of entities organized or domiciled in the United States. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of non-U.S. taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, non-U.S. government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Risks Associated with the Crayhill Funds***Cash Flow Timing Risk***

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

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

Investments in Structured Products

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

Risks Related to Structured Finance Securities

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

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

Securitization Risk

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

Risks Relating to Asset-Backed Securities

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

Subordination

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

underlying portfolio of assets has been overvalued by the originator, or if the values subsequently decline and, as a result, less collateral is available to satisfy interest and principal payments due on the related ABS, the securities in which the Crayhill Funds invest may effectively become the “first loss” position behind the more senior securities, which may result in significant losses to the Crayhill Funds.

Investments in Undervalued Assets

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

Access to CLO Origination Market

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

Prepayment and Extension Risk

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

Credit Risk

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

Investing in High Yield Debt

The Crayhill Funds may invest in fixed-income securities and other debt obligations which are rated below investment grade or are unrated. These high-yield instruments are regarded as being predominantly speculative as to the issuer's ability to make payments of principal and interest. Investment in such securities involves substantial risk. Issuers of high-yield debt may be highly leveraged or have enterprise risk that renders unavailable to them more traditional methods of financing. Therefore, the risks associated with acquiring the securities of such issuers generally are greater than is the case with issuers of higher quality. For example, during an economic downturn or a sustained period of rising interest rates, issuers of high-yield bonds may be more likely to experience financial stress, especially if such issuers are highly leveraged. During such periods, such issuers may not have sufficient revenues to meet their interest payment obligations. The issuer's ability to service its debt obligations also may be adversely affected by specific issuer developments, or the issuer's inability to meet specific projected business forecasts, or the unavailability of additional financing. The risk of loss due to default by the issuer is significantly greater for the holders of high-yield bonds because such securities may be unsecured and may be subordinated to other creditors of the issuer. There can be no assurance that such events will not occur after the Crayhill Funds purchase a particular security, in which case the Crayhill Funds may experience losses and incur costs.

Loan Interests Risk

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

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

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

Risks of Using Loan Servicers and Originators

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

Risks Associated with the Solar Fund

The Solar Fund makes highly speculative investments and is not intended as a complete investment program. It is designed only for sophisticated persons who fully understand and are able to bear the economic risk of the total loss of their investment in the Solar Fund and who have no need for liquidity in their investment. The Solar Fund may be subject to material risks in addition to those described herein.

Energy Strategy Risks

The energy markets and energy-related markets are susceptible to significant short-term price volatility, potentially to a greater extent than the financial instruments markets, as a result of a variety of factors, including political as well as weather-related events, rate and tariff regulation and consumer advocacy. The energy markets are also subject to price volatility as a result of breakdowns in the facilities necessary to produce, transport, store and deliver physical energy.

Uncertain Exit Strategies

Due to the less liquid and long-term nature of most of the investments in which the Solar Fund will invest, the exit strategies are limited and the Firm is unable to predict with confidence that any particular exit strategy will be available. Upon the expiration of the Solar Fund's term (the "Term") and subject to the Firm's obligation to attempt to auction the Solar Fund's assets as described in the Solar Fund's offering documents, the Firm is under no obligation to liquidate the Solar Fund's assets within any specific timeframe, although the Firm will continue to use commercially reasonable efforts to do so in a timely fashion. Solar PV Assets generally are illiquid, have natural lives longer than the Solar Fund's Term and may be difficult to sell, all of which factors suggest that it may take the Firm a considerable amount of time following the expiration of the Term to liquidate the Solar Fund's assets, thereby delaying distributions of cash or marketable securities to investors. There can be no assurance that the Solar Fund's assets will be liquidated prior to, or even shortly after, the expiration of the Term or that investors will receive distributions of cash, marketable securities in a timely fashion following the expiration of the Term.

Concentration

The Solar Fund will invest in solar energy-related assets. As such, the Solar Fund's portfolio will be concentrated in a single industry and may also be relatively concentrated with respect to types of securities and issuers. In addition, the Solar Fund's investment portfolio at times may be relatively concentrated with respect to a particular geographic market or markets (such as the UK) or with respect to certain types of solar-energy investments. Even where the Solar Fund's investment portfolio is not concentrated with

respect to particular geographic markets, from time to time multiple geographic markets could move in tandem against the Solar Fund's positions, and the Solar Fund could suffer substantial losses. Accordingly, the investment portfolio of the Solar Fund may be subject to more rapid change in value than would be the case if the Solar Fund were required to maintain a wider diversification among types of securities, issuers and geographic areas. Because the Solar Fund's focus is relatively narrow, the portfolio of the Solar Fund will be more concentrated than the portfolios of multi-strategy alternative investment vehicles which may expose the portfolio of the Solar Fund to higher volatility, greater mark-to-market fluctuations and greater risk of loss than other investment vehicles with portfolios that are not as concentrated.

Use of Leverage

The Solar Fund expects to utilize leverage in its investing activities. Such leverage may take the form of bank borrowings, swaps and other derivatives as well as trading on margin, repurchase agreements, futures, structured finance vehicles and other means, subject to the availability of leverage in the marketplace on acceptable terms. There is no internal limitation on the amount of leverage that may be utilized in the Solar Fund's investing activities or the manner in which such leverage may be obtained or structured. Further, the Solar Fund is not required to utilize any minimum leverage amount.

Significant Operational Oversight

The Solar PV Assets in which the Solar Fund invests will require significant maintenance and operational and administrative oversight in order to retain and/or increase their values. Initially, the Firm expects that such maintenance and operational services will be provided by independent third-party service providers and that the Solar Fund will indirectly bear the costs of such services. If the Solar Fund's portfolio of Solar PV Assets grows and scale is achieved, the Solar Fund may seek to create or purchase a business that will directly provide the Solar Fund's Solar PV Assets with such services, rather than outsourcing such services to an independent third-party. The Firm believes that restructuring the provision of services to the Solar PV Assets in such a manner may significantly reduce the expenses to which the Solar Fund is indirectly subject. There can be no assurance, however, that the Solar Fund's portfolio of Solar PV Assets will grow and achieve the necessary scale for the Firm to implement the restructuring of services effectively. In addition, even if the Solar Fund's portfolio of Solar PV Assets achieves such necessary scale, there can be no assurance that the Firm will determine to implement such restructuring and, if it does, that the Firm will achieve the anticipated cost efficiency.

Risks Associated with Solar Energy-Related Assets

General Risks Relating to Investments in the Solar Energy Industry

Companies engaged in the solar energy industry may be significantly affected by increased competition from new and existing market entrants, technological developments, obsolescence of technology and short product cycles. In addition, the solar energy industry is at a relatively early stage of development and the extent to which solar energy will be widely adopted is uncertain. Companies in this industry may also be significantly affected by general economic conditions such as varying prices and profits, commodity price volatility, changes in exchange rates, imposition of import controls, depletion of resources, fluctuations in energy prices and supply and demand of alternative energy fuels, energy conservation, labor relations and tax and other government regulations. Investments in companies involved in the solar energy industry have historically been more volatile than investments in companies operating in more established industries. If government subsidies and economic incentives for alternative energy sources, particularly solar power, are reduced or eliminated, or if there is uncertainty as to whether such subsidies and incentives will be continued, the demand for solar energy may decline and cause corresponding declines in the revenues and

profits of companies engaged in the solar energy industry. In addition, changes in government policies towards solar energy technology also may have an adverse effect on the Solar Fund's performance.

Volatility of Solar PV Equipment Prices

Solar PV equipment prices may increase or decrease for a wide variety of reasons. Such changes would generally be expected to produce corresponding changes in the value of green benefits available to new renewable power generation projects, although this may not always be the case. Prices for solar PV equipment are influenced by a number of factors, including the price and availability of raw materials, global and regional demand for PV equipment and any import duties that may be imposed on PV equipment. Changes in the cost of solar PV equipment could have a material adverse effect on the Firm's ability to source projects that meet the Solar Fund's investment criteria.

Uncertain Political Backing for Renewable Energy Support Regimes

If the UK government, EU, and international support for reducing greenhouse gas emissions, including obligations and incentives for the development of renewable energy, were to decline, whether on a retrospective or prospective basis, the Solar Fund's performance could be materially adversely affected. Changes could occur for various reasons, including the adoption of a different energy mix, the discovery or invention of a more preferred fuel and/or source of energy, a change to the fiscal status of sovereign states or a decline in or political public support for renewable energy.

Possible Changes to Renewable Energy Permitting Policies

Solar PV plants require an extensive permitting process to secure approvals for construction, grid connection and operation. For example, development of a project will require planning permission from the local authorities and may require an environmental impact assessment depending upon the size and impact of the proposed project. Any change to permitting policies and procedures or any delays in such permitting process may reduce the number of solar PV plants in the market and consequently reduce the number of investment opportunities available to the Solar Fund.

Risks Relating to Investing in Solar PV Assets at the "Shovel-Ready" Stage

Investing in Solar PV Assets at the "shovel-ready" stage, rather than after plan accreditation stage, involved certain incremental risks. Specifically, such investments are subject to the risk that necessary permitting will be delayed, components will not be available, contractors will not have sufficient labor as well as other general construction risks, which may cause the project not to be completed on time, on budget or to specification. Further, even once a solar power project is complete, the project may fail to be "grid-connected" or power output may fall below expected specification. In addition, investing in shovel-ready solar power projects subjects the Solar Fund to the risk that the project will fail to receive all necessary accreditations, thus being ineligible for certain government subsidies. While the Firm believes that investing in shovel-ready Solar PV Assets presents a favorable overall risk/reward ratio for the Solar Fund, the occurrence of any of the foregoing likely would materially adversely affect the Solar Fund's performance.

Lack of Information Regarding the Solar PV Assets

Generally, very little public information exists regarding the Solar PV Assets that the Solar Fund will seek to acquire and accordingly, the Solar Fund will be required to rely on the ability of its service providers, consultants and other personnel to obtain adequate information to evaluate a particular Solar PV Asset. These parties may be subject to conflicts of interest in participating in solar investments. Any failure to uncover all material information regarding a Solar PV Asset may have a material adverse effect on the Solar Fund's business and, ultimately, investor returns.

Uncertain Regulation Concerning Solar PV Assets

The solar PV sector currently relies upon specific regulatory support to provide preferential treatment, including premium prices on electricity production, for solar PV producers. Such support has been legislated, in part, based upon a growing public and political support for solar and other renewable energy sources, due in particular to increasing public and political concerns about climate change, environmental sustainability and energy security. A change in public attitude to solar PV or renewable energy installations may result in an increase in regulatory risk to operating solar PV installations, due to, among other things, opposition to the cost burden created by solar PV production relative to alternative conventional energy sources, the appearance or environmental impact of solar PV plants or the benefits to certain investor groups, perceived to be granted at the expense of the public. There can be no guarantee that changes in public attitude will not result in a loss of actual or perceived value of investments or to a reduced number of attractive investment opportunities available to the Solar Fund.

C. Risks in Recommending a Particular Type of Security

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

ITEM 9 – DISCIPLINARY INFORMATION

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

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration Status

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

B. CFTC Registration Status

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

C. Industry Relationships Material to Advisory Business

Neither the Firm nor any of its management persons have any relationship or arrangement that is material to its advisory business with the types of entities described in this section.

D. Materials Conflicts of Interest Relating to Other Advisers

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

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

A. Code of Ethics

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

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

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

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

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

Other than as specified in the following sentences, neither the Firm nor any related person recommends to Clients, or buys or sells for a Client's portfolio, securities in which the Firm or a related person has a material financial interest. CPSF has acquired a pre-agreed portion of the investment held by CSOF and a pre-agreed portion of the investment held by CNF at a pre-agreed price equal to cost plus an interest charge, as more fully detailed in the offering memoranda for CPSF. The terms of such transfers have been agreed with the investors in CSOF and CNF, and are specified in the formation documents for those Crayhill Funds.

C. Securities in which the Firm or Related Persons Invest

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

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

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

ITEM 12 – BROKERAGE PRACTICES

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

Due to the nature of its strategy, Crayhill may but does not generally trade in public securities and, therefore, does not generally utilize broker-dealers for transactions contemplated by this section. In the event Crayhill executes a brokerage transaction for the Crayhill Funds, it will be responsible for selecting a broker-dealer. In the event Crayhill executes a brokerage transaction for the Solar Fund (e.g., trades in public securities or enters into hedging transactions), MFL will be responsible for selecting a broker-dealer.

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

Crayhill does not engage in directed brokerage.

B. Aggregated or “Bunched” Orders

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

ITEM 13 – REVIEW OF ACCOUNTS

A. Review of Client Portfolios

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

B. Factors that May Trigger a Review of Client Portfolios

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

C. Content and Frequency of Reports

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

MFL provides each investor in the Solar Fund with periodic reports in accordance with the terms of the relevant confidential private placement memoranda and the relevant constituent documents. Each investor receives unaudited reports of the performance of the Solar Fund quarterly, generally within 20 business days following quarter-end. Each investor also receives independently audited year-end financial statements annually, generally within 120 calendar days following year-end.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefit for Providing Services to Non-Clients

MFL provides an economic benefit to Crayhill and the Principals for providing investment advice to the Solar Fund through the Solar Sub-Advisory Agreement and from time to time for certain other advisory services. Otherwise, no one who is not an advisory client provides an economic benefit to Crayhill for providing investment advice or other advisory services.

B. Compensation to Non-Supervised Persons for Client Referrals

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

ITEM 15 - CUSTODY

Rule 206(4)-2 (the “Custody Rule”) of the Investment Advisers Act of 1940, as amended, imposes specific conditions on the Firm as a registered investment adviser with respect to those securities and other assets that fall under the purview of the Custody Rule that are held by, or deemed to be held by, the Firm or its affiliates. The Firm adheres to the applicable requirements of the Custody Rule with respect to each Client for which it or an affiliate is deemed to have custody. Crayhill has discretion over the Crayhill Funds’ assets and as such, it is deemed to have custody of the Crayhill Funds’ assets. MFL has discretion over the Solar Fund’s assets and as such, Crayhill is not deemed to have custody of the Solar Fund’s assets and does not maintain physical custody of such assets. Accordingly, Crayhill is responsible for ensuring that independently audited financial statements from a Public Company Accounting Oversight Board (“PCAOB”) recognized auditor, audited in accordance with generally accepted accounting principles, or other such standards that are recognized under the Custody Rule, are delivered to the underlying investors in the Crayhill Funds within 120 days of the Crayhill Funds’ fiscal year ends, and MFL is responsible for ensuring such requirements are satisfied with respect to the Solar Fund.

ITEM 16 – INVESTMENT DISCRETION

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

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

As discussed in Item 4, Crayhill provides both discretionary and non-discretionary advisory services to different types of Clients.

ITEM 17 – VOTING CLIENT SECURITIES

In accordance with SEC requirements, the Firm has adopted proxy voting policies and procedures to address how the Firm will make recommendations in respect of voting proxies for Client portfolio investments, a copy of which Clients may obtain upon request. The proxy voting policies and procedures seek to ensure that such recommendations are in the best interest of the Clients, including when there may be material conflicts of interest in the voting proxies. Although the Firm does not have nor will it accept the authority to vote the securities of the Solar Fund, the Firm may make certain recommendations to MFL on how to vote the underlying securities of the Solar Fund. MFL will take the Firm's recommendations under consideration, but it is MFL who is ultimately responsible for voting the proxies of the Solar Fund. From time to time, the Firm may accept the authority to vote the securities of Crayhill Funds other than the Solar Fund. The Firm may occasionally be subject to material conflicts of interest involving a particular vote of underlying securities due to business or personal relationships it maintains with persons having an interest in the outcome of the vote. If at any time the Firm becomes aware of a material conflict of interest relating to a particular vote, the Chief Compliance Officer will review the proposal at issue and determine how to act consistent with the applicable client's best interests when making any such recommendation.

ITEM 18 – FINANCIAL INFORMATION

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

ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS

This Item is not applicable to the Firm.