

**Item 1. Cover Page**

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

**Cross Ocean Partners Management LP**

20 Horseneck Lane, Greenwich, Connecticut. 06830

Contact:

203-340-7850

[www.crossoceanpartners.com](http://www.crossoceanpartners.com)

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This brochure provides information about the qualifications and business practices of Cross Ocean Partners Management LP. If you have any questions about the contents of this brochure, please contact us at 203-340-7850 or [legal@crossoceanpartners.com](mailto:legal@crossoceanpartners.com). 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.

Registration with the SEC does not imply a certain level of skill or training.

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

## **Item 2. Material Changes**

This Form ADV Part 2A brochure contains important information about Cross Ocean Partners Management LP (“Cross Ocean”). This brochure is intended to provide potential and existing clients with an overview of Cross Ocean and it also contains important disclosures such as certain practices of Cross Ocean, potential material conflicts that may arise and key potential investment risks. Cross Ocean may, at any time, update this brochure and either send or offer to send a copy to you (either by electronic means (email) or in hard copy form).

This is Cross Ocean’s annual updating amendment to its last brochure, which was filed on March 30, 2019. Cross Ocean has not updated this brochure since that annual update. While this update to Cross Ocean’s brochure contains changes and updates to certain information, Cross Ocean does not feel the changes and updates since it last filed an annual update to its brochure are material. Please note that this updated brochure reflects certain new Funds that have been formed by Cross Ocean or its affiliates since the last annual update to its brochure.

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#### **Item 4. Advisory Business**

Cross Ocean Partners Management LP (“Cross Ocean”), a Delaware limited partnership, was formed in 2016 and is located in Greenwich, Connecticut. Cross Ocean provides investment management services on a discretionary basis to privately offered investment funds (each, a “Fund” and collectively, the “Funds”) and managed accounts (“Accounts” and together with the Funds, “Clients”). Affiliates of Cross Ocean serve as general partners of the Funds (each, a “General Partner”). Cross Ocean sub-advises certain of the Funds.

Cross Ocean’s investment management services primarily relate to investments in a broad range of credit and hard asset classes, including corporate loans and bonds, liquidations, structured credit, commercial real estate and aviation. With respect to certain Clients, Cross Ocean’s strategy will focus primarily on the “stressed” and “distressed” debt obligations of issuers having a substantive nexus to the United States, although the Clients may opportunistically invest a limited portion of their capital outside the United States. Additionally, certain other Clients’ strategies will focus on stressed and distressed debt obligations of issuers having a substantive nexus to the United States or Europe, and such Clients may opportunistically invest their capital outside of such jurisdictions. The strategy of certain Accounts focus primarily on stressed and distressed debt obligations of U.S. energy companies. Certain Funds Cross Ocean manages focus principally on aviation related investments globally, in particular acquiring commercial aircraft and engines. Although Cross Ocean does not currently do so, Cross Ocean’s investment management or advisory services may relate to other types of investments and asset classes in the future.

Cross Ocean provides investment advice to each Client in accordance with the strategy and investment restrictions applicable to that Client as outlined in the applicable investment advisory agreement or offering document for that Client. Investment advice is provided directly to the Clients or, with respect to sub-advised Funds, the Fund’s investment manager, according to the pertinent Client’s investment objectives and not individually to the Client investors. The General Partner of a Fund may establish an advisory committee comprised of representatives of selected Fund investors (each, an “L.P. Advisory Committee”). Cross Ocean in the future may also serve as sub-adviser to certain Clients.

The principal owners of Cross Ocean are GG Managers LLC, which is wholly owned by Graham Goldsmith, the Chief Executive Officer of Cross Ocean, and various funds managed by Stone Point Capital LLC.

Cross Ocean had \$2,137,079,037 in regulatory assets under management, of which \$2,137,079,037 is discretionary and \$0 is non-discretionary. Information with respect to the amount of assets under management is generally provided as of December 31, 2019.

This brochure generally includes information about Cross Ocean and its relationships with its Clients and affiliates. While much of this brochure applies to all such Clients and affiliates, certain information included herein applies to specific Clients and affiliates only. This brochure does not contain all of the terms and conditions related to an investment in the Funds or Accounts or all of the risks associated with any such investment, and certain of the information presented herein is in summary form. As a result, prior to any investment in any Fund or Account, all prospective investors should carefully review the offering memorandum for such Fund or Account.

This brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities are generally offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended, and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made. Investors in Funds or Accounts generally must be both “accredited investors,” as defined in Regulation D, and “qualified purchasers,” as defined in the Investment Company Act of 1940, as amended.

## **Item 5. Fees and Compensation**

Compensation received by Cross Ocean and/or an affiliate for investment management services to the Clients is comprised of management fees based on a percentage of assets under management and performance-based fees. The following is a general summary of fees, which will be described in greater detail in the confidential private placement memorandum (“PPM”) of each Fund or the investment management agreement of each Account.

Prospective investors and clients should be aware that Cross Ocean’s fees and performance allocation may change over time and that different fees may apply if Cross Ocean adopts new investment strategies.

### *Management Fee*

Cross Ocean does not maintain a fixed fee schedule for the Clients. Generally, Cross Ocean will receive a management fee (“Management Fee”) from each Client of up to 2.0% per annum of the net asset value of the relevant fund, drawn capital, committed capital or any combination of the foregoing. These fees will generally be payable monthly or quarterly in arrears.

### *Other Fees, Management Fee Offset and Fees of Service Companies*

Cross Ocean or an affiliate may receive transaction, directors’, consulting, advisory, management, monitoring, closing, break-up, servicing, disposition or administration fees and other similar fees from portfolio companies in connection with a Client and its investments and potential investments (“Other Fees”). Although arrangements may vary from Client to Client, as described in the pertinent offering and/or governing agreements for each Client, generally 100% of such Other Fees will be applied to reduce the Management Fee for such quarterly period (net of any unrecouped expenses associated with the Client’s investments). To the extent such offsets would reduce the Management Fee for a given quarterly period below zero, such offsets will be carried forward and reduce future instalments of the Management Fee. With respect to certain Funds, certain Other Fees may not be applied to reduce the Management Fee (such as fees received with respect to securitization vehicles in which such Fund participates, provided that the Fund does not effectively bear any fees attributable to its own capital in any such securitization vehicles). The investment program of certain Funds is expected to include investing in assets subject to fees or profit-sharing arrangements payable to servicers of specific assets owned by the Funds (“Service Companies”) based upon the specialized expertise, systems or other relevant considerations with respect to each Service Company. Services are typically provided pursuant to service or management agreements between the holding companies in which a Fund owns a direct or indirect interest and the Service

Companies that can provide for the payment of servicing or other fees. These Fees, which are in addition to the pertinent Management Fees and carried interest distributions, may be determined in accordance with one or more of the following methods: (i) a percentage of the value of the assets being serviced, (ii) a percentage of the equity invested in the assets being serviced, (iii) a percentage of the cash flows from the assets being serviced, (iv) a percentage of the net return from the assets being serviced or (v) a flat fee per asset serviced or service. It is possible that certain Service Companies may receive performance-based compensation, even though the pertinent Funds, as a whole, do not have net capital appreciation.

With respect to such Funds, Cross Ocean and/or its affiliates may act as Service Companies and receive compensation from such Funds' portfolio companies (e.g., securitization vehicles) or third parties, including without limitation management, servicing and disposition fees from third parties in connection with the Funds' investments. Fees payable to any affiliated Service Companies will typically be structured so that the pertinent Funds do not effectively bear any such amounts with respect to its allocable portion of the applicable investments. This can be accomplished through special allocation of the relevant fees to investors other than the Funds, or if the Funds are subject to such fees payable to Cross Ocean or its affiliates, such amounts (net of related expenses) will be applied to offset the pertinent Management Fees. In the case of transaction fees received by Cross Ocean or an affiliate from any third parties solely as a result of the Funds' investments, such fees will reduce the Management Fees on a dollar-for-dollar basis. For the avoidance of doubt, the offset shall not apply with respect to any portion of such fees that are not attributable to the Funds or activities that are not on behalf of the Funds (for example, if the Funds co-invest with any other Cross Ocean funder third party co-investors in any investment, the offset will apply solely with respect to a pro rata portion of transaction fees based on the Funds' participation percentage in the relevant investment).

With respect to certain of Cross Ocean's managed Clients, in respect of certain targeted investments, such as investments in aviation assets, after the initial investment decision is made by the Client's investment committee, ongoing monitoring and the authority to make investment decisions on behalf of such Clients may be vested with affiliated investment advisors or sub-advisors of Cross Ocean or an independent board of an underlying offshore special purpose vehicle rather than the investment committee.

### *Performance Allocation*

Cross Ocean or an affiliate will generally receive a performance allocation or carried interest in accordance with the distribution waterfall of the relevant Client which will, in general, not exceed 20% of all net profits generated by the Client. Certain of Cross Ocean's Funds are assessed an incentive allocation of up to 20% of net profits allocable to the Fund during a particular performance period (which may be annually or for other periods of time). Such incentive allocation typically is subject to certain preferred returns or hurdle amounts, as well as a loss recovery account or "high water mark."

### *Other Types of Fees or Expenses*

Client investors bear indirectly the fees and expenses charged to the Client, which will typically include, but are not limited to:

*Organizational Expenses.* The costs and expenses incurred in connection with the organization, structuring and formation of the Clients, including third party advisers, registration and formation costs, and costs and expenses incurred in connection with marketing the Clients.

*Operating Expenses.* The Clients (and, indirectly, Client investors) bear all costs and expenses directly related to the Clients' investment programs. These typically include expenses attributable to the activities of the Client or Cross Ocean on behalf of the Client. With respect to the pertinent Client, these include, without limitation, fees, costs and expenses:

- Incurred in connection with the evaluation, discovery, investigation, development, acquisition, monitoring or disposition of investments (whether or not consummated) of the Client, including fees, costs and expenses relating to accounting, auditing, investment banking, third-party industry and due diligence experts (including for credit and risk analytics, and loss mitigation), finders, originators, consultants (including if dedicated or partially dedicated);
- Incurred in connection with the carrying or management of the Client's investments;
- Incurred in implementing or maintaining third party software tools, programs or technology for the benefit of the Client;
- Incurred in connection with the incurrence of leverage and indebtedness by the Client;
- Incurred in connection with computing the value and attributes of the assets of the Client;
- Incurred in connection with the Client's financial statements, reports, notices and tax returns;
- In relation to any and all taxes and other governmental charges incurred or payable by the Client;
- Related to the maintenance of registered offices, corporate licensing or similar matters;
- Related to the appointment and engagement of independent and non-executive directors acting on behalf of the Client;
- Related to the provision of insurance in connection with the activities of the Client;
- Incurred to comply with any law or regulation related to the activities of the Client;
- Related to the Client's and Cross Ocean's regulatory filings (including, without limitation, Forms 13D, 13F, 13G, 13H, PF, ADV and CPO-PQR);

- Internal costs and expenses of Cross Ocean and/or its affiliates, including salaries, bonuses and benefit costs of “dedicated” employees, to the extent that the General Partner of the Fund or Investment Manager of the Account determines that such costs are directly attributable to the Client, as applicable, and obtaining the applicable services from internal resources reduces the comparable expenses that the Client would otherwise need to pay third-party service providers; and
- With respect to other items as detailed in the pertinent PPM, limited partnership agreement and/or investment management agreement.

Some of the costs and expenses detailed above will be allocable across the Clients. Cross Ocean will allocate these costs generally on a *pro rata* basis, using a fair and reasonable allocation methodology given the circumstances of such expenses.

Please also see “Item 12 – Brokerage Practices” below.

#### *Fees Related to Co-Investments*

As discussed below, Cross Ocean may permit third parties to co-invest with the Clients and has no obligation to offer such opportunities to Client investors. Cross Ocean or an affiliate may (a) receive carried interest, management fees or other similar fees from any such co-investors with respect to any co-investment and (b) collect customary fees in connection with actual or contemplated portfolio investments that are the subject of such co-investment arrangements. Any such carried interest, management fees or other similar fees charged to co-investors with respect to any co-investment may differ from those charged to the Clients and will not be considered Other Fees and will not offset the Management Fees.

In general, the Clients will bear all out of pocket expenses (including, without limitation, legal and accounting costs and travel expenses) associated with any co-investment opportunity that is unconsummated, including any portion thereof that may or would have been allocated to potential investors had such co-investment been consummated. Notwithstanding the foregoing, Cross Ocean will seek to allocate expenses of such unconsummated investments to investors of the co-investment where it is appropriate and reasonable to do so.

#### *Side Letters*

Subject to applicable law, the pertinent General Partner and Cross Ocean may, in their sole discretion, negotiate and enter into agreements (“side letters”) on behalf of a Fund with certain Fund investors that will result in different terms of an investment in the Fund than the terms applicable to other Fund investors. As a result of such side letters, certain Fund investors may receive additional benefits that other Fund investors will not receive. These side letters may have the effect of establishing, altering or supplementing the terms of the partnership agreement for a particular Fund. The ability of Fund investors to obtain different or more favorable terms in this manner may disadvantage other Fund investors who do not have the benefit of such terms. Except as required by law or as agreed with a Fund investor, in general, neither the pertinent General Partner nor Cross Ocean will be required to notify any or all of the other Fund investors of any such side letters or any of the rights and/or terms or provisions thereof, nor will such General



Partner be required to offer such additional and/or different rights and/or terms to any or all of the other Fund investors.

Modification of Fund terms pursuant to a side letter may be made in relation to (but not limited to) “most favored nation” provisions, economic arrangements (including management fee, carried interest and hurdle or performance-based allocation rates), co-investment opportunities, the L.P. Advisory Committee, transfers, use of name, prohibited and excused investments, borrowing, confidentiality, notification of investigations, change of control, assignment of right to call capital, limitations of commitment percentage, distribution *in specie* and other legal and regulatory matters. Additionally, Clients may waive management fees and/or performance-based fees for certain investors in Clients, such as “friends and family” and employee investors.

### *Designated Investments*

From time to time, certain Funds may be invested, directly or indirectly, through a special purpose vehicle, in assets that are deemed “designated investments,” which may be segregated from the Fund’s main portfolio. Designated investments may be designated as such for, among other reasons, if the investments are expected to be held longer than other investments, they are illiquid, they do not have a readily ascertainable fair value and/or their disposal may be prejudicial to other Clients. The designation may be made prior to or after the investment is made.

### *Valuation*

With respect to certain Funds, Cross Ocean is compensated and the applicable General Partner receives incentive allocations, based on the market value and/or performance of the Fund. As a result, to the extent that Cross Ocean and/or a General Partner values a security higher than its current market value (or where such market values are unreliable), Cross Ocean and/or the General Partner may benefit by receiving a management fee or performance fee or incentive allocation that is increased by the impact, if any, of such valuation discrepancy. Additionally, where an investor purchases or redeems interests in certain Funds at a net asset value that is impacted by a discrepancy in valuation, such investor may receive a greater or lesser interest in (or increased or decreased redemption proceeds from) such Fund than would have been the case absent the discrepancy. Similarly, existing and continuing investors in a Fund may be subject to dilution or accretion. Certain of the assets in which Clients managed by Cross Ocean invest are generally more difficult to value than investments in other types of securities, such as publicly traded and listed securities. In addition, certain assets in which the Clients invest may, at any time or from time to time, be illiquid or thinly traded.

Cross Ocean has adopted certain valuation policies and procedures pursuant to which it uses a variety of fair value techniques or methodologies in order to value the assets and securities in which the Clients are invested. These policies and procedures seek to assure that assets are valued in good faith and as fairly as is reasonably practicable under the circumstances.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

Currently all Cross Ocean Clients are subject to payment of a performance-based fee. As a result, Cross Ocean does not face the conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not others. However, to the extent performance-based fees paid by clients may vary, Cross Ocean may have an incentive to favor one client over another. Cross Ocean addresses this possible conflict through its trade allocation policy, in which investment opportunities are allocated among clients according to each client's investment objectives and in a fair and equitable manner.

## **Item 7. Types of Clients**

Cross Ocean provides investment advice to private investment funds (defined previously as the "Funds") and separately managed accounts (defined previously as "Accounts"). Investment advice is provided directly to the Clients and not individually to the Client investors.

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

### ***Methods of Analysis and Investment Strategies***

Cross Ocean is a special situations asset management platform focused on an investment strategy that invests in investment opportunities in a broad range of credit and hard asset classes, including corporate loans and bonds, structured credit, commercial real estate and aviation.

With respect to certain Clients, Cross Ocean's strategy will focus primarily on the "stressed" and "distressed" debt obligations issued by U.S. companies (or, in the case of certain Clients, issuers located across a broader geographic scope). The strategy of certain Accounts focus primarily on stressed and distressed debt obligations of U.S. energy companies. Certain other Funds have been formed to make investments primarily in commercial aircraft, engines, debt and other aviation related investments throughout the globe.

The Clients' investments will be made in accordance with Cross Ocean's strategy (the "Strategy"). There are three core elements to the Strategy:

- *Value investing*: Seeking to purchase assets beneath their intrinsic value, as identified by fundamental research, detailed bottom-up investment analysis and, with respect to hard assets, technical asset evaluation.
- *Downside protection and capital preservation*: Focusing on senior secured loans, aviation assets and other assets which Cross Ocean believes have characteristics that limit downside risk.
- *Sourcing Strategy*: Having a specific sourcing strategy and utilizing dedicated sourcing capabilities where appropriate to seek to identify less competitive situations.

### *Investment Scenarios*

Typically, investments are likely to arise out of one, or a combination, of the following situations, without limitation:

- Assets being sold by a motivated seller – for example, a non-domestic bank.
- Corporate borrowers under some form of stress – either operational or financial.
- “Hung” bridge loans and failed syndications – where an underwriter holds a large exposure and typically offers it at a discount.
- A short- to medium-term catalyst that is expected to arise which Cross Ocean believes will be value accretive – for example, mergers and acquisitions activity or regulatory changes.
- Assets being sold in a portfolio – either at an attractive valuation or, where a rump portfolio can be created, at an attractive valuation by selling off parts of the portfolio.
- Liquidation or bankruptcy claims.
- Restructured or “stub” equity – created out of a restructuring (frequently offers attractive value as it has no immediate investor base, since, for example, banks may be motivated to sell equity received in a restructuring).
- Airlines seeking to sale lease-back older aircraft to raise capital.
- Financial investors who sell older aircraft in order to maintain a young average age portfolio or who lack the scale or sophistication to manage vintage assets.
- Aircraft or engine backed loans from financial institutions which may lack the resources and/or sophistication to manage vintage assets in distressed, restructuring or repossession situations.
- Airlines in bankruptcy or receivership – opportunity to buy assets at distressed prices.
- Aircraft asset-backed securitizations liquidating certain assets to meet amortization obligations.
- Mid-size to smaller airlines which lack the access to capital to fund the acquisition of aircraft.

### ***Material Risks of Cross Ocean's Strategies***

Investing in securities involves risk of loss that Client investors should be prepared to bear. The following is a summary of some of the material risks associated with the strategies expected to account for a significant portion of the Clients' investments. This summary does not attempt to describe all of the risks associated with an investment in a Client or to provide a complete description of any of the individual risks referenced. Although no summary can fully describe all of the risks associated with such an investment, the pertinent PPM will contain a more complete description of the risks associated with an investment in a particular Client. Not all of the risks summarized below will pertain to any particular Client.

*No Assurance of Returns or Achieving Investment Objectives.* There is no assurance that the Strategy will be able to generate returns for Client investors or that the returns will be commensurate with the risk of investing in the types of assets and transactions described in the pertinent PPM. There can be no assurance that the Strategy's investment objectives will be met or that investors will receive a return of all their capital contributions. There can be no guarantee that the Strategy will be able to avoid losses.

*Limited Operating History.* Although a Cross Ocean affiliate and certain Cross Ocean personnel have recent experience relating to the acquisition, holding and disposal of investments of the type that Cross Ocean will manage, the Strategy and the Cross Ocean advisers have a short operating history which provides no reliable basis upon which an evaluation of the Strategy's prospects can be made. Further, certain Clients have only recently commenced operations, and have a very limited history of performance.

*Structure of Investments.* Investments made by the Clients may be made through intervening holding companies or other special purpose vehicles in order to minimize applicable taxes or for regulatory or securities reasons. No assurance is given that any particular structure will be suitable for all investors and, in certain circumstances, such structures may lead to additional costs or reporting obligations for some or all of the investors. In addition, certain tax laws may change or be subject to differing interpretations, possibly with retroactive effect, that may have a negative impact on the Clients. The tax consequences of a particular special purpose vehicle may change after an investment has been made or a special purpose vehicle has been established, with the result that the issuer of investments held by a special purpose vehicle becomes subject to tax. Also, the special purpose vehicles themselves may become liable to tax or be required to withhold tax on payments or distributions to the Clients, or may need to be unwound or restructured, in each case resulting in the Clients' returns being reduced.

*Dependence on Key Personnel.* The success of the Clients will be highly dependent on the expertise and performance of Cross Ocean's management team and investment professionals. There can be no assurance that these individuals will continue to be associated with Cross Ocean throughout the life of the Clients. The loss of the services of one or more of these individuals could have a material adverse effect on the performance of the Clients. In addition, although it is anticipated that members of the Cross Ocean team will commit a significant amount of their business efforts to the Clients, they are not required to devote all of their business time to the Clients' affairs. Certain members of the Cross Ocean team will continue to be involved with the business activities of Cross Ocean affiliates.

*Debt Securities.* Debt securities, in general, are subject to price volatility due to various factors, including changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. In addition to the sensitivity of debt securities to overall interest rate movements, debt securities involve a fundamental credit risk based on the issuer's ability to make principal and interest payments on the debt it issues. Debt securities may pay fixed, variable or floating rates of interest, may include zero coupon obligations and may be subordinated (and thus exposed to the first level of default risk) or otherwise subject to substantial credit risks. The Clients invest in both investment grade debt securities and non-investment grade debt securities (commonly referred to as "junk bonds"). Non-investment grade debt securities in the lowest rating categories may involve a substantial risk of default or may be in default. The value of such debt typically trades almost entirely on the basis of credit risk rather than interest-rate fluctuations.

*Illiquid Investments.* Cross Ocean expects that many of the Clients' investments will be highly illiquid. The Clients will invest in non-publicly-traded securities and private debt instruments for which the number of potential purchasers and sellers, if any, is very limited. Typically, the larger the portfolio company in which a Client invests, the fewer the strategic buyers available and the more protracted the Client's exit strategy is likely to be. The Clients also may invest in other assets and instruments, such as trade and litigation claims, for which there is little or no market. The illiquid nature of the Clients' positions will make it difficult if not impossible for the Clients to close out unprofitable positions and redeploy capital.

*Bank Loans and Participations.* Cross Ocean intends to invest a portion of the Clients' assets in bank loans and participations. The special risks associated with these obligations 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 issuers of the obligations, (iii) environmental liabilities that may arise with respect to collateral securing the obligations, (iv) adverse consequences resulting from participating in such instruments with other institutions with lower credit quality and (v) limitations on the ability of a Client or Cross Ocean to directly enforce its rights with respect to participations. Cross Ocean will balance the magnitude of these risks against the potential investment gain prior to entering into each such investment. Successful claims by third parties arising from these and other risks, absent bad faith, may be borne by the Client. The Clients do not currently intend for a substantial portion of the respective portfolios to originate, organize or serve as an agent in connection with bank loans and participations.

*Risk of Portfolio Investments.* The Clients may invest in distressed debt investments (e.g., investments in defaulted, out-of-favor or distressed bank loans and securities). Certain of the Clients' investments will be in specific securities or other instruments of companies that typically are highly leveraged, with significant burdens on cash flow, and therefore involve a high degree of financial risk. The Clients may also make investments in companies that are experiencing financial or operational difficulties or are otherwise out-of-favor. Such companies' instruments may be considered speculative, and the ability of such companies to pay their debts on schedule could be adversely affected by interest rate movements, changes in the general economic climate or the economic factors affecting a particular industry, or specific developments within such companies. Investments in companies operating in workout or bankruptcy modes also present additional legal risks, including fraudulent conveyance, voidable preference and equitable subordination risks. The Clients may invest in private debt, equity and warrants. These

instruments may be acquired with or without registration rights. Unregistered securities are highly illiquid and may not be freely traded.

*Distressed Instruments.* Investment in the instruments of financially troubled issuers and operationally troubled issuers involves a high degree of credit and market risk. The Clients may invest in select companies that, in the view of Cross Ocean, have the potential over the long-term for capital growth. There can be no assurance that such financially troubled issuers or operationally troubled issuers can be successfully transformed into profitable operating companies. There is a possibility that the Clients may incur substantial or total losses on their investments or that such investments may not show any return for a considerable period of time. Under such circumstances, the returns generated from a Client's investments may not compensate investors adequately for the risks assumed. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There can be no assurance that Cross Ocean will correctly evaluate the value of a company's assets or the prospects for a successful reorganization or similar action. During an economic downturn or recession, instruments of financially troubled or operationally troubled issuers are more likely to go into default than instruments of other issuers. In addition, it may be difficult to obtain information about financially troubled issuers and operationally troubled issuers.

Instruments of financially troubled issuers and operationally troubled issuers are less liquid and more volatile than instruments of companies not experiencing financial difficulties. The market prices of such instruments are subject to erratic and abrupt market movements, and the spread between bid and asked prices may be greater than normally expected. In addition, it is anticipated that many of the Clients' portfolio investments may not be widely traded and that the Clients' investment in such instruments may be substantial relative to the market for such instruments. As a result, the Clients may experience delays and incur losses and other costs in connection with the sale of their portfolio instruments.

Troubled company and other asset-based investments require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by Cross Ocean. To the extent that Cross Ocean becomes involved in such proceedings, a Client may have a more active participation in the affairs of the issuer than that assumed generally by an investor. In addition, involvement by Cross Ocean in an issuer's reorganization proceedings could result in the imposition of restrictions limiting a Client's ability to liquidate its position in the issuer or increase the likelihood of the Client being involved in litigation.

*Lower-Rated and Unrated Credit Securities.* The Clients may invest in lower rated and unrated credit securities and can do so without limit. Many of the issuers of such securities and their obligations are not rated by any credit rating agency, and a significant portion of such issuers and obligations would likely fall in the lowest rating category if they were rated. There is greater risk that issuers of lower rated and unrated credit securities will default on their obligations to pay interest or to repay principal than in the case of issuers of higher-rated securities. Such issuers are also at greater risk for insolvency. The prices of lower or unrated credit securities are likely to be more sensitive to adverse economic changes or individual corporate developments than higher-rated securities. During an economic downturn or substantial period of rising interest rates, lower or unrated issuers and, in particular, highly leveraged issuers may experience financial stress that adversely affects their ability to service their principal and interest payment obligations, to meet

their projected business goals or to obtain additional financing. In the event of a default, the pertinent Client will likely incur additional expenses to seek a recovery of its investment in a restructuring or other proceeding. The secondary market for lower and unrated securities will likely be less liquid (or even non-existent) than markets for higher quality securities and, as such, may have an adverse effect on the market prices of certain securities. The illiquidity of the market could make it difficult for the Client to sell such securities.

*Interest Rate/Inflation Exposure.* The Clients will be exposed to interest-rate risk. Increases in interest rates will decrease the likelihood of successful workouts of distressed debt and increase the likelihood of defaults and foreclosures. In addition, increasing interest rates (currently at or near historical lows) will cause the outstanding debt securities held by the Clients to decline in value. The debt of the distressed issuers in which the Clients will invest is priced primarily on assessments of the credit quality of the issuers rather than prevailing interest rates. Substantial inflation could assist certain of such issuers by permitting them to pay off their debt in inflated dollars. However, in general, interest-rate increases and rising inflation can be expected to materially adversely affect the Clients.

*Significant “Long Bias” in the Clients’ Portfolios.* Certain Clients have been formed primarily to acquire long positions in instruments identified by Cross Ocean as undervalued. The “long bias” to the Clients’ portfolios will mean that a substantial percentage of the Clients’ positions may be highly correlated in the case of events — such as interest-rate increases or an accentuated “credit crisis” — that cause outstanding debt instruments to decline in value.

*Uncertain Recovery Value of Collateral.* A substantial component of Cross Ocean’s analysis of the desirability of making a given investment relates to the estimated residual or recovery value of such investments in the event of the insolvency of the issuer. This residual or recovery value will be driven primarily by the value of the underlying assets constituting the collateral for such investment. The value of collateral, however, can be extremely difficult to predict, and in certain market circumstances there could be little, if any, market for such assets. Moreover, depending upon the status of these assets at the time of an issuer’s default, they may be substantially worthless. The types of collateral owned by the issuers in which the Clients invest will vary widely. During times of recession and economic contraction, there may be little or no ability to realize on any of these assets.

*Portfolio Concentration in the United States.* The portfolios of certain Clients will be heavily concentrated in the U.S. The U.S. economy tends to be highly correlated and inter-connected. A recession in the U.S. could materially adversely affect the portfolio companies in which the Clients invest as well as the value of the collateral securing the investments.

*Portfolio Concentration in a Limited Number of Investments.* Although the Clients may be subject to certain diversification limitations, a Client may be concentrated in one or more particular sectors, industries or geographic locations. Further, such limitations may be waived with the consent of the applicable L.P. Advisory Committee. Cross Ocean anticipates that some Clients will have a concentrated portfolio in which substantially all of the Clients’ capital may potentially be invested in a small number of situations at any one time. Accordingly, the failure of only a limited number of these investments could make it highly unlikely that the Clients will be able to achieve their investment objectives (or avoid substantial losses). Further, the Clients’ investment portfolios may

be subject to more rapid change in value than would be the case if the Clients were required to maintain a wide diversification among companies, industries and types of securities.

*Use of Leverage.* The Funds may directly leverage their investments and may utilize leverage embedded in derivative instruments and securities. This will result in a Fund controlling substantially more assets than the Fund has equity. Direct leverage increases the Fund's returns if the Fund earns a greater return on investments purchased with borrowed funds than the Fund's cost of borrowing such funds. However, the use of leverage exposes the Fund to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the Fund not borrowed to make the investments; (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions; and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Fund's cost of borrowing such funds. In the event of a sudden, precipitous drop in value of a Fund's assets, the Fund might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses. With respect to embedded leverage, a Fund may be subject to major losses in the event that market events disrupt the hedged nature of its positions or it is forced to liquidate positions at a disadvantageous time. Furthermore, the credit extended to the Fund by dealers to permit it to maintain its leveraged positions can be terminated by the dealers largely in their discretion, forcing such liquidation at potentially material losses.

*Financing Arrangements; Availability of Credit.* The Funds may utilize leverage and, to the extent utilized, the Funds will depend on the availability of credit in order to finance their portfolios. There can be no assurance that the Funds will be able to maintain adequate financing arrangements under all market circumstances. As a general matter, the banks and dealers that provide financing to the Funds can apply essentially discretionary margin, haircut, financing, security and collateral valuation policies. Changes by banks and dealers in such financing policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances or governmental, regulatory or judicial action, may result in large margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants at or about the same time. The imposition of such limitations or restrictions could compel a Fund to liquidate all or part of its portfolio at disadvantageous prices.

The use of leverage may involve material interest expense, fees and transaction costs. Financing arrangements are likely to include a number of different terms that will permit the lenders to effectively require that the financing arrangements be materially deleveraged or terminated, and there can be no assurance that a Fund would be able to find suitable replacement financing arrangements. Any such deleveraging or termination might result in material losses to the Fund and could materially reduce or eliminate the Fund's ability to recoup past losses. In addition, lenders may often terminate financing arrangements for events of default tied to events relating to the Fund, the General Partner, or other circumstances, even if those events are not reasonably directly related to the ability to repay the borrowing.

*Leverage of Portfolio Companies.* Because the investments of certain Clients are expected to be in portfolio companies with leveraged capital structures, such investments will be subject to increased exposure to adverse economic factors such as a rise in interest rates, a downturn in the



economy or further deterioration in the condition of a particular portfolio company and/or its market sector. The Clients will invest in the debt and equity of portfolio companies that are unable to generate sufficient cash flow to meet the principal and interest payments on their outstanding indebtedness. The value of a Client's investment in such a portfolio company could be significantly reduced or even eliminated as a result of any further deterioration in the credit standing of the portfolio company.

*Currency Fluctuations.* The Clients' accounts will be denominated in U.S. dollars. The Clients may be making and realizing investments denominated in more than one currency. As a result, changes in rates of exchange may have an adverse effect on the value, price or income of the investments. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Investors should note that, although Cross Ocean intends to hedge its exposure to currency risk due to non-USD denominated investments, it is under no obligation whatsoever to engage in such hedging arrangements.

*Uncertain Exit Strategies.* Cross Ocean typically does not know the maximum — or, often, even the expected—duration of any particular investment at the time of initiation. Due to the illiquid nature of many of the investments that the Clients expect to make, Cross Ocean is unable to predict with confidence what, if any, exit strategy for a given investment will ultimately be available. Exit strategies that appear to be viable at certain times during the life cycle of an investment may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors. The larger the transaction in which a Client is participating, the more uncertain the exit strategy tends to become.

*Non-Consummation Risk.* In special situations investing, the Clients will be subject to the risk of the non-consummation of the reorganization, asset or business unit sale, merger, etc. that created the special situation in question. A special situation investment will typically incur material losses in the event of non-consummation. While Cross Ocean will attempt to limit this risk by the timing of the investment(s), the profitability of special situation investments will primarily depend on successful consummation.

*Limitations on Hedging; Hedging Risks.* Most of the Clients' economic risks cannot be effectively hedged. However, in connection with the financing of certain investments, the Clients may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices and/or currency exchange rates. While such transactions may reduce certain risks, they create others. The Clients may benefit from the use of these hedging strategies; however, such strategies may also result in losses and overall poorer performance than if the Clients had not entered into such hedging transactions.

*Short Sales.* The Clients may sell securities short during the course of implementing their trading or hedging strategies. Short sales, in certain circumstances, can substantially increase the impact of adverse price movements on a portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short. Because the borrowed securities sold short must later be replaced by securities purchased in the market, any appreciation in the market price of these securities results in a loss. Purchasing securities to close out a short

position can itself cause the market price of the securities to rise further, increasing losses. Furthermore, a Client may be prematurely forced to close out a short position if a counterparty from which the Client borrowed securities demands their return or increases the borrowing costs. There can be no assurance that securities necessary to cover a short position will be available for purchase.

*Whole Loans.* Cross Ocean may cause a Client to acquire whole loans, as opposed to commercial mortgage-backed securities whose payment flows are dependent on payments of the underlying loans. When a Client holds a whole loan, Cross Ocean will be responsible for dealing directly with the issuer, which can both consume valuable Cross Ocean resources that could be more profitably employed in other investments and subject the Client to all the uncertainties, expenses and adversary proceedings which surround foreclosures in general. (The Clients will not acquire — and, accordingly, will not be responsible for foreclosing upon — any single family residential mortgages, given the political and regulatory obstacles to such foreclosures.)

*Subordination, “Cramdowns” and Dilution.* A Client, as the senior secured creditor of an issuer, can find itself subordinated to otherwise junior creditors. For example, a bankrupt issuer may apply to the bankruptcy court for “debtor in possession” financing in order to obtain new capital for its operations. The persons who invest such new capital will take a senior position to the Client, even though the Client was previously senior to such persons. The Clients would likely be given an opportunity to participate in such financing but might not be able to do so. The reorganization plan approved by the bankruptcy court may result in a number of different creditors being compelled to accept materially adverse changes to the terms of the debt that they hold, including reduced interest rates, extended maturities and reduced acceleration rights. Such “cramdowns” may be imposed in the discretion of the bankruptcy court in order to give the issuer a better chance of remaining economically viable. In a reorganization, substantial amounts of equity are often issued to the senior lenders in return for the extinguishment of their debt. This can result in substantial dilution to an equity position previously acquired by a Client, either directly or through the acquisition of convertible debt.

*Uncertainties of Foreclosure Process.* Cross Ocean concentrates on acquiring debt that is secured by assets that Cross Ocean believes to have a value adequate to ensure payment of such debt. However, if it becomes necessary to foreclose on the assets underlying a loan acquired by a Client, significant uncertainty may arise as to the outcome of the proceeding. Bankruptcy judges have broad discretion as to how they deal with the claims of different creditors, and the claims of secured creditors may not — despite their legal entitlement — always be respected as a matter of policy. The Clients may make investments in restructurings and workouts that involve portfolio companies that are experiencing, or are expected to experience, severe financial difficulties, which may never be overcome and may lead to uncertain outcomes. The bankruptcy courts have broad discretion to control the terms of a reorganization, and political factors may be of significant importance in the more high profile bankruptcies. For example, in order to protect net operating losses of a company in bankruptcy, a bankruptcy court might take any number of actions, including prohibiting or limiting the transfer of claims held by certain classes of creditors. Such a prohibition could have a material adverse effect on the value of certain investments made by the Clients. For example, a Client might be prohibited from liquidating investments that are declining in value.

*Risks Associated with Lender Liability; Equitable Subordination.* In recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (commonly referred to as “lender liability”). Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. The Clients may become subject to allegations of lender liability. In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender: (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender to the claims of the disadvantaged creditor or creditors, a remedy called “equitable subordination.”

*Fraudulent Conveyance Considerations.* Various laws enacted for the protection of creditors may apply to certain investments that are debt obligations, although the existence and applicability of such laws will vary from jurisdiction to jurisdiction. For example, if a court were to find that the borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and the grant of any security interest or other lien securing such investment, and, after giving effect to such indebtedness, the borrower (i) was insolvent, (ii) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate such indebtedness and such security interest or other lien as a fraudulent conveyance, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, if an issuer in which a Client has an investment becomes insolvent, any payment made on such investment may be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year) before insolvency. In general, if payments on an investment are voidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient or from subsequent transferees of such payments. To the extent that any such payments are recaptured from the Client, the resulting loss will be borne by the Client investors.

*Litigation.* Foreclosures and reorganizations are contentious and adversarial. It is by no means unusual for participants to use the threat of, as well as actual, litigation as a negotiating technique. It is possible that a Client may be named as a defendant in civil proceedings relating to certain of the Client’s investments. The expense of defending against such claims and paying any resulting settlements or judgments will be borne by the Client. Any indemnification payments would adversely affect the Client’s returns. Indemnification obligations will survive the dissolution of the Clients, and may cause Cross Ocean to retain a material reserve from what would otherwise have been the winding-up proceeds distributed to Client investors.

*Lack of Control Over Most Portfolio Companies.* The Clients will hold minority or non-controlling interests in the bulk of the portfolio companies in which they invest. The investors with the controlling interests in such investments — which may often be competitors of the Clients — may be able to take actions that adversely affect the value of the Clients' investment.

*Participation in Control Situations.* From time to time, the pertinent General Partner of a Fund or Investment Manager of an Account will take control positions in an issuer in an effort to maximize value. Not only can control investments take an inordinately long period to exit, but also the General Partner's position of control can be highly resource-intensive and contentious. The General Partner, Investment Manager and the Clients may be particularly vulnerable to being named as defendants in litigation relating to their actions while in control of an issuer and may, from time to time, come into possession of material non-public information concerning specific issuers, although internal structures are in place to prevent misuse of such information.

*Technological Advances.* Technological advances can rapidly render collateral that once had considerable value effectively worthless. Given the speed of technological advances in certain market sectors, such degradations in value could occur several times within the medium-term time horizons expected for the Clients' investments.

*Issuers in Weak Financial Condition.* The Clients will invest in distressed securities and in other assets and instruments, such as trade and litigation claims, that may facilitate taking control of distressed issuers. These securities, assets and instruments by their nature are issued by or relate to companies in unstable financial condition and entail substantial inherent risks. Although Cross Ocean will attempt to manage these risks, there can be no assurance that the Clients' investments will increase in value or that the Clients will not incur significant losses. Given the distressed nature of the portfolio companies in which the Clients invest, Cross Ocean expects that a meaningful number of the Clients' investments will be total write-offs — the profit potential of a Client depending on the significant success of the Client's other investments.

*Equity.* Although Cross Ocean does not expect that the Clients will invest a significant portion of its portfolio directly in equity securities, the Clients may come to have significant equity holdings as a result of participating in reorganization or bankruptcy proceedings. In fact, it is possible that substantially all of a Client's portfolio will, from time to time, consist of equity acquired as a result of reorganizations. Equity held by the Clients will not have any underlying collateral supporting its value and will be subject to all the risks of the success of the reorganized issuer.

*Trade Claims.* The Clients may acquire trade claims — *i.e.*, amounts due from a company to its suppliers. Trade claims are not "securities" for regulatory purposes, and the Clients, in investing in trade claims, will not have the protection of the securities laws. Trade claims are typically highly illiquid and may have a relatively junior position as compared to securities and other debt owed by the issuer. There may be defenses to trade claims — for example, the services or products furnished not meeting specifications — of which Cross Ocean may not be aware at the time of a Client's acquisition of such claims.

*Credit Default Swaps.* The Clients may purchase and sell credit derivatives contracts, such as credit default swaps, both for hedging and other purposes. The typical credit default swap contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value

of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. The Clients may also sell credit default swaps on a basket of reference entities as part of a synthetic collateralized debt obligation transaction.

As a buyer of credit default swaps, a Client may be exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called “short squeeze.” In certain instances of issuer defaults or restructurings, it has been unclear under the standard industry documentation for credit default swaps whether or not a “credit event” triggering the seller’s payment obligation had occurred. In either of these cases, the Client would not be able to realize the full value of the credit default swap upon a default by the reference entity. As a seller of credit default swaps, a Client may incur leveraged exposure to the credit of the reference entity and is subject to many of the same risks the Client would incur if it were holding debt securities issued by the reference entity. However, the Client will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity’s debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity’s debt obligations to deliver to the Client following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the Client.

*Derivatives.* The Clients expect to use derivative instruments primarily for hedging purposes. However, even if used only for hedging purposes, the price of derivative instruments is highly volatile, and acquiring or selling such instruments involves certain leveraged and unusual risks. The low initial margin deposits normally required to establish a position in such instruments permits an unusually high degree of leverage. As a result, a relatively small movement in the price of a contract may result in substantial losses to a Client (which may not be offset by increases in the value of the instrument being hedged). There may be an imperfect correlation between the instrument acquired for hedging purposes and the investments or market sectors being hedged — in which case, a speculative element is added to the highly leveraged position acquired through a derivative instrument primarily for hedging purposes.

*Counterparty Risk.* The Clients may effect transactions in “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to the same level of credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes the Clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the pertinent Client to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Client has concentrated its transactions with a single or small group of counterparties. Unless otherwise specified by a Client, the Clients are not restricted from dealing with any particular counterparty or in the size of the exposure which a Client may provide to a given counterparty. The inability to make complete and “foolproof” evaluations of the financial capabilities of the Clients’ counterparties and the absence of a regulated market to facilitate settlement increases the risk to the Clients.

While the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”) is intended to bring more stability and lower counterparty risk to derivatives market by requiring

central clearing of certain standardized derivatives trades, not all of the Clients' trades will be subject to a clearing requirement because the trades are grandfathered or because they are bespoke, or because they are within a class that is not currently subject to mandatory clearing. Furthermore, it is yet to be seen whether Dodd-Frank will be effective in reducing counterparty risk or if such risk may actually increase as a result of market uncertainty, mutuality of loss to clearinghouse members, or other reasons.

*Real Estate Risk.* Investing in real estate-related instruments is subject to cyclicalities and other uncertainties. There can be no assurance as to the Funds' performance in a weaker market or weakened economy. The cyclicalities and leverage associated with real estate-related investments have historically resulted in periods, including significant periods of adverse performance, including performance that may be materially more adverse than the performance associated with other investments. The Funds' real estate-related investments are secured by or otherwise relate to properties of varying types, geographic locations, owners, tenants and other factors which could make such investment susceptible to particular types of risks relating to such factors, including local economy, real estate market conditions, special hazards and competition.

*Risks of Real Estate Ownership.* The Funds' performance may be subject to risks incident to the ownership of residential and commercial real estate, including without limitation, (i) the burdens of ownership of real property, (ii) inability to collect rents from tenants due to financial hardship (including bankruptcy), (iii) changes in local real estate conditions in the markets in which the Funds invest, (iv) changes in consumer trends and preferences that affect the demand for products and services offered by the relevant tenants, (v) inability to lease or sell properties upon expiration or termination of existing leases, (vi) environmental risks related to the presence of hazardous or toxic substances or materials on the relevant properties, (vii) the subjectivity of real estate valuations and changes in such valuations over time, (viii) the illiquid nature of real estate compared to other financial assets, (ix) changes in laws and governmental regulations, including those governing real estate usage and zoning, (x) changes in interest rates and the availability of financing and (xi) changes in the general economic and business climate. The occurrence of any of the risks described above may cause the value of the Funds' real estate investments to decline, which could materially and adversely affect the Funds.

*Model Valuations of Collateral.* Certain of the Clients' investments will be based, in part, on complex models that incorporate a range of different inputs. Inadequate or incorrect factual information, misstated assumptions, as well as unforeseeable changes in economic factors can cause these models to yield materially inaccurate valuations, even if the model is fundamentally sound. Moreover, there can be no assurance that Cross Ocean's models are fundamentally sound or more accurate than its competitors'. The models used by Cross Ocean will typically require certain market forecasts. There can be no assurance that such forecasts will be accurate, and, to the extent that they are not, the Clients may be adversely affected. Particularly given the high level of illiquidity currently prevalent in the markets, there is a substantial risk of model valuations differing from realizable values.

*Secured Instruments Subject to Repayment or Bankruptcy Plans.* Certain of the instruments that the Clients may purchase may include collateral that is subject to repayment or bankruptcy plans, under which prior delinquent payments and advances must be paid during a specified period after the plan is instituted. As a result, this collateral will be forced to generate larger payments until

the obligations under the plans are paid in full, perhaps degrading the value of such collateral as security for investments made by a Client. In addition, certain collateral may have arrearages that are not subject to plans and must be discharged before the collateral can be of any value to the Client itself.

*Non-U.S. Investments.* Non-U.S. investments involve certain special risks, including (i) political or economic instability; (ii) the unpredictability of international trade patterns; (iii) the possibility of foreign governmental actions such as expropriation, nationalization or confiscatory taxation; (iv) the imposition or modification of currency controls; (v) price volatility; (vi) the imposition of withholding taxes on dividends, interest and gains; and (vii) different bankruptcy laws and practice. As compared to U.S. entities, non-U.S. entities generally disclose less financial and other information publicly, and are subject to less stringent and less uniform accounting, auditing and financial reporting standards. Also, it may be more difficult to obtain and enforce legal judgments against non- U.S. entities than against U.S. entities.

*Currency Hedging.* In connection with their non-U.S. dollar denominated investments, the Clients may, but are not required to, engage in currency hedging. The Clients may benefit from the use of such currency hedging mechanisms; however, such mechanisms may result in losses for the Clients and an overall poorer performance for the Clients than if they had not entered into such currency hedging transactions.

*Participation on Creditors' Committees.* The Clients may participate on committees formed by creditors to negotiate with the management of financially troubled companies that may or may not be in bankruptcy. The Clients may also seek to negotiate directly with debtors with respect to restructuring issues. When a Client chooses to join a creditors' committee, the Client would likely be only one of many participants, each of whom would be interested in obtaining an outcome that is in its individual best interests. There can be no assurance that the Client would be successful in obtaining results most favorable to it in such proceedings, although the Client may incur significant legal fees and other expenses in attempting to do so. As a result of participation by the Client on such committees, the Client may be deemed to have duties to other creditors represented by the committees, which might thereby expose the Client to liability to such other creditors who disagree with the Client's actions.

*Receipt of Confidential Information.* Cross Ocean has established policies and procedures reasonably designed to prevent the misuse by Cross Ocean and its personnel of material information regarding particular issuers that has not been publicly disseminated ("material non-public information" or "MNPI"). In general, under such policies and procedures and applicable law, Cross Ocean is not permitted to render investment advice as to, or otherwise trade in, for its own account or for the accounts of its affiliates or clients, public securities of an issuer while in possession of MNPI regarding such issuer. Cross Ocean has procedures that outline the process by which Cross Ocean will determine whether or not to elect to receive MNPI. This determination will be made on an issuer-by-issuer basis using objective criteria established by Cross Ocean.

Cross Ocean's determination regarding whether or not to receive MNPI regarding a specific issuer may have implications for the services Cross Ocean is able to provide to certain clients in certain situations. For example, where Cross Ocean has determined to receive MNPI regarding an issuer in connection with its clients' potential investments in distressed debt situations or loan assets of

such issuer, Cross Ocean will be prohibited from rendering investment advice to clients regarding the public securities of such issuer, thereby potentially limiting the universe of public securities that Cross Ocean may purchase or potentially limiting the ability of Cross Ocean to sell particular securities. Similarly, where Cross Ocean declines access to (or otherwise does not receive) MNPI regarding an issuer, Cross Ocean may base its investment decisions for its clients with respect to the distressed debt opportunities of such issuer solely on public information, thereby limiting the amount of information available to Cross Ocean in connection with such investment decisions. In deciding whether to accept MNPI in distressed debt situations, additionally Cross Ocean will need to weigh (i) the risks of being “frozen” in a position due to the receipt of MNPI against (ii) the profit potential of the investment. In making its determinations whether or not to elect to receive MNPI, Cross Ocean will endeavor to act fairly to its clients as a whole.

*Shipping Investments.* The Funds may make investments in shipping-related assets. The maritime shipping industry is both cyclical and volatile in terms of charter rates and profitability. A worsening of the current global economic conditions may adversely affect the Client’s ability to charter or recharter their vessels or to sell them on the expiration or termination of their charters. The factors affecting the supply and demand for vessels are outside of the Clients’ control, and the nature, timing and degree of changes in industry conditions are unpredictable.

*Energy Sector Risks.* Investments in the energy sector, which is a highly volatile sector, are subject to a number of sector-specific risks, including: commodity price risks, cyclical risks, supply risks, demand risks, risks relating to expansions and acquisitions, competition risks, weather risks, interest rate risks, and master limited partnership structure risks. In addition, energy sector companies are also subject to risks that are specific to the particular sub-sector of the energy sector in which they operate.

*Aviation Investments.* The Funds may invest in aircraft and related aviation interests, such as aircraft leases. The airline industry is highly cyclical, and the level of demand for air travel is correlated to the strength of the U.S. and global economies. In addition to factors linked to the aviation industry, other factors that may affect the value of an aircraft at any time include: (i) the particular maintenance and operating history of the related airframe and engines; (ii) manufacture and type or model of aircraft or engines, including the number of operators using such type or model; (iii) whether the aircraft is subject to a lease and, if so, whether the lease terms are favorable to the lessor; (iv) the age of the aircraft; (v) the advent of newer models of such aircraft or aircraft types competing with such aircraft; (vi) any tax, customs, regulatory and legal requirements that must be satisfied when an aircraft is purchased, sold or re-leased; (vii) compatibility of aircraft configurations or specifications with other aircraft operated by operators of that type of aircraft; (viii) regulatory actions, including mandatory grounding of the aircraft; (ix) any renegotiation of a lease on less favorable terms; (x) decreases in creditworthiness of lessees; and (xi) the availability of spare parts. Any decrease in values of and lease rates for used commercial aircraft which may result from the above factors or other unanticipated factors may have a material adverse effect on the Funds’ investments.

*Ownership Risk Associated with Aviation Investments.* The investment strategy of certain Funds involves the acquisition of commercial aircraft, engines and other major components that may be subject to leases with commercial airlines and the subsequent disposal of the aircraft, engines and/or other major components, either in whole or at the piece-part level. Cross Ocean’s ability



to promptly part-out and sell or, to a lesser extent, re-lease, aviation assets in order to recover the original investment, and make a profit, is critical to the success of these Funds' investment strategy. Numerous factors, many of which are beyond the control of Cross Ocean, may have an impact on the ability to promptly part-out and sell or, to a lesser extent, re-lease, aviation assets. There is no guarantee that all aircraft parts intended for salvage will be usable. Aircraft parts may be deemed unsalvageable for multiple reasons. If certain aircraft parts are deemed unsalvageable, costs associated with disposal of such parts, and the steps taken to preclude the re-entry of such parts into the aircraft market, may adversely impact the Funds' operations and cash flow.

*Risk Associated with Consignment Arrangements.* Certain Funds intend to contract with third parties to sell aircraft parts on consignment. In these consignment arrangements, the Funds will transfer possession of goods, but not title to the goods, to a third party. The third party then sells the property and returns the proceeds to the Funds, usually less a commission, repair costs and, in some instances, disassembly costs. Although the Funds may be protected by owning the consigned good, in some instances such consignment arrangements may result in a potential loss of inventory or proceeds, as inventory on consignment, or the proceeds of the same, could become the subject of a third party creditor's claim.

*Higher Costs Resulting from Lease or Consignment Default.* Repossession of an aircraft after a lessee or consignee default may result in the Funds incurring costs in excess of those incurred with respect to an aircraft returned at the end of the lease or consignment. Delays resulting from any of these proceedings would also increase the period of time during which the relevant aircraft is not generating revenue pursuant to a lease agreement. Such delays and costs may adversely impact the returns of the Funds.

*Technological Risks.* The availability for sale or lease of new, technologically advanced aircraft and engine types and the imposition of stringent noise or emissions regulations or mandatory airworthiness directives may make certain aircraft or engine types less desirable in the marketplace and therefore may adversely affect the Funds' ability to lease or sell such aircraft or engines or parts thereof. It is expected that the Funds' ability to manage these technological risks by modifying or selling aircraft and engines will be limited.

*Effects of Recent Industry Economic Losses and Airline Reorganizations.* The aviation industry as a whole suffered significant losses as a result of deteriorating international economic conditions during the global financial crisis and may again do so in the future. Many airlines have announced reductions in capacity, services and employee workforce in response to industry-wide reductions in passenger demands and yields. Airlines involved in reorganizations typically undertake substantial fare discounting to maintain cash flows and to encourage continued customer loyalty. Such fare discounting has led to lower yields for all airlines. Bankruptcies, reductions in capacity, labor strikes and slowdowns and reduced demand generally have led to the grounding of significant numbers of aircraft and the negotiated reduction of aircraft lease rental rates which has had the effect of depressing aircraft market values. The permanent or near permanent grounding of aircraft, if concentrated among one or a few aircraft models, may also depress the market values of individual parts since the decreased use of aircraft results in fewer maintenance events (including piece-part replacement) thereby increasing the supply of aircraft parts while simultaneously decreasing the demand for such parts. Reorganizations or liquidations by airlines often lead to the rejection of

aircraft leases or the abandonment of aircraft by airlines which would then exacerbate the already depressed aircraft values.

*Effects of Fuel Costs.* Fuel costs represent a major expense to airline operators. Fuel prices fluctuate widely depending primarily on international market conditions, geopolitical and environmental events and currency/exchange rates. Significant fuel price increases would materially affect the operating results and profitability of the airlines.

*Risk of Decline in Aircraft Value, Rental Rates and Part Prices.* In addition to factors linked to the aviation industry, other factors that may affect the value of aircraft and lease rates, as the case may be, include, without limitation: (i) manufacturers merging or exiting the industry or ceasing to produce certain aircraft models; (ii) the particular maintenance and operating history of aircraft and engines; (iii) the number of operators using a type of aircraft; (iv) whether the aircraft is subject to a lease; (v) any regulatory and legal requirements that must be satisfied before the aircraft can be operated, sold or re-leased, including airworthiness directives; (vi) compatibility of aircraft parts and layout of the aircraft among operators of particular aircraft; (vii) any renegotiation of a lease on less favorable terms; (viii) manufacturing production levels and technological innovation; (ix) import restrictions; (x) retirement and obsolescence of aircraft models; (xi) traffic growth; (xii) fuel prices; (xiii) airline profitability; (xiv) existing supply of parked aircraft; and (xv) regulatory changes impacting the used parts market. Any decrease in values of and lease rates for used commercial aircraft which may result from the above factors or other unanticipated factors may have a material adverse effect on the Funds' operations and cash flow and may adversely affect their investments and, therefore, the value of the Limited Partners' interests in the Funds.

*Lessees in Developing and Emerging Markets.* Certain Funds leased and will continue to lease the aviation assets to operators and airlines located in countries that have poorly developed economies and legal systems that are more vulnerable to economic and political problems, such as civil disturbances, government instability, nationalization and expropriation of private assets, the imposition of taxes or other charges by governments and significant fluctuations in gross domestic product, interest rates and currency exchange rates. The resulting instability may adversely affect the ability of operators and airlines which operate in these markets to meet their lease obligations, and these operators and airlines may be more likely to default than operators and airlines that operate in developed economies. Further, lessors may have difficulty enforcing their rights under leases in these jurisdictions. These factors may adversely affect the Funds' investments in these jurisdictions and negatively impact the Funds' ability to make distributions to investors.

*Maintenance of Aircraft During Lease Terms; Funding of Maintenance; Maintenance Reserves.* Under most leases, the relevant lessee is primarily responsible for maintaining the aircraft and complying with all governmental requirements applicable to the lessee and the aircraft including operational, maintenance, and registration requirements and airworthiness directives. Failure of a lessee to perform required maintenance with respect to an aircraft during the term of a lease could result in a diminution in value of such aircraft's parts upon termination of such lease. The Funds will not be in possession of any aircraft while such aircraft are subject to leases. A continuous failure by a lessee to meet its maintenance obligations under the relevant lease (i) could result in a grounding of the aircraft; (ii) in the event of a re-leasing of the aircraft, could cause the Funds to incur integration and other costs, which may be substantial, in restoring the aircraft to an acceptable maintenance condition; (iii) could result in a lower rental rate or shorter term under any new lease

which the Funds might enter into following repossession of the aircraft; and (iv) would be likely to adversely affect the value of the aircraft. There can be no assurance that the Funds' operational cash flow and available liquidity reserves will be sufficient to fund maintenance requirements, particularly as aircraft age. If lessees fail to meet their obligation to fund reserves or perform required scheduled maintenance, the Funds may be required to make such payments which may adversely affect investors' investment in the Funds.

*Liability Risk as Lessor.* Section 44112 of Title 49 of the United States Code provides that lessors of aircraft or engines generally will not be liable for any personal injury or death, or damage to or loss of property; provided, that such lessor is not in actual possession or control of the equipment at the time of such loss. Under common law, the owner of an aircraft or engine may be held liable for injuries or damage to passengers or property, and such damage awards can be substantial.

*Aviation Regulation.* The aviation industry is (i) highly regulated in the United States and internationally and (ii) subject to regulatory change. While the Funds intend to make investments that comply with relevant laws and regulations, certain aspects of the Funds' operations may not have been subject to judicial or regulatory interpretation. An adverse review or determination by any one of such authorities, or an adverse change in the regulatory requirements, could have a material adverse effect on the Funds' investments. The aviation industry inside and outside of the United States is subject to significant regulatory changes. It is not clear at this time what changes, if any, will occur and what effect any proposals would have on the aviation industry.

*Economic and Political Conditions; Force Majeure Events.* An unstable geopolitical climate and continued threats of terrorism could have a material adverse effect on general economic conditions, market conditions and market liquidity. Additionally, a serious pandemic (including viral outbreaks such as the COVID-19 coronavirus) or a natural disaster could severely disrupt global, national and/or regional economies. The short-term and long-term impact of COVID-19 and related actions (such as the implementation of travel restrictions, temporary closure of many businesses, remote working and "shelter in place" or similar policies by numerous companies and national and local governments) on the operations of Cross Ocean and the performance of the Clients is difficult to predict. Any potential impact on such operations and performance will depend to a large extent on future actions and developments taken by authorities and other entities to contain COVID-19 and its economic impact. These potential impacts, while uncertain, could adversely affect the performance of the Clients. Renewed outbreaks of epidemics or the outbreak of new epidemics could result in health or other government authorities requiring the closure of offices or other businesses, including office buildings, retail stores and other commercial venues and could also result in a general economic decline. A resulting negative impact on economic fundamentals and consumer confidence may increase the risk of default of particular portfolio companies, negatively impact market value, increase market volatility, and reduce liquidity, all of which could have an adverse effect on the returns of the Clients and the Client's ability to source new investments.

Investments may also be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemics or other serious public health concerns, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, governmental policies and social instability). Some force majeure events may adversely affect the ability of a party (including a

portfolio investment or a counterparty to a portfolio investment) to perform its obligations until it is able to remedy the force majeure event. Furthermore, force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on a portfolio company. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in a country in which a Client has invested specifically. Any of the foregoing may therefore adversely affect the performance of a Client and its investments.

## **Item 9. Disciplinary Information**

Cross Ocean has no legal or disciplinary events to report that would be material to a client's or prospective client's evaluation of Cross Ocean's advisory business or the integrity of its management.

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

Cross Ocean Partners is a special situations asset management platform focused on investment opportunities in a broad range of credit and hard asset classes. Graham Goldsmith is global chief executive officer of the Cross Ocean platform. The platform's two components are Cross Ocean and its affiliate Cross Ocean Adviser LLP ("Cross Ocean Europe").

Cross Ocean, which is located in the United States, is headed by Mr. Goldsmith. Cross Ocean focuses on debt obligations issued by U.S. and non-U.S. companies and also manages certain Funds that focus on aviation-related investments globally.

Cross Ocean Europe, which is headed by Steve Zander, is an investment adviser whose principal office and place of business is located in London, the United Kingdom. Cross Ocean Europe advises privately offered funds that focus on European special situations investing. The funds may invest a limited portion of their capital outside Europe, including in North America. Cross Ocean Europe also sub-advises, with respect to European special situations and other investments, certain Funds managed by Cross Ocean that focus both on stressed and distressed debt obligations of issuers having a substantive nexus to the United States or Europe ("Global Special Situations"). Cross Ocean Europe is also the investment manager to certain Funds that focus on Global Special Situations, for which Cross Ocean is a sub-adviser with respect to U.S. special situations and other investments. Cross Ocean Europe reports to the SEC as an exempt reporting adviser. Cross Ocean Europe became fully authorized by the FCA on February 1, 2017. Mr. Goldsmith sits on the investment committee of the funds advised by Cross Ocean Europe. Mr. Zander sits on the investment committee of the Clients advised by Cross Ocean.

Each of Cross Ocean USSS GP LP, Cross Ocean GSS GP LP and Cross Ocean Aviation Fund I GP LP (the "GPs"), each an affiliate of Cross Ocean, serves as the general partner of Funds currently advised by Cross Ocean. The general partners of each GP have a board of independent directors. In accordance with SEC guidance, Cross Ocean USSS GP LP and Cross Ocean GSS GP LP will be registered as an investment adviser in reliance on the Form ADV filed by Cross Ocean.

Cross Ocean Adviser (Ireland) Limited (“Cross Ocean Ireland”), an affiliate of Cross Ocean, is an investment adviser and servicing entity located in Ireland. Cross Ocean Ireland sub-advises certain Funds that focus on aviation-related investments. Cross Ocean Ireland reports to the SEC as an exempt reporting adviser.

Stone Point Capital LLC (“Stone Point”), an SEC registered investment adviser, is the investment manager of certain funds that are indirect owners of Cross Ocean. Stone Point and its advised funds do not participate in the day-to-day management of Cross Ocean.

In addition, Mr. Goldsmith is a non-executive member of the Board of Managers of Eagle Point Credit Management LLC, an SEC registered investment adviser and a portfolio company of funds managed by Stone Point. Mr. Goldsmith is not involved in the investment decisions for that entity and he is not compensated for serving on the board.

*Participating Affiliates.* In providing investment advice to its clients, Cross Ocean may use the resources of Cross Ocean Europe and/or Cross Ocean Ireland to provide research, portfolio management, trading and related investment management services (collectively, “Advisory-Related Services”) to Clients. Any such arrangement is subject to a memorandum of understanding (“MOU”) among Cross Ocean, Cross Ocean Europe and Cross Ocean Ireland. Under the MOU, each of Cross Ocean Europe and Cross Ocean Ireland is a participating affiliate, as such term is used in relevant relief granted by the SEC staff. Under the MOU, each of Cross Ocean Europe and Cross Ocean Ireland and any of their personnel providing Advisory-Related Services to or for Clients are considered “persons associated with” Cross Ocean, which has the meaning of the term “person associated with an investment adviser” as defined in Advisers Act Section 202(a)(17). The MOU requires each of Cross Ocean Europe and Cross Ocean Ireland to agree to submit to the jurisdiction of U.S. courts for actions arising under the U.S. securities laws in connection with the Advisory-Related Services provided by Cross Ocean Europe or Cross Ocean Ireland, or any of their personnel, to Clients.

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

### *Code of Ethics*

As a fiduciary, Cross Ocean owes an undivided duty of loyalty to its clients and thus demands the highest standards of ethical conduct and care by all of its principals and employees (referred to herein as “supervised persons”). It is Cross Ocean’s policy that all supervised persons conduct themselves so as to avoid, to the extent possible, not only actual conflicts of interest with clients but any conduct that could give rise to the appearance of a conflict of interest that might compromise the trust placed in Cross Ocean by its clients. Cross Ocean’s policies and procedures have been designed to identify and properly disclose, mitigate and/or eliminate applicable conflicts of interest.

Cross Ocean has adopted a Code of Ethics and personal trading policy (together, the “Code of Ethics”) that sets forth standards of ethical and business conduct expected of Cross Ocean’s supervised persons and addresses conflicts that may arise from personal trading by Cross Ocean’s supervised persons. The Code of Ethics, among other things, requires compliance with the federal securities laws, reflects Cross Ocean’s fiduciary responsibilities and those of its advisory personnel, prohibits misuse of material non-public information, prohibits certain personal securities transactions and requires Cross Ocean’s supervised persons to periodically report and/or preclear certain personal securities transactions.

The Code of Ethics will be provided to any client or potential client upon request.

### *Personal Trading*

Cross Ocean’s supervised persons are permitted to invest in their personal trading accounts, subject to certain restrictions. In order to reduce certain conflicts of interest that may arise between client accounts and the personal trading activities of Cross Ocean’s supervised persons, Cross Ocean has adopted a personal trading policy. The personal trading policy, among other things, requires preclearance of certain transactions and reporting of all transactions in and holdings of covered securities.

### *Principal Transactions and Cross Trades*

It is not generally anticipated that any Client will enter into transactions in which Cross Ocean and/or an affiliate participates or has a significant economic interest. Moreover, while such transactions may occur from time to time, Cross Ocean does not generally anticipate effecting client cross-transactions where Cross Ocean causes a transaction to be effected between any client account advised by Cross Ocean and another account advised by it or an affiliate, other than with respect to the usage of affiliated securitization vehicles for partial or full exit transactions. However, if Cross Ocean determines it is in the best interests of a Client or other client to enter into any such related party transaction, then, if required, such transaction will be conducted in compliance with the disclosure and consent requirements of Section 206(3) of the Investment Advisers Act of 1940 (the “Advisers Act”), which for certain Funds may entail appointing an independent representative to approve any such principal transaction on behalf of a Client. Cross Ocean must determine that any principal transaction is in the best interest of the participating client. Cross trades must be in the

best interest of each participating client and, as pertinent, must be consistent with Cross Ocean's duty to seek best execution. Cross Ocean is subject to a potential conflict of interest where it makes a determination with respect to both sides of a transaction and intends to manage it through compliance with its relevant policies.

#### *Co-Investments*

Cross Ocean may determine that certain investment opportunities appropriate for the Clients should not or cannot be allocated in their entirety to the Clients based on such factors as the size or composition of the overall Clients' portfolios, concentration limits or other reasons deemed relevant by Cross Ocean. In such instances, Cross Ocean may (but is not required to) allocate any unallocated portions of such opportunities to one or more investors in a Client or other funds or accounts managed by Cross Ocean or an affiliate, or such other parties as are selected by Cross Ocean. Cross Ocean has no obligation to offer any such co-investment opportunity to any Client investor, and no Client investor should have any expectation to be offered any such co-investment opportunity, by virtue of its investment in a Client. The PPM for each Fund will contain additional details regarding co-investment practices and policies.

### **Item 12. Brokerage Practices**

#### *Best Execution*

Cross Ocean is authorized to select the broker-dealers to be used for portfolio transactions for the Clients. In placing portfolio transactions, Cross Ocean will seek to obtain the best possible execution, taking into account the following factors, as pertinent: price, size of the transaction, conflict and/or market liquidity, time limitations, brokers' ability to find and provide liquidity and (rarely) in consideration for such brokers' and dealers' provision or payment of the costs of research and other services or the property that is of benefit to the Clients and related funds and accounts. Cross Ocean does not need to solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Accordingly, if Cross Ocean determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, a Client may pay commissions to such broker in an amount greater than the amount another broker might charge.

#### *Soft Dollar Benefits*

Cross Ocean will not knowingly make use of any "soft dollar" arrangements. Any such services that Cross Ocean does receive will qualify (in Cross Ocean's opinion) for the "safe harbor" for "soft dollar" services constituting "bona fide research" established by Section 28(e) of the Securities Exchange Act of 1934.

#### *Allocation of Investment Opportunities*

Cross Ocean's clients may or may not have investment objectives that are similar or overlap to a greater or lesser extent. Cross Ocean may determine that an investment opportunity is appropriate for one client but not for another or that the allocation to one client should be of a different proportion than that of another client. Investments will be allocated to the Clients, as applicable, pursuant to Cross Ocean's allocation policies and procedures then in effect. It is the policy of

Cross Ocean to allocate investment opportunities fairly and equitably among its clients, where applicable, to the extent possible over a period of time. As a general matter, investment opportunities will be allocated among those accounts for which participation in the respective opportunity is considered appropriate *pro rata* based on available capital (taking into account, as applicable, among other factors, net or gross asset value, capital commitments, target hold size, target acquisition size or target sale size) or based on such other methodology as Cross Ocean determines to be appropriate under the circumstances. In addition, Cross Ocean may also consider other factors in making any allocation determinations (which may result in a different allocation of investment and/or sale opportunities), including, among other factors, the proportion of a portfolio dedicated to a particular strategy, any guidelines or restrictions set forth in the pertinent offering and/or governing agreements, the risk-return profile of a proposed investment relative to clients' current risk profiles, tax consequences and regulatory or contractual restrictions or consequences.

However, subject to various conditions set forth in the respective offering and/or governing agreements, certain accounts may have priority with respect to the allocation of certain investment opportunities. Certain accounts managed by Cross Ocean or an affiliate have been, and in the future are expected to be, organized, in whole or in part, to participate in specific investment opportunity sets and receive a primary allocation of such investment opportunities. For example, certain accounts have been designed to have a priority or primary allocation with respect to certain sectors, industries or geographic locations and will be given priority with respect to investment opportunities in those areas. Additional accounts with priority allocations in respect of opportunities may in the future be organized by Cross Ocean or an affiliate. Such other accounts organized with the expectation of receiving a primary allocation of a particular investment opportunity are referred to herein as "Primary Accounts." In allocating opportunities, an account will be allocated an investment in respect of which a Primary Account has a priority over other accounts only to the extent that the amount of such investment opportunity exceeds the amount of the investment required to be made available or otherwise deemed appropriate for the relevant Primary Accounts.

Affiliates of Cross Ocean ("Cross Ocean Affiliates") are actively engaged in transactions in the same securities, currencies and instruments in which the assets of the Clients may be invested. Cross Ocean Affiliates, subject to applicable law, may purchase or sell securities of, or otherwise invest in or finance, issuers in which the Clients have an interest, and may manage or advise other accounts or investment funds that have investment objectives similar or dissimilar to those of the Clients and which engage in transactions in the same type of securities, currencies and instruments as the Clients. Trading activities of Cross Ocean Affiliates are carried out without reference to positions held directly or indirectly by the Clients and may have an effect on the value of the positions so held or may result in Cross Ocean Affiliates having an interest adverse to that of the Clients. Cross Ocean Affiliates are not under any obligation to share any investment opportunity, idea or strategy with the Clients or a Cross Ocean portfolio manager. As a result, Cross Ocean Affiliates may compete with the Clients for appropriate investment opportunities.

It is possible that in the future certain operating units or affiliates of Cross Ocean may have relevant information about certain investments that may or may not be shared with Cross Ocean because of informational walls, confidentiality obligations or other disclosure constraints. Cross Ocean has procedures that outline the process by which Cross Ocean will determine whether to elect to



receive or not receive material non-public information, in any given case. This determination will be made on an issuer-by-issuer basis using objective criteria established by Cross Ocean, which may have implications for the services Cross Ocean is able to provide to certain clients in certain situations, including the Clients.

### *Investments in Different Classes of Securities*

The Clients and any other account managed by Cross Ocean or an affiliate may invest in securities or other instruments of the same issuer (or affiliated group of issuers) having a different seniority in the issuer's capital structure. If the issuer becomes insolvent or suffers financial distress, there may be a conflict between the interests of the Clients, on the one hand, and the interests of such other account, on the other, insofar as the issuer may be unable to satisfy the claims of all classes of its creditors and security holders. Under these circumstances it may not be feasible to reconcile the conflicting interests of the Clients and such other account in a way that adequately protects the Clients' interests.

### *Proprietary Trading*

Cross Ocean's portfolio managers may manage other accounts for themselves, other clients and other investment companies, and may have financial incentives to favor certain of such accounts over the Funds. Although such account may not participate in an opportunity that the Funds are actively considering without the consent of the L.P. Advisory Committee if applicable, if such consent is given, such participation may conflict with the Clients' participation or other clients even though their respective investment objectives may be the same as, or similar to, those of the Clients.

### *Trade Errors*

In the course of carrying out trading and investing responsibilities on behalf of the Clients, Cross Ocean personnel may make "trading errors" — *i.e.*, errors in executing specific trading instructions. Examples of trading errors include: (i) buying or selling an asset at a price or quantity that is inconsistent with the specific trading instructions generated by a particular strategy; or (ii) buying rather than selling a particular asset (and vice versa). The Cross Ocean trade error policy requires that any error be resolved promptly and fairly. This includes the requirement that any staff member who discovers an error shall promptly inform the Global Chief Financial Officer and Chief Operating Officer (the "Global CFO & COO"), and in their absence shall inform the General Counsel (the "GC"). The GC and/or the Global CFO & COO shall arrange for the reporting of errors in writing to the Enterprise Risk Committee ("ERC") for consideration at regularly scheduled ERC meetings. The intent of the policy is to restore the Clients to the appropriate financial position considering all relevant circumstances surrounding the error.

Cross Ocean's senior management shall make a final determination as to whether any such error is due to the negligence, willful default or fraud of Cross Ocean or of any staff member of Cross Ocean. Where senior management determines that any such error is due to the negligence, willful default or fraud of Cross Ocean or of any staff member of Cross Ocean, Cross Ocean shall promptly reimburse any net loss resulting from the error to the relevant Client. In other circumstances, the net loss shall be borne by the Client. In the case of errors where there has been or may be an associated gain to any Client, any such gain shall be retained by the Client.

### **Item 13. Review of Accounts**

#### *Review of Accounts*

Cross Ocean will review, as pertinent, the Clients' portfolio holdings to determine that the investments held by the Clients remain consistent with the pertinent offering documents and will generally review the Clients' performance on an ongoing basis.

Although adhering to a hold-to-maturity mentality at the point of making investments, Cross Ocean strongly believes in active monitoring of the Clients' investments as a means of both safeguarding and creating value. Depending on the Client, on a daily, monthly or quarterly basis the applicable Client's portfolio managers will actively monitor the portfolio. Additionally, Cross Ocean will hold frequent (and typically weekly) Investment Committee meetings to assess actionable items within the portfolio.

On an ongoing basis, Cross Ocean's analysts evaluate the applicable Client's investments and update the members of such Client's Portfolio Review Committee. Each investment will be given a ranking based on performance versus the original investment thesis. Cross Ocean believes in addressing any underperforming assets early, and revisiting the original investment thesis to provide a recommendation to buy more, hold or sell.

#### *Reports to Clients*

Client investors receive reports, including unaudited monthly or quarterly reports reviewing the Clients' performance for the month or quarter as described in the Client's governing documents, quarterly letters and performance information, and audited financial statements on an annual basis.

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

Aqueduct Capital Group, LLC served as a Placement Agent for certain Funds (the "Placement Agent"). Cross Ocean entered into a placement agreement with the Placement Agent in connection with the offering of interests in such Funds. Such agreements provided for payments by Cross Ocean or the Funds of placement fees based on Capital Commitments made to the Funds as well as for the indemnification of such placement agents. Cross Ocean reserves the right to enter into other arrangements with third parties for client or investor referrals, and any such arrangements will comply with Rule 206(4)-3 under the Advisers Act, if applicable.

### **Item 15. Custody**

Although Cross Ocean does not physically hold the securities and other assets of the Funds, Cross Ocean is deemed to have custody of the assets of certain managed Clients, since a Cross Ocean affiliate serves as general partner of, or in a similar capacity for, certain of the Funds. Fund investors do not receive account statements from any custodians; rather, the Funds are subject to an annual audit and the audited financial statements are distributed to each Fund investor. With respect to the Account managed by Cross Ocean currently, Cross Ocean is not deemed to have custody of such Account's assets. In the future, Cross Ocean may manage other Accounts over which it is deemed to have custody of such Accounts' assets, and in that instance Cross Ocean will comply with the pertinent requirements of the U.S. Investment Advisers Act of 1940, as amended.

## **Item 16. Investment Discretion**

With respect to certain of the Clients, Cross Ocean has full discretion in all investment decisions made on behalf of the Clients, subject to the investment objectives, strategies and policies applicable to each Client. Cross Ocean may make investment decisions, without consultation with the Clients or the Client investors, regarding which securities are bought and sold for the Clients, the total amount of the securities to be bought and sold, the broker-dealers with which orders are placed for execution and the commission rates at which securities transactions are effected. Such discretionary authority is granted to Cross Ocean in the applicable limited partnership agreement, investment management agreement or other pertinent Client documentation.

Cross Ocean provides investment advice on a discretionary basis to the Funds it sub-advises with respect to certain of the Funds' assets.

## **Item 17. Voting Client Securities**

Cross Ocean has voting authority and responsibility with respect to securities held by the Clients for which it has investment discretion. In addition to solicitations in connection with equity securities of traditional operating companies, proxy voting is also deemed to include any consent requested in matters such as bankruptcy or insolvency, covenant waivers in connection with debt, approvals regarding the restructuring of debt and other rights and remedies with respect to securities. In voting proxies, Cross Ocean is guided by general fiduciary principles and votes in the manner it believes is consistent with efforts to achieve a client's stated investment objectives. Cross Ocean retains the discretion to take no action with respect to a proposed vote if it determines that doing so is in the best interests of a client (for example, where Cross Ocean determines that the cost of voting exceeds the expected benefit to the client).

Cross Ocean follows procedures designed to identify conflicts or potential conflicts that could arise between its own interests and those of its clients. If it is determined that any such conflict or potential conflict is not material, Cross Ocean may vote proxies notwithstanding the existence of the conflict. If it is determined, however, that a conflict of interest or potential conflict of interest is material, one or more methods may be used to resolve the conflict, including (i) engaging a third party to recommend a vote with respect to the proxy, (ii) disclosing the conflict to the client and obtaining its consent before voting or (iii) convening a proxy voting committee to review the conflict.

## **Item 18. Financial Information**

Cross Ocean is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to its clients, and Cross Ocean has not been the subject of a bankruptcy petition.