

# Investment Adviser Brochure

## Form ADV Part 2A

### Disclosure Statement

**AllianceBernstein Private Credit Investors LLC**

**September 19, 2014**

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This brochure provides information about the qualifications and business practices of AllianceBernstein Private Credit Investors LLC and its affiliated registered Investment Advisor, AllianceBernstein L.P., its publicly traded affiliate AllianceBernstein Holding L.P., its general partner AllianceBernstein Corporation and its affiliated registered advisers. The term “registered” refers to our legal status and does not imply a particular level of training. If you have any questions about the contents of this brochure, please contact us at 212.969.1337 or [mark.manley@alliancebernstein.com](mailto:mark.manley@alliancebernstein.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about the foregoing entities also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

September 2014

Dear Client,

We are pleased to provide you with our Investment Adviser Brochure (“Brochure”), which is also known as Part 2A of our firm’s SEC Form ADV. It contains important information about our business practices as well as a description of potential conflicts of interest relating to our advisory business which could affect your account with us. This Brochure applies to the investment activities of AllianceBernstein Private Credit Investors LLC (“AB-PCI”). For purposes of this Brochure, references to “AllianceBernstein” shall mean AllianceBernstein L.P. (“AB LP”) and its various investment adviser affiliates and subsidiaries.

We are providing you with this material in accordance with Rule 204-3 of the Investment Advisers Act of 1940, which requires a registered investment adviser to provide a written disclosure statement upon entering into an advisory relationship. Future updates to this Brochure may be obtained by written request to AllianceBernstein Private Credit Investors LLC, Attn: Chief Compliance Officer, 1345 Avenue of the Americas, New York, New York, 10105.

Thank you for choosing AB-PCI. If you have any questions about the information in this statement, please contact your AB-PCI client service representative.

Respectfully yours,

Mark R. Manley  
Chief Compliance Officer  
Deputy General Counsel  
AllianceBernstein

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# Summary of Material Changes (ADV Item 2)

This section is not currently applicable, as this represents AB-PCI's initial brochure filing.

In subsequent brochures, AB-PCI will identify and discuss any material changes made to its Brochure since the last annual update. AB-PCI may further provide other ongoing disclosure information about material changes as necessary. Additionally, we will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

## A. AllianceBernstein's Investment Advisory Business (ADV Item 4)

### INTRODUCTION

AB-PCI was established in Delaware on June 3, 2014 as a limited liability corporation. AB-PCI is an indirect wholly owned subsidiary of AB LP. Please see Form ADV Part 2A for AllianceBernstein ("AB Part 2") for more information on corporate history.

### WRAP FEE PROGRAMS

AB-PCI does not provide portfolio management services in connection with wrap fee programs.

### ASSETS UNDER MANAGEMENT

As of June 30, 2014, AB-PCI's assets under management totaled approximately \$500 million on a non-discretionary basis.<sup>1</sup>

### OUR APPROACH TO INVESTING

AB-PCI primarily focuses on providing flexible private debt solutions to middle market companies, targeting the primary issue market and sourcing and structuring investments in a broad spectrum of credit instruments including first lien, uni-tranche, second lien and mezzanine debt, as well as holding company notes and priority-ranking, structured preferred stock. AB-PCI also pursues private equity investments, often as a co-investor alongside a leading middle-market financial sponsor and / or in partnership with a senior management team. AB-PCI may also purchase leveraged loans on an opportunistic basis in the secondary market and may enter into derivative contracts to hedge interest rate and credit risk within its portfolio.

The staff of AB-PCI includes highly skilled professionals with experience investing across the entire capital structure, from secured debt to private equity, and with the broad range of expertise required to successfully analyze private credit investments, including areas such as investment sourcing, due diligence, accounting, structuring, capital markets, negotiations, legal documentation, credit analysis, valuation and security analysis, as well as corporate restructuring and insolvency.

AB-PCI may provide investment advisory services for clients on both a discretionary and non-discretionary basis and future clients may include an investment vehicle that pursues the same principle strategy as an existing client as well as investment vehicles that pursue strategies that differ from the principle strategy of an existing client.

### CLIENT INVESTMENT GUIDELINES

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<sup>1</sup> Assets under management is based on the current fair value of the invested assets plus any uncalled capital commitments.

AB-PCI tailors its services to the individual needs of its client and will generally customize any portfolio to suit that client's particular investment goals, income needs, tax status and tolerance for risk. AB-PCI actively engages the client to set parameters on investment strategy and risk, investment restrictions and investment structure, and other aspects of AB-PCI's management of the client's assets.

Please refer to AB Part 2: Client Investment Guidelines for additional information.

## B. Fees and Compensation (ADV Item 5)

AB-PCI's compensation will typically involve a management or advisory fee calculated as a percentage of a client's commitment or outstanding investments. AB-PCI may also be compensated under performance-based fee arrangements in compliance with Rule 205-3 promulgated by the US Securities and Exchange Commission ("SEC") under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Compensation for employee benefit plans is subject to applicable regulations and opinions of the Department of Labor under ERISA. AB-PCI may also, on occasion, be compensated through fixed-fee arrangements.

### FEE ARRANGEMENTS

Fees that are calculated as a percentage of invested assets are generally charged quarterly based upon the amount of such at the beginning or the end of the quarter, or the average over the quarter or preceding quarter, as agreed with the client, and the client may also agree to pay fees in advance or in arrears of each calendar quarter. Fees that are calculated as a percentage of commitments are generally charged quarterly in advance.

In the event a client terminates its advisory contract with AB-PCI during a quarterly period, the fee for that period will be prorated based on the number of days or months during the period in which AB-PCI performed services. The client is also entitled to a pro rata refund of the portion of the quarterly fee, when paid in advance, for the remaining balance of the quarter.

The minimum account sizes for most institutional accounts are set forth in Section D.

### OTHER FEE ARRANGEMENTS

Please see AB Part 2: Other Fee Arrangements for additional information.

## C. Performance Fees and Side-by-Side Management (ADV Item 6)

### POTENTIAL CONFLICTS FROM ADVISING DIFFERENT CLIENTS

Certain types of clients, investment strategies and fee arrangements may create potential conflicts of interest for AB-PCI. For example, our employees or affiliates may have an economic interest in some of the accounts that we manage. We may also recommend to clients securities in which a related person has established an interest independent of AB-PCI.

Please see AB Part 2: Item 6 for additional information.

## D. Types of Clients (ADV Item 7)

AB-PCI will serve a variety of client accounts including, without limitation, , limited partnerships and other pooled funds, separately managed accounts for corporations or institutions, etc.

Our investment advisory products and services are offered to clients through three relationship channels—Institutional Services, Private Client Services and Retail Services.

### Institutional Clients

We provide separately managed account services for unaffiliated accounts and we also provide investment service to certain of our affiliates (AXA and its subsidiaries). Institutional investors may also be able to invest through pooled investment vehicles.

### Private Client Services and Retail Services

Clients of our affiliated advisor, Bernstein Global Wealth Management, as well as retail clients may at some time be able to invest through pooled vehicles.

## E. Methods of Analysis, Strategies and Risk of Loss

### (ADV Item 8)

#### OUR INVESTMENT STRATEGIES

AB-PCI sources, structures and negotiates terms of investments that it deems suitable for clients. AB-PCI considers credit or credit-like investments throughout the capital structure on a relative value basis, including first lien, uni-tranche, second lien and mezzanine debt, as well as holding company notes, priority-ranking, structured preferred stock. AB-PCI may also pursue private equity investments, often as a co-investor alongside a leading middle-market financial sponsor and / or in partnership with a senior management team. AB-PCI may also purchase leveraged loans on an opportunistic basis in the secondary market and may enter into derivative contracts to hedge interest rate and credit risk within its portfolio.

AB-PCI's objective is to generate attractive risk-adjusted returns for its clients from fees and interest income on private credit investments, as well as capital appreciation from equity co-investments, with an expected hold to maturity or until a refinancing or other exit event. AB-PCI also provides ongoing oversight and management of a client's investment portfolio.

AB-PCI's investment philosophy emphasizes low volatility and capital preservation, with a discerning asset selection criteria focused on pursuing investment opportunities involving what it believes to be attractive companies with strong business models, strong credit metrics and reasonable pricing and terms relative to the risks undertaken. AB-PCI typically targets companies with one or more of the following traits:

- Revenue visibility
- Competitive positioning
- Defensive / secular trends
- High expected recovery value
- Strong management teams / leading financial sponsors

AB-PCI employs detailed investment analysis and a fundamental value-oriented investment strategy. AB-PCI's review of potential investments primarily focuses on:

- What is the fundamental, intrinsic valuation of the business?
- What is the strategic interest in the asset and what would a strategic buyer be willing to pay in good and bad markets?
- Can the company be restructured or sold via a bankruptcy process?
- Are there unique or non-traditional assets that can be monetized?

AB-PCI develops an investment thesis and identifies strengths and risk in its evaluation stage. This typically involves:

- Analyzing enterprise loan-to-value, asset value coverage or actuarial cash flow analysis in the case of credit investments
- Identifying investment strengths, risks and risk mitigants
- Challenging views on risks and mitigating factors throughout the due diligence process

Any client of AB-PCI should be aware that investing in securities involves risk of loss and, therefore, such activity should be undertaken only by investors capable of evaluating and bearing the associated risks. The offering and governing documents of a client will contain detailed descriptions of particular risks associated with an investment in that client.

## THE RISKS OF INVESTING

There can be no assurance that any client of AB-PCI will be able to make, or realize, gains on any investment, and past performance is not indicative of future results. A client of AB-PCI must be prepared to bear the risk of loss that is inherently involved in any investment. An AB-PCI client should carefully consider, among other factors, the following material risks involved.

- **AB-PCI Operates in Highly Competitive Markets.** Several entities compete with AB-PCI to source and structure debt and equity investments in middle-market companies, which AB-PCI primarily targets. AB-PCI competes with broker/dealer companies, public and private funds, commercial and investment banks, commercial financing companies, insurance companies, high yield investors, hedge funds, and, to the extent they provide alternative forms of financing, private equity funds. Many of AB-PCI's competitors are substantially larger and have considerably greater assets under management than AB-PCI. In addition, some of AB-PCI's competitors may have higher risk tolerances or different risk assessment standards, which could allow them to consider a wider variety of investments than AB-PCI or any client and establish more referral relationships than AB-PCI.
- **Concentration in Certain types of Investments May Increase Risk:** Each client's investment guidelines may include limits to the amount of capital that may be committed to similar types of investments. Nonetheless, an AB-PCI's client may be exposed to increased risk of loss where it concentrates investments in companies within the same industry, economic sector, or jurisdiction. Similarly, investments concentrated in a particular market segment may be more volatile than investments made more broadly. The potential impact of adverse economic, business or political developments may increase with concentration of investments.
- **Investments in Privately Held Middle Market Companies Carry Particular Risks.** AB-PCI primarily sources investments in privately held middle-market companies based in North America. Investments in these companies involve significant risks, including that these companies may, relative to larger companies:
  - have more limited financial resources and may be more unable to meet their obligations, which may lessen the value of a client's collateral and reduce that client's ability to realize guarantees that it may have obtained in connection with its investment;
  - be more susceptible to competitors, market conditions and general economic conditions, due to their shorter operating histories, narrower product lines, smaller market shares and greater reliance on key personnel, than larger businesses;
  - may not be subject to regulatory reporting requirements and, as such, may disclose very little public information regarding their operations and results, which may adversely affect AB-PCI and a client's abilities to make well-informed investment decisions; to mitigate this risk factor, AB-PCI, to the extent possible, negotiates information rights in the investments it recommends to any client;
  - experience greater fluctuations in operating results and capital requirements to support operations, finance expansion or maintain competitive position; and
  - have increased difficulty accessing the capital markets to meet future capital needs.

- **Investments May be Highly Leveraged:** Some of the portfolio companies in which an AB-PCI client invests may be, or may in the future be, highly leveraged, which may adversely impact these companies or that client as an investor. As such, companies may be subject to restrictive financial and operating covenants, being highly leveraged may impair their ability to finance future operations and capital needs and their ability to respond to changing business and economic conditions or business opportunities. In addition, a leveraged company's income will tend to increase or decrease at a greater rate than if borrowed money were not used. Any of these factors may materially and adversely impact an AB-PCI client.
- **AB-PCI Depend Upon Their Key Personnel:** The success of AB-PCI and any client is substantially dependent on their respective ability to retain certain key personnel, particularly Brent Humphries. The incapacity or departure of any such key personnel, or any other impediment to the fulfillment of their duties, may adversely affect the performance of AB-PCI or a client. Key personnel may also have job responsibilities related to other funds and/or companies in the future
- **Changes in Interest Rates May Impact an AB-PCI Client's Investment Objectives and Returns:** The majority of investments held by an AB-PCI client are exposed to risks associated with changes in interest rates. General interest rate fluctuations may substantially and adversely impact investments and investment opportunities. With respect to floating rate debt, for example, higher interest rates may adversely affect the cost of funds and diminish the credit quality of borrowers. With respect to fixed rate investments, for example, the value of an investment would likely fall as prevailing market rates increase, all else being equal. Accordingly, interest rate fluctuations may materially and adversely affect an AB-PCI client's investment objectives and rates of return on invested capital.
- **Investments May Lack Liquidity:** The lack of liquidity in an AB-PCI client's investments may materially and adversely affect value. As any client primarily invests in private companies, substantially all of its investments are less liquid than publicly traded securities and may be subject to contractual, statutory or regulatory prohibitions on disposition. The illiquidity of these investments may make it difficult for a client to sell the investments in a timely fashion or at all.
- **Debt Investments May Involve Substantial Risk:** A client's debt investments may involve substantial risk and they could lose all or part of its investment. Debt investments of AB-PCI's client are rated by one or more rating agencies, but typically, would not be for future clients. AB-PCI believes that if such investments were rated, they would be below investment grade (i.e., rated lower than "Baa3" by Moody's Investors Service, lower than "BBB-" by Fitch Ratings or lower than "BBB-" by Standard & Poor's Rating Service). Investments in debt that is rated below investment-grade quality are speculative and involve substantial risk that the issuer/borrower may not pay interest or repay principal as required. An AB-PCI client also invests in assets other than first lien loans, including junior-ranking, less secure and riskier second lien loans, contractually subordinated mezzanine debt and "private for life" high-yield securities.
- **Equity Investments May Involve Substantial Risk:** A client's investments in equity securities, many of which are illiquid with no readily available market, involve a substantial degree of risk. Although common stock has historically generated higher average total returns than fixed income securities over the long term, common stock also has experienced significantly more volatility in those returns. The equity securities a client acquires may fail to appreciate and may decline in value or become worthless and that client's ability to recover their investment will depend on the underlying success of the portfolio companies' successes. Investments in equity securities involve a number of significant risks, including that:
  - equity investment may be subject to dilution as a result of the issuance of additional equity interests, including issuances at a lower price per share than purchased;
  - equity investments are subordinate to all indebtedness (including trade creditors) or senior securities in the event that the issuer is unable to meet its obligations or becomes subject to a bankruptcy process;
  - a client may not recover their equity investment if the issuer requires additional capital and is unable to obtain it;
  - most equity securities in which a client invests in will not pay dividends and their ability to realize a return on their investment will depend upon the success of the underlying company; and

- a client's ability to realize the value of their equity investment may also depend upon the occurrence of a liquidity event, such as a public offering, the sale of the company, or dividend payment(s), which may not occur in timely fashion or at all. In addition, equity securities that a client receives or invests in may be subject to restrictions on resale during periods in which it could be advantageous to sell them.
- In addition, there are special risks associated with investing in preferred securities, including that preferred securities:
  - may include provisions that permit the issuer, at its discretion, to defer distributions without adverse consequences to the issuer. If a client owns a preferred security that is deferring its distributions, they may be required to report income for tax purposes before they receive their share of such distributions; and
  - often do not carry voting rights with respect to the issuing company.
- Potential Use of Derivatives to Hedge Exposures May Involve Risks: In limited circumstances, AB-PCI may advise a client to use derivatives to hedge certain exposures, subject to approval by that client. Derivatives are instruments whose value depends on, or is derived from, the value of an underlying asset, reference rate or index. Derivatives can involve risks different from, and, in certain cases, greater than, risks presented by more traditional investments. When a derivative is used as a hedge against an opposite position(s) that an AB-PCI client also holds, any gain generated by the derivative should be offset by losses on the hedged investment, and vice versa. However, AB-PCI is unlikely to find derivatives that exactly match its positions and, as such, there is no perfect hedge and gains on the derivative may be more or less than losses on the position(s), and vice-versa.
- An AB-PCI Client May be Subjected to Lender Liability Claims: There may be circumstances where a debt investment of a client could be subordinated to claims of other creditors or a client could be subject to lender liability claims. If a company that a client is invested in were to go bankrupt, even though that client may have structured their investment as senior debt, depending on the facts and circumstances, a bankruptcy court might re-characterize such debt holding as an equity investment and subordinate or disallow all or a portion of a client's senior debt claim to that of other creditors. In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower's business or exercise control over the borrower.
- An AB-PCI Client May have Limited Rights When it Holds a Minority Interest: When a client is a minority or non-controlling holder of the debt, or a tranche of debt, in a company, that client may not be in a position to exercise fully its creditor rights without obtaining approval of other holders of the applicable debt or debt tranche. Where an AB-PCI client is a minority or non-controlling equity holder in a company, that client may not be in a position to exert influence on the entity, and the controlling stockholders and/or management of the company may make decisions that could decrease the value of that client's portfolio holdings

## F. Disciplinary Information (ADV Item 9)

AB-PCI and its management have no material disciplinary information to report.

AB-PCI is a wholly owned subsidiary of AllianceBernstein. All aspects of AllianceBernstein's business are subject to various federal and state laws and regulations, and to laws in various foreign countries. Accordingly, from time to time, regulators contact AllianceBernstein seeking information concerning the firm and its business activities. At any given time, AllianceBernstein also is a party to civil lawsuits.

Please refer to AB Part 2: Item 9 for more information on its disciplinary history.

## G. Other Financial Industry Affiliations (ADV Item 10)

Neither AB-PCI nor its executive officers are actively engaged in any business other than providing investment advice. Our controlling shareholder and our broker-dealer affiliates are involved in other financial services businesses. Those entities, as well as our investment advisory affiliates, are identified here.

Please refer to AB Part 2: Item 10 for more information on our affiliated and related companies.

## OUR MAJORITY SHAREHOLDER

AXA, a société anonyme organized under the laws of France, is the majority owner of AllianceBernstein. AXA is a holding company for an international group of insurance and related financial services companies engaged in the financial protection and wealth management businesses.

As controlling shareholder, AXA has the ability to influence AllianceBernstein's business and thereby indirectly influence the business of AB-PCI. However, when conducting our investment activities, we treat all clients in a strategy in the same way, including AXA. Further, as a matter of policy and practice, we do not collaborate with AXA on any investment decisions, and do not involve AXA personnel in any of our research processes. We also are financially independent of AXA.

## OUR ADVISORY AFFILIATES

AllianceBernstein L.P. ("AllianceBernstein") is an investment adviser registered with the SEC under the Advisers Act.

# H. Code of Ethics, Personal Trading, and Client Transactions (ADV Item 11)

## OUR CODE OF ETHICS

All AB-PCI employees are required to follow AllianceBernstein's Code of Business Conduct and Ethics (the "Code" and "Code of Ethics").

The Code summarizes the firm's values, ethical standards, and commitment to address potential conflicts of interest that arise from investment management activities. Policies and procedures have been designed to implement the principles in the Code. Please see AB Part 2: Item 11 for more information.

The Code can be viewed at [www.alliancebernstein.com](http://www.alliancebernstein.com) or a copy may be obtained from AB-PCI by writing to the Chief Compliance Officer, 1345 Avenue of the Americas, New York, NY 10105.

# I. Brokerage Practices (ADV Item 12)

The current nature of AB-PCI business does not typically originate securities transactions that would require the selection of broker-dealers. In the very limited circumstances under which such selection would be required, AB-PCI is guided by the principal objective of seeking to obtain "best execution" for its client.

Please refer to AB Part 2: Item 12 with respect to the process by which AB-PCI would select and engage with a broker-dealer, should one be required, to ensure best execution for its clients.

# J. Review of Accounts (ADV Item 13)

## REGULAR ACCOUNT REVIEWS

AB-PCI will regularly review and evaluate accounts for clients, focusing on each client's performance and investment objectives, policies and restrictions. Each investment position is closely monitored by at least one investment professional and overall client investment performance and adherence to investment objectives is closely monitored by senior AB-PCI personnel.

AllianceBernstein has several risk and governance committees that provide independent oversight of investment management processes (although not necessarily of individual client portfolios), and AB-PCI has established its own investment committee. Committee functions include approval of any new investment and ongoing monitoring through detailed periodic reviews of the portfolios.

## REPORTS TO CLIENTS

Depending on their preference, clients receive, on a periodic basis, portfolio reporting and commentary.

AB-PCI also holds quarterly investor meetings and interim teleconferences with clients, as needed.

## K. Client Referrals and Other Compensation (ADV Item 14)

### SOLICITOR AGREEMENTS

Please refer to AB Part 2 Item 14: Solicitor Agreements for additional information.

### PAYMENTS TO CONSULTANTS

On occasion, certain business units of AllianceBernstein purchase data, research, conference attendance and other services or products from institutional asset management consultants who conduct searches and recommend money managers to prospective clients. The sale of such products and services may be profitable to consultants, which may indirectly reduce the cost of the consulting services to prospective institutional clients. In order to mitigate potential conflicts for the consultants, we do not purchase such services and products unless we have determined in good faith that they will provide AllianceBernstein with industry data and/or proper assistance in marketing our services.

Please refer to AB Part 2 Item 14: Payments to Consultants for additional information.

### EMPLOYEE REFERRALS

Please refer to AB Part 2 Item 14: Employee Referrals for additional information.

## L. Custody (ADV Item 15)

AB-PCI does not take actual custody of client assets.

Please refer to AB Part 2 Item 15 for additional information.

## M. Investment Discretion (ADV Item 16)

### INVESTMENT DISCRETION

AB-PCI can provide non-discretionary or discretionary investment advisory services.

Please refer to AB Part 2 Item 16: Investment Discretion for further information on how assets would be managed on either basis.

### CLAIMS ON BEHALF OF CLIENTS

AB-PCI does not typically have power of attorney to initiate legal proceedings on behalf of any client account it manages. Accordingly, it is not our practice to initiate lawsuits on behalf of any client for damage claims they may have with respect to securities transacted in any AB-PCI account.

Please refer to AB Part Item 16: Claims on Behalf of Clients for information on filings that could be made on a client's behalf.

## N. Voting Client Securities (ADV Item 17)

As a registered investment adviser that exercises proxy voting authority over client securities, we have a fiduciary duty to vote proxies in a timely manner and make voting decisions that are in our clients' best interests. AB-PCI has adopted AllianceBernstein's *Statement of Policies and Procedures for Proxy Voting* and a related *Proxy Voting Manual* (together, the "Proxy Voting Policy"), which reflects the policies of the firm and its investment management subsidiaries.

The Proxy Voting Policy is a set of voting guidelines intended to maximize the value of the securities in our client accounts. It describes our approach to analyzing voting issues, identifies the persons responsible for determining how to vote proxies and includes procedures to address material conflicts of interests that may arise between AB-PCI and clients relating to proxy voting.

Please refer to AB Part 2 Item 17 for additional information on AB-PCI's approach to voting client securities.

## SECURITIES LENDING

AB-PCI does not offer a securities lending service, but its clients may enter into securities lending arrangements.

Please refer to AB Part 2 Item 17: Securities Lending for additional information on such arrangements.

## FURTHER INFORMATION AVAILABLE

Clients may obtain a copy of our Proxy Voting Policy and information about how we voted with respect to their securities by writing to:

AllianceBernstein Private Credit Investors  
Attn: Chief Compliance Officer  
1345 Avenue of the Americas  
New York, NY 10105

## O. Financial Information (ADV Item 18)

AB-PCI does not require or solicit prepayment of fees six months or more in advance so is not required to include a balance sheet for the most recent fiscal year.

We are not presently aware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

AB-PCI has not been the subject of a bankruptcy petition at any time during the past ten years.

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