

PART 2A OF FORM ADV: FIRM BROCHURE

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This brochure provides information about the qualifications and business practices of Hildene Leveraged Credit, LLC (“HLC” or “we”). If you have any questions about the contents of this brochure, please contact Todd Lee, Chief Compliance Officer, by telephone at (212) 596-4926 or by email at todd@hildenelc.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.

HLC is a registered investment adviser. Registration as an investment adviser reflects only that a firm has registered with the SEC and does not imply a certain level of skill or training.

Additional information about HLC is available on the SEC’s website at <http://www.adviserinfo.sec.gov>. You can search this site by a unique identifying number, known as a CRD number. Our firm’s CRD number is 170676.

Item 2 – Material Changes

The SEC requires that registered investment advisers provide a Firm Brochure in narrative “plain English” format, and has specified mandatory items which this Firm Brochure must contain. This Item 2 is designed to identify material changes to our Firm Brochure from one year to the next or from one Firm Brochure update to the next.

Annual Update

We are filing a 2014 annual update of our Firm Brochure. The material changes set forth here in this Item 2 only discuss material changes that have been made to this Firm Brochure since our initial independent registration filing on March 31, 2014. We have updated certain descriptions about our advisory business, fee terms, investment strategies, risk profile and brokerage practices with respect to our firm’s management of private funds and CLO vehicles.

Material Changes

Since our last Firm Brochure update, the following material changes have occurred in respect of our business and operations:

- We now act as collateral manager for a total of four separate vehicles referred to as Hildene CLO I, Hildene CLO II, Hildene CLO III and Hildene CLO IV.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact Todd Lee, HLC’s Chief Compliance Officer, by telephone at (212) 596-4926 or by email at todd@hildenelc.com.

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Item 4 – Advisory Business

The Firm

Hildene Leveraged Credit, LLC, a Delaware limited liability company (“HLC” or “we”), was formed by Brett Jefferson and other principals in January 2013 to act as an investment adviser and make various investments, on behalf of clients, related to the corporate credit market, primarily involving senior-secured bank loans issued by non-investment grade companies, including CLO securitizations. Hildene Holding Company, LLC, a Delaware limited liability company (“HHC”), owns 36% of the economic interests of HLC and six individual principals own the remaining 64% of HLC’s economic interests. No entity or person other than HHC owns 25% or more of HLC’s economic interests. Neither HLC nor HHC is publicly owned or traded.

HHC is majority-owned by Mr. Jefferson and the remainder by other individual principals of HHC. No other person owns 25% or more of the economic interest in HHC. In addition to HLC, HHC has several other affiliates which are engaged in investment management related activities.

Types of Advisory Services

HLC provides investment management services on a fully discretionary basis to private investment funds, including the Hildene Leveraged Credit Master Fund, Ltd. (“HLCMF”), two feeder funds related to HLCMF (as defined below) and other private investment funds that may be established in the future (collectively, the “Private Funds”). In addition, HLC provides collateral management services to collateralized loan obligation issuers (the “HLC-Managed CLOs”), and together with HLCMF, the Feeder Funds and the Private Funds, “Clients”). HLC may in the future determine to provide investment services to particular individuals or entities in a separately managed account format, in which case such individuals or entities will be deemed “Clients” of HLC for purposes of our Firm Brochure.

Detailed descriptions of the nature and terms of the advisory services we provide to our Clients are set forth in the relevant offering memoranda or governing documents associated with each Client.

Set forth below is brief description of our current advisory services:

Hildene Leveraged Credit Master Fund, Ltd.

HLC currently serves as the investment manager of HLCMF, a Cayman Islands exempted company incorporated with limited liability, and the Feeder Funds (reference herein to HLCMF includes the Feeder Funds, where appropriate in context). HLCMF was incorporated in March

2013 for the purpose of investing in junior tranches of HLC-Managed CLOs, as well as CLO equity of CLOs managed by unaffiliated third parties and other credit-related opportunities relating to senior-secured bank loans of non-investment grade companies. The junior tranches of HLC-Managed CLOs represent subordinated investments, primarily in portfolios of senior-secured bank loans. Through this investment strategy, HLCMF seeks to build a portfolio diversified by issuer, underlying industry and vintage.

HLCMF is part of a “master-feeder” fund structure which consists of investments by two feeder funds, Hildene Leveraged Credit Fund, LP, a Delaware limited partnership (the “Domestic Feeder Fund”), and Hildene Leveraged Credit Offshore Fund, Ltd., a Cayman Islands exempted company (the “Offshore Feeder Fund”, and together with the Domestic Feeder Fund, the “Feeder Funds”).

HLC-Managed CLOs

HLC currently serves as the collateral manager of Hildene CLO I, Hildene CLO II, Hildene CLO III and Hildene CLO IV (and anticipates acting as collateral manager in future CLO transactions), which are each Cayman Islands exempted companies incorporated with limited liability. Each of the HLC-Managed CLOs was formed for the purpose of investing in liquid, non-investment grade loans, primarily consisting of syndicated senior secured first-lien bank loans and, to a limited extent, second-lien loans. HLC provides advisory services to each of the HLC-Managed CLOs, including, but not limited to, structuring and collateral management services. Hildene CLO I was formed in May 2013, Hildene CLO II was formed in December 2013, Hildene CLO III was formed in June 2014 and Hildene CLO IV was formed in February 2015.

Tailored Advice and Investment Restrictions

HLC provides advisory services to its Clients in accordance with an investment management agreement for Private Funds and a collateral management agreement for HLC-Managed CLOs. HLC’s advisory services are not tailored to individual investors in either the Private Funds or the HLC-Managed CLOs. The investment guidelines and limitations that apply in respect of these services are set forth in the relevant advisory agreements, offering documents or related governing documents, as applicable, associated with each Client.

Client Assets Under Management

As of December 31, 2014, HLC managed gross assets on a discretionary basis in the amount of \$1,247,539,000, representing HLCMF and Hildene CLO I, Hildene CLO II, Hildene CLO III and Hildene CLO IV. HLC does not currently manage any assets on a non-discretionary basis.

Item 5 – Fees and Compensation

General

HLC currently advises two types of funds: the Private Funds and the HLC-Managed CLOs. The fees assessed by HLC vary between these fund types, with HLCMF assessed performance-based compensation and no management fee, and the HLC-Managed CLOs assessed a management fee and no performance-based compensation (other than profit share payments, under certain circumstances as further described below).

Additional information relating to fees and other compensation charged to HLCMF and the HLC-Managed CLOs are provided for in the related governing or offering documents, as may be applicable.

Management Fee

Private Funds

No management fees are currently paid to HLC in connection with its investment advisory services to the Private Funds (currently HLCMF and the Feeder Funds).

HLC-Managed CLOs

As compensation for collateral management services, the HLC-Managed CLOs pay a management fee (the “Management Fee”) to HLC (commencing upon the securitization of the related CLO securities) based on a percentage of assets managed by HLC. This Management Fee varies for each HLC-Managed CLO and currently ranges from 0.115% to 0.150% per annum as provided further in the related indentures for each such CLO. Specific fee rates and the methodology for calculating these fees are specified in the related collateral management agreement and described in the respective offering memorandum provided to investors of HLC-Managed CLOs. The Management Fee is generally deducted from the income of the relevant CLO on a quarterly basis, in arrears, pursuant to the CLO’s priority of payment waterfall.

In certain circumstances, investors in HLC-Managed CLOs may pay certain fees and expenses in respect of their investment to parties other than HLC

HLC may elect to waive any management fees payable by any Client. The Management Fee is typically non-refundable once paid.

Performance-Based Compensation

Private Funds

HLCA (as defined below) receives a performance-based allocation from HLCMF as described below in Item 6.

HLC-Managed CLOs

HLC does not currently receive performance-based compensation directly from the HLC-Managed CLOs. However, HLC-Managed CLOs are generally required to pay profit shares to HLCMF and certain other private funds managed by either HLC and/or its affiliates which invest in the equity of HLC-Managed CLOs. While HLC currently does not directly participate in the profit shares, it may indirectly benefit from the profits shares through its receipt of performance-based compensation from the Private Funds or other affiliated funds that it manages that invest in such HLC-Managed CLO equity.

In the event that HLCMF and the Private Funds or affiliated holders, collectively, own less than 50% of the aggregate equity issued by an HLC-Managed CLO, a certain portion (as set forth in the related offering documents or governing documents, as applicable) of the profit shares will be allocated to Hildene Leveraged Credit Advisors, LLC, a Delaware limited liability company and an affiliate of HLC (“HLCA”). In this case, HLCA will directly benefit from the profit shares, but neither HLCA nor HLC will receive any performance-based compensation from any Private Fund relating to such portion of allocate profits shares. HLCA is the general partner of the Domestic Feeder Fund of HLCMF.

Other Matters Relating to Fees and Compensation

In addition to the fees discussed above, HLC’s Clients may be required pursuant to the terms of their advisory agreement and/or the operating documents of the relevant Private Fund to pay for certain expenses, including, but not limited, to administrator fees (in the case of the Private Funds), trustee fees (in the case of HLC-Managed CLOs), custodian fees, settlement agent fees, accounting fees, legal and administration fees, transaction costs and such other allocable fees and costs as may be applicable.

Other than the Management Fee and the performance-based compensation described in Item 6 below, HLC currently receives no other compensation from Clients for its services. None of HLC’s Clients currently pay fees in advance.

Neither HLC nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

Item 6 – Performance-Based Fees and Side-By-Side Management

Private Funds

HLCA, an affiliate of HLC, receives an incentive allocation (“Incentive Compensation”) based on the performance of HLCMF. HLCA receives Incentive Compensation from HLCMF equal to 5% of annual performance and 15% of cumulative “lifetime” performance, in each case subject to a high water mark or analogous structure, with the latter “lifetime” portion payable to HLCA only upon the investor’s withdrawal or redemption from a Feeder Fund or upon the occurrence of certain performance benchmarks.

Incentive Compensation earned is deducted from an investor’s account at the end of each year, and, in the case of Private Funds managed by HLC, is typically treated as an allocation by such fund to HLC or its affiliates.

Incentive Compensation may be negotiable depending on the size of the investor’s subscription and/or for certain company personnel. More detailed provisions describing the amount and detailed terms of the Incentive Compensation payable by HLCMF and the Feeder Funds is disclosed in the offering memorandum for such funds.

HLC –Managed CLOs

HLC does not directly receive performance-based compensation from the HLC-Managed CLOs. However, as described in Item 5 above, HLC-Managed CLOs are generally required to pay profit shares to HLCMF and other Private Funds managed by HLC and/or its affiliates. While HLC does not directly participate in the profit shares, it may indirectly benefit from the profit shares through its receipt of Incentive Compensation from the Private Funds that it manages that invest in HLC-Managed CLOs.

As discussed above, HLC currently manages HLCMF and the HLC-Managed CLOs, all of which may be subject to different fee structures. HLC endeavors at all times to put the interests of its Clients first as part of its fiduciary duty as a registered investment adviser. Accordingly, HLC takes steps to address any potential conflicts of interest that may arise.

HLC has implemented policies and procedures, including policies relating to the allocation of investment opportunities, to minimize potential conflicts of interest. Clients are advised to review carefully the method of performance-based compensation and other fee structures used by HLC prior to making an investment..

With respect to the Private Funds and the HLC-Managed CLOs, these vehicles pursue related investment strategies but invest in different instruments, and HLC’s performance-based compensation from the Private Funds is tied to the performance of underlying pool of assets in the relevant HLC-Managed CLOs.

Investors in Private Funds are required to meet certain qualifications. Generally, each investor will be required to be a “qualified purchaser,” as such term is defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended. Investors in HLC-Managed CLOs may additionally be required to be a “qualified institutional buyer,” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended. Each investor paying performance-based compensation to HLC must qualify as a “qualified client” under Rule 205-3 promulgated under the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

Item 7 – Types of Clients

HLC manages Private Funds, including HLCMF, as well as four CLO vehicles referred to as Hildene CLO I, Hildene CLO II, Hildene CLO III and Hildene CLO IV. Although HLC currently does not manage any separate accounts, it may elect to do so in the future.

HLC generally requires a minimum investment of \$500,000 from investors in its Private Funds. In certain situations, however, investments of less than \$500,000 are accepted by HLC, as determined by HLC in its discretion. Investors in the equity or debt of HLC-Managed CLOs may have minimum investment requirement as set forth in the related offering documents of such HLC-Managed CLO. Prospective qualified investors should refer to the appropriate fund offering documents or governing documents, as applicable, for additional qualification requirements for investment.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

HLC primarily provides advice regarding investments relating to the corporate credit market, primarily involving senior-secured bank loans of non-investment grade companies, including CLO securitizations. HLC seeks to increase returns to HLCMF investors through long-term financing secured by loan portfolios which can be structured as CLOs, as well as through shorter-term financing arrangements (*i.e.*, warehouse and total return swap facilities).

HLC’s investment objective is to achieve absolute risk-adjusted returns over an extended period of time, with a minimum correlation to the broadly-based stock and bond market indices. In addition, capital preservation is paramount to all HLC strategies. Our team of credit analysts emphasizes fundamental research, value-oriented credit analysis and assessments of relative value, as it evaluates and considers diversified portfolios of bank loans. This entails an in-depth analysis of the legal structure of the debt instruments, a detailed analysis of the underlying cash flows of the borrower and a thorough understanding of the overall credit risk of the portfolio.

With respect to HLC-Managed CLOs, when new portfolios of bank loans reach a certain critical mass (typically 25%- 50% of the targeted portfolio size), HLC will work with broker-dealers to develop an appropriate structure for long-term CLO financing. HLC's team has extensive experience in the structuring and management of CLOs. The strategy of HLCMF is focused on investing in the equity and other junior tranches of HLC-Managed CLOs, equity of CLOs managed by unaffiliated third parties and other credit-related opportunities in and around senior-secured bank loans of non-investment grade companies.

HLC typically gathers information about an investment from a number of publicly available sources including, but not limited to, SEC-filed financial statements and reports, investment research prepared by broker/dealers, subscription news services such as Bloomberg, other publicly available news sources, and statistical rating agencies such as Moody's, S&P and Fitch. In addition, HLC may elect to receive certain non-public information relating to certain bank loan issuers, with such information typically provided in connection with a confidentiality agreement.

Summary of Material Risks and Risk of Loss

The following is a summary of some of the material risks associated with the investment strategy HLC employs on behalf of HLCMF, the Private Funds and the HLC-Managed CLOs. This summary does not attempt to describe all of the potential risks associated with such investments. Investors should review the relevant offering memorandum, if applicable, for each such vehicle which contains a more complete description of the risks associated with the investment. Therefore, this summary of risks is qualified entirely by the disclosures made in the actual offering memoranda for such vehicles.

General: HLC's management of and investment in CLOs, and the related underlying loans, on behalf of its Clients, involve a high degree of risk and are complex investments. Investments in HLCMF, the Private Funds or any HLC-Managed CLO are intended for sale to only sophisticated investors who are capable of evaluating these risks, some of which are summarized below.

Market Risk: An investment in HLCMF, any Private Fund and any CLO is subject to market risk and related risk of loss. Market risk is the risk of potential adverse changes to the value of financial instruments and their derivatives as a result of changes in market conditions, such as interest rate movements and volatility of loan and security prices. Prices of loans and securities react to the business and financial condition of the company that issued them as well as macro-economic factors. Prices of a loan or security may rise and fall based on changes in the business or financial condition of the issuing company, changes in management and/or the potential for merger and acquisitions. The loans that collateralize the HLC-Managed CLOs will consist primarily of non-investment grade loans, which are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. Prices of such collateral and prices of CLO

securities may be volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict. Senior secured loans issued by non-investment grade issuers have historically experienced greater default rates and lower recovery rates than has been the case for investment grade loans and debt securities.

Credit Risk: An investment in HLCMF, any Private Fund and any CLO is also subject to credit risk and related risk of loss. Credit risk is the risk that counterparties or debt issuers may fail to fulfill their obligations or that the collateral value becomes inadequate. HLC-Managed CLOs will invest primarily in senior secured loans issued by non-investment grade issuers, and the inability of the borrowers underlying the collateral of such CLOs to meet their debt obligations may adversely affect the HLC-Managed CLOs. Since the loans being evaluated are primarily based on individual companies, there is a risk related to each borrower's credit worthiness and ability to fulfill their obligations. These loans are made to issuers of non-investment grade credit quality, all of whom carry substantial leverage, and, while seemingly less volatile than high-yield bond prices due to their shorter duration and higher priority in the issuer's capital structure, loan prices can be volatile given the credit profile of the loan issuers.

Liquidity Risk: HLCMF, the Private Funds and CLOs invest in loans that are not traded on an organized exchange, but rather by banks and other counterparties and therefore are not as easily purchased and sold as publicly-traded securities. This risk may be heightened in times of economic stress or in response to a specific economic event. Trading in loans is subject to delays due to their unique nature and transfer may require significant additional documentation, as well as the consent of the agent bank offering the loan or the underlying obligor. Accordingly, investments in HLCMF, the Private Funds and any HLC-Managed CLO are designed for long-term investors and should not be considered a vehicle for short-term trading.

In addition, investors in HLCMF and Private Funds are only allowed to withdraw capital at specified times and are subject to certain rights of suspension of payment of withdrawals under certain circumstances. Liquidity of CLO securities is subject to market conditions.

High Leverage: HLCMF, the Private Funds and CLOs invest directly or indirectly in loans with relatively high levels of debt typically rated below investment grade levels. In addition, HLCMF invests primarily in the equity and subordinated junior tranches of CLOs. The equity of a CLO represents the most junior part of the capital structure of such CLO and therefore a substantial portion of the return on such investment will depend on the interest and principal proceeds received from the collateral that remain available after payments to the various debt tranches are satisfied. Consequently, such CLO equity will be highly leveraged and therefore subject to a greater risk of loss and will be the first part of the capital structure of the CLO to incur losses. While senior to CLO equity, junior CLO notes carry similar leveraged risk.

Item 9 – Disciplinary Information

HLC has no disciplinary events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

Neither HLC nor any of its management persons has registered as, or has a pending application to register as, a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the foregoing.

Hildene Leveraged Credit Advisors, LLC, a Delaware limited liability company and an affiliate of HLC (“HLCA”) serves as the general partner of the Domestic Feeder Fund of HLCMF, Hildene Leveraged Credit Fund, LP. HLCA is not registered or licensed in any capacity with any regulatory body, nor does it conduct any activities other than serving as the general partner of certain private funds managed by HLC.

Hildene Capital Management, LLC, a Delaware limited liability company and an affiliate of HLC (“HCM”), provides investment management services to a diverse array of clients, including institutions and private investment funds. HCM is an SEC-registered investment adviser. Prior to 2014, HLC acted as a relying advisor of HCM and the two firms filed a combined Form ADV. Information about HCM can be found by accessing its Form ADV, filed with the SEC.

Hildene Advisors, LLC, a Delaware limited liability company and an affiliate of HCM and HLC (“HA”), serves as the general partner of certain private funds managed by HCM. HA is not registered or licensed in any capacity with any regulatory body, nor does it conduct any activities other than serving as the general partner of certain private funds managed by HCM.

Other than HCLA, HCM and HA, HLC does not have any material financial industry affiliations, nor does it receive compensation for recommending clients to other investment advisers. Certain private funds managed by HLC and HCM may have common investors.

Item 11 – Code of Ethics, Participations of Interest in Client Transactions and Personal Trading

HLC has adopted a written Code of Ethics (the “Code”) in compliance with Securities and Exchange Commission (“SEC”) Rule 204A-1. The Code is updated by HLC from time to time to reflect new legislation or regulations, or to otherwise reflect evolving best practices. All employees are required to read the Code, as part of HLC’s overall Compliance and Employee Manual (the “Manual”), and annually acknowledge compliance with the policies and procedures set forth therein. HLC will provide a copy of its Code to any Client or prospective client upon request.

The Code holds individuals to standards of ethical conduct and places upon them a duty to act for the Client’s benefit as well as to place the financial interests of HLC’s Clients ahead of their own interests at all times. The Code also sets forth trading restrictions and/or prohibitions on certain types of securities for personal accounts, requires mandatory pre-clearance of certain securities, and mandates reporting of initial holdings information upon employment and periodic transaction reporting thereafter. HLC reviews these reports to ensure compliance by employees with HLC’s policies and procedures regarding personal trading activities. HLC maintains a “restricted list” that covers securities that HLC is evaluating, holds or sold on behalf of its Clients. HLC members, directors, officers, employees and other “access” persons are restricted from purchasing, holding and selling restricted securities identified on the restricted list in their personal trading accounts as further set forth in HLC’s compliance manual, as supplemented from time to time.

HLC and/or its principals and affiliates may on occasion own, buy and/or sell securities or securities of the same issuer which HLC recommends to its Clients. Such transactions may include trading in securities in a manner that differs from or is inconsistent with advice given to Clients. HLC recognizes that potential conflicts arise from such transactions and endeavors to take reasonable measures to mitigate such conflicts.

Item 12 – Brokerage Practices

With respect to the management of investments, HLC trades on behalf of its Clients in both the primary and secondary markets. Subject to certain restrictions, HLC, on behalf of its Clients, typically accesses primary markets through large commercial banks acting as agent and/or initial purchaser for the syndication of the loan or security. Secondary market transactions involve an existing holder of a loan or security selling its position, in full or part, to another institution. These transactions usually occur through a trading counterparty whose function is to bring

buyers and sellers together in return for a transaction-based fee in the form of a mark-up or mark-down on the price of the loan or security.

HLC, on behalf of each HLC-Managed CLO, engages a broker-dealer in connection with the structuring and placement of the various tranches of securities issued by such HLC-Managed CLO, including those sold to third-party investors and those retained by HLCMF; the broker-dealer generally receives a negotiated fee often based on a specified percentage of the total transaction amount. In addition, HLCMF and any Private Fund may buy and sell CLO tranches in the secondary market, both in HLC-Managed CLOs and in CLOs managed by other firms. These secondary market transactions will be executed through broker-dealers and may involve transaction-based compensation to the broker-dealer, in the form of a mark-up or mark-down on the price of the security.

In executing these transactions and negotiating fees, commissions and other transaction costs, HLC will seek to obtain the best execution for its Clients, taking into account the following factors: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer mark-up or mark-down or commission, if any); (ii) the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer; (iv) the reputation of the broker-dealer; (v) the firm's risk in positioning a block of securities; (vi) efficiency of execution and error resolution; (vii) the quality, comprehensiveness and frequency of available research services considered to be of value; and (viii) the competitiveness of mark-ups or mark-downs or commission rates, in comparison with other broker-dealers satisfying HLC's other selection criteria.

The commissions or other transaction costs (including bid-ask spreads) charged by any broker-dealer may be greater than the amount other broker-dealers may charge, if HLC determines such commissions or transaction costs are reasonable in relation to the value of the brokerage services and research information provided by such broker-dealer. Research services furnished by broker-dealers may include written information and analyses concerning specific securities, loans, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. HLC is not required to weigh any of these factors equally. Information so received is in addition to, and not in lieu of, services required to be performed by HLC and HLC's fees charged to Clients are not reduced as a consequence of the receipt of such supplemental research information. Research services provided by broker/dealers used by HLC Clients may be utilized by HLC or their affiliates (including other investment funds managed by such persons) in connection with their other investment activities. Since commission rates in the United States are negotiable, HLC's selection of broker-dealers on the basis of considerations which are not limited to applicable

commission rates may at times result in HLC's Clients being charged higher transaction costs than it could otherwise obtain.

Use of "Soft Dollars"

The term "soft dollars" refers to the receipt by an investment manager of products and services provided by brokers, without any cash payment by the investment manager, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the investment manager's clients. Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a "safe harbor" to investment managers with respect to potential liability for violating their duty to obtain best execution for a client's securities transactions in circumstances in which such managers use soft dollars generated by their advised accounts only for purposes of obtaining investment research and brokerage services (i) that provide lawful and appropriate assistance to the investment manager in the performance of investment decision-making responsibilities and (ii) where the commissions paid are reasonable in relation to the value of the services provided. HLC does not currently, and does not in the future intend to, engage in any soft dollar transactions. In the event that HLC does engage in any soft dollar transactions, it will not engage in any such transactions other than with respect to products and services which fall within the Section 28(e) safe harbor or where such products or services would otherwise be chargeable to its Clients pursuant to the relevant fund offering documentation or separate account advisory contract.

Client Referrals

HLC may direct some of its Clients' brokerage business to brokers who refer prospective investors to HLC. Because such referrals, if any, are likely to benefit HLC but will provide an insignificant (if any) benefit to HLC's Clients, HLC will have a conflict of interest with its clients when allocating such Clients' brokerage business to a broker who has referred investors to HLC. To prevent HLC's Clients' brokerage commissions from being used to pay investor referral fees, HLC will not allocate its Clients' brokerage business to a referring broker unless HLC determines in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to such Clients.

Aggregation of Orders

It is HLC's policy to aggregate purchase and sale orders of securities or loans held by its Clients with similar orders where possible and when advantageous to the Clients participating in such transactions, as determined in HLC's sole discretion.

Allocation of Trades

HLC may at times determine that certain securities, loans and investment opportunities, which may be suitable for one Client, may also be suitable for other Clients whose accounts are managed by HLC, possibly including HLC's own accounts or the accounts of an affiliate. If that occurs, and HLC is not able to acquire the desired aggregate amount of such securities or loans on terms and conditions which HLC deems advisable, HLC will endeavor to allocate in good faith the limited amount of such securities or loans acquired among the various accounts for which HLC considers them to be suitable. HLC may make such allocations among the accounts in any manner which it considers to be fair under the circumstances. Allocations to Client accounts may be made on a basis other than *pro rata* where such allocation is made in good faith and based on the following factors: (i) diversity of the accounts' investment objectives; (ii) differences in the accounts' investment guidelines and investment restrictions; (iii) differences in the accounts' risk tolerances and return targets; (iv) differences in the accounts' existing portfolio holdings and related balancing and diversification requirements; (v) differences in the accounts' relative sizes; (vi) differences in the accounts' available investment resources (including timing of capital contributions, withdrawals and trade settlements); (vii) differences in the accounts' liquidity requirements; (viii) differences in the accounts' investment time horizons; (ix) tax considerations; and (x) such other factors as HLC may determine to be relevant at the time of allocation on behalf of a given client.

Item 13 – Review of Accounts

HLC reviews transaction activity for each of its Client accounts on a daily basis. Each position is reviewed regularly by the respective portfolio managers and credit analyst. This review is based on each portfolio's guidelines, investment strategy, relevant news, general market conditions, economic developments and other relevant factors. Other factors that may cause a portfolio review include Client contributions or distributions, revised Client objectives, or changes in law.

HLC typically provides Clients with reports concerning account holdings, transaction summaries and performance data either monthly or quarterly. More frequent reporting may be provided as requested by a Client.

Item 14 – Client Referrals and Other Compensation

HLC has not entered into written arrangements with third party marketers for the referral of Clients to HLC or to Private Funds managed by HLC, but may do so in the future.

HLC does not receive economic benefits from any person not a Client of HLC in exchange for providing advisory services to HLC Clients.

Item 15 – Custody

In accordance with Rule 206(4)-2 of the Advisers Act, as amended, Client funds and securities are held in the custody of qualified custodians, such as unaffiliated broker-dealers or banks. HLC may be deemed to have custody under certain rules promulgated by the SEC due to the fact that HLCA, an affiliate of HLC, acts as the general partner of certain Private Funds and HLC may have access to the Private Funds' custody accounts, as authorized under the terms of the applicable investment management agreements. The Private Funds financial statements are audited on an annual basis by an independent public accountant that is both registered with and is subject to regular inspection by the Public Company Accounting Oversight Board. The audited financial statements are prepared in accordance with generally accepted accounting principles and HLC will attempt to send such statements to the investors in the applicable Private Fund within 120 days of the end of such Private Fund's fiscal year.

Item 16 – Investment Discretion

HLC has discretionary authority over its Clients' assets pursuant to the advisory contracts it enters into with such Clients. This means that HLC places trades in its Clients' account without contacting the Client prior to any trade to obtain the Client's permission. HLC's discretion may be limited pursuant to the terms and conditions of the applicable advisory relationship, provided that the restrictions are essentially consistent with HLC's investment process.

Item 17 – Voting Client Investments

As the Private Funds and HLC-Managed CLOs primarily invest in debt instruments, HLC does not normally receive proxies to vote common stock subject to Rule 206(4)-6 of the Advisers Act. If HLC is accorded voting or consent rights by virtue of any debt instrument held by our Clients, we will follow proxy voting policies and procedures and be guided by general fiduciary

principles and such voting or consent rights will be exercised by us in a manner believed to be in the best interests of Clients and consistent with efforts to achieve a Client's stated objective, including maximizing portfolio value.

Item 18 – Financial Information

To the best of HLC's knowledge, no financial condition exists that is reasonably likely to impair our ability to meet expected contractual commitments to any Clients. Since its inception, HLC has and continues to receive financial support (including in-kind resources) from its affiliates, including HCM and HHC.

Item 19 – Requirements for State-Registered Advisers

Not Applicable.