

# CVC Credit Partners, LLC



## Part 2A of Form ADV: Firm Brochure

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This brochure provides information about the qualifications and business practices of CVC Credit Partners, LLC. If you have any questions about the contents of this brochure, please contact Ms. Anna Spector at (212) 506-3897. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state securities authority. CVC Credit Partners, LLC is a registered investment adviser. Registration with the U.S. Securities and Exchange Commission ("SEC") of an investment adviser does not imply any level of skill or training.

Additional information about CVC Credit Partners, LLC is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

This brochure was updated on September 29, 2017. It provides information that is different from or supplemental to information that CVC Credit Partners, LLC provided in our previous amended brochure filed on March 30, 2017. CVC Credit Partners, LLC is now updating its brochure to reflect that a subsidiary of the CVC Credit Holding Foundation has purchased the 24% stake in CVC Credit Partners previously owned by Resource America, bringing its ownership in the business to 100%.

**Item 3: Table of Contents**

<b>Item 1:</b>	Cover Page .....	1
<b>Item 2:</b>	Material Changes .....	2
<b>Item 3:</b>	Table of Contents .....	3
<b>Item 4:</b>	Advisory Business .....	4
<b>Item 5:</b>	Fees and Compensation .....	5
<b>Item 6:</b>	Performance Based Fees and Side-by-Side Management .....	11
<b>Item 7:</b>	Types of Clients .....	12
<b>Item 8:</b>	Methods of Analysis, Investment Strategies and Risk of Loss .....	12
<b>Item 9:</b>	Disciplinary Information .....	25
<b>Item 10:</b>	Other Financial Industry Activities and Affiliations .....	25
<b>Item 11:</b>	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	29
<b>Item 12:</b>	Brokerage Practices .....	31
<b>Item 13:</b>	Review of Accounts .....	33
<b>Item 14:</b>	Client Referrals and Other Compensation .....	34
<b>Item 15:</b>	Custody .....	34
<b>Item 16:</b>	Investment Discretion .....	34
<b>Item 17:</b>	Voting Client Securities .....	35
<b>Item 18:</b>	Financial Information .....	35

#### **Item 4: Advisory Business**

CVC Credit Partners, LLC, a Delaware limited liability company, is a wholly owned subsidiary of CVC Credit Partners, L.P. The majority of interests in CVC Credit Partners, L.P. are ultimately held by CVC Credit Partners Group Holding Foundation, a foundation incorporated under the laws of Jersey, Channel Islands (“CVC Credit Holding Foundation”). The current beneficiaries of CVC Credit Holding Foundation are the employees of the subsidiaries and holding companies from time to time of CVC Capital Partners Credit Partners Holdings Limited (which is the immediate subsidiary of the CVC Credit Holding Foundation), which will be a changing class of persons. Such beneficiaries have no direct rights to, or an interest in, the assets and income of the CVC Credit Holding Foundation unless and until CVC Credit Holding Foundation determines to provide a benefit.

CVC Credit Partners, LLC was originally formed on January 12, 2005. CVC Credit Partners, L.P.’s global platform also includes two separately-organized U.K. investment advisers, CVC Credit Partners Limited and CVC Credit Partners Investment Management Limited (collectively referred to herein as “CVC Credit UK”), which are regulated by the U.K. Financial Conduct Authority and are Relying Advisers of CVC Credit Partners, LLC. Additionally, CVC Credit Partners, L.P.’s global platform includes CVC Credit Partners European Investment Fund Management Limited, which is regulated by the Jersey Financial Services Commission and is a Relying Adviser of CVC Credit Partners, LLC.

CVC Credit Partners, LLC and its Relying Advisers, CVC Credit UK and CVC Credit Partners European Investment Fund Management Limited, are collectively referred to herein as “CVC Credit”.

The CVC Credit advisers above are under common ultimate control with two other registered investment advisers which focus on the management of collateralized loan obligation vehicles and are held under a separate ownership structure. These advisers are CVC Credit Partners U.S. CLO Management LLC in the U.S., which is regulated by the Securities and Exchange Commission, and CVC Credit Partners European CLO Management, LLP, which is regulated by the U.K. Financial Conduct Authority (collectively referred to herein as “CVC Credit CLO Management.”) Both advisers are wholly-owned subsidiaries of CVC Credit Partners Global CLO Management Limited, a closed ended private limited liability company incorporated in Jersey.

Collectively all the above investment advisers constituting CVC Credit and CVC Credit CLO Management are referred to herein as “CVC Credit Partners”.

CVC Credit operates under the same branding “CVC” as, CVC Capital Partners, a leading private equity and investment advisory firm. As used in this brochure, the term CVC includes CVC Advisory Holding Foundation, CVC Capital Partners SICAV-FIS S.A., CVC Credit Partners Group Holding Foundation, and their respective subsidiaries and affiliates from time to time, but does not include portfolio companies of the investment funds advised by them. CVC’s private equity investment business (described further in Item 10 below) is referred to herein as “CVC Capital”.

CVC Credit provides investment advisory services to investment vehicles, including collateralized loan obligations and collateral debt obligations (collectively, “CLOs”), other collective investment vehicles (“Managed Funds”), and separately managed accounts for institutional investors on a discretionary and non-discretionary basis (“Managed Accounts” and together with the CLOs and the Managed Funds, “Clients”). CVC Credit’s Clients pursue primarily U.S. and European leveraged and performing credit strategies (such as broadly syndicated bank loans, secured and leveraged loans, floating rate loans, second lien loans, corporate and high yield bonds, convertible bonds), alternative credit strategies (such as mezzanine debt, structures and illiquid credit), special situations (such as stressed and distressed credit, equity and preferred securities, reorg equity), and mid-market lending (privately negotiated loans to mid-market companies). In the pursuit of these strategies, CVC Credit will also utilize currency forwards and other derivative instruments on behalf of its Clients.

CVC Credit applies fundamental credit research analysis and a proactive management style to identify the most compelling opportunities in the credit markets, and seeks to maximize total returns and manage portfolio risk. CVC Credit generally provides investment advisory services under the terms of (i) a collateral management agreement and indenture in the case of CLOs; (ii) a limited partnership agreement or an investment management agreement in the case of Managed Funds; and (iii) an investment management agreement in the case of Managed Accounts (together, “Client Agreements”). CVC Credit negotiates these documents, which set forth the specific services that will be provided by CVC Credit, with Clients before the commencement of the relevant advisory relationship. CVC Credit may also negotiate side letters with individual Managed Fund investors to accommodate specific reporting or regulatory requirements.

Each of the CLOs, Managed Funds and Managed Accounts for which CVC Credit provides investment advisory services may impose investment guidelines and limitations on the types of securities and other instruments in which each portfolio may invest. In particular, each CLO for which CVC Credit provides investment advisory services is governed by an indenture that places significant restrictions on the types of securities and other instruments that may be purchased on behalf of the CLO.

As of June 30, 2017, CVC Credit had approximately \$16.6 billion of assets under management. Of the total assets under management, approximately \$ 16.5 billion is managed on a discretionary basis, with the remainder managed on a non-discretionary basis. Certain Managed Accounts, pursuant to the terms of their investment management agreements, require CVC Credit to provide notice of any proposed investments. In such cases, the Managed Account Client has the right to reject any investment proposed by CVC Credit.

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

As a general matter, the specific Client Agreements for each Client detail the fees payable by such Client. These fees are typically negotiated, will vary from Client to Client, and typically include a

management fee and incentive fees, which are at the rates and under the terms described in the relevant governing documents.

The discussion below summarizes representative fee arrangements for each type of Client. All fees are negotiated with CLOs, Managed Funds and Managed Accounts before the advisory relationship commences. The governing documents of each CLO, Managed Fund and Managed Account include detailed information regarding fees and expenses paid by the Client. Clients and investors should review the relevant governing documents and offering materials to fully understand the total amount of fees and expenses that may be paid.

## ***Fees***

### **CLOs**

With respect to its third-party CLOs (“CVC Credit CLOs”):

- CVC Credit receives a senior management fee that is typically up to 20 basis points, calculated as a percentage of assets under management.
- CVC Credit receives a subordinated management fee that is typically up to 40 basis points and is calculated as a percentage of assets under management.
- CVC Credit also charges the CVC Credit CLOs an incentive fee, which is generally 20% of distributions per annum above a pre-determined hurdle rate, payable when the equity class of securities for each CLO has achieved a specified return on investment.

### **Managed Funds**

With respect to its Managed Funds:

- CVC Credit receives a management fee, typically up to 200 basis points of assets under management.
- CVC Credit generally also charges Managed Funds performance fees of up to 20%. Performance fees/carried interest are payable when Managed Funds have achieved a specified return on investment.

### **Managed Accounts**

With respect to its Managed Accounts:

- CVC Credit receives a management fee that is typically up to 200 basis points of assets under management.
- CVC Credit generally also charges Managed Accounts performance fees of up to 20%. Performance fees typically are payable when Managed Accounts have achieved a specified return on investment.

All fees attributable to CLOs managed by CVC Credit are paid quarterly to CVC Credit by independent trustees for the CLOs in accordance with the terms of the applicable indenture. The management fee attributable to each CLO is calculated by the trustee and confirmed by CVC Credit. Base management fees and incentive fees attributable to Managed Funds and Managed Accounts are paid quarterly (with respect to the management fees) and annually (with respect to incentive fees) to CVC Credit by the Client or an independent third-party custodian. Certain Managed Funds are required to pay base management fees quarterly in advance of the calendar quarter. If an investor in a Managed Fund redeems that interest during the quarter (as opposed to the end), the investor is entitled to a pro-rata share of unearned management fees.

### ***Types of Expenses Charged to CVC Clients***

CVC Credit's advisory fees are not inclusive of all the fees and expenses that Clients (and, indirectly, investors) may pay. The fees and/or expenses that Clients may possibly pay will typically fall into three general categories: (1) organizational expenses, (2) operational expenses, and (3) investment-related expenses. A summary of these expenses, which is not intended to be exhaustive, is provided below. The relevant Client Agreement may set forth specific expenses that will (or will not) be borne by a Client, and the provisions of Client Agreements will supersede this brochure to the extent of any direct conflict.

#### **Organizational Expenses**

Organizational expenses typically include regulatory fees, costs and expenses in connection with establishing and organizing a Client. This expense category will generally include the following:

- legal, accounting, and filing fees, costs and expenses incurred in connection with the formation, organization and establishment of, or sale of interests in, the Client and its General Partner (if any),
- expenses incurred in connection with any amendments, restatements or other modifications to, or the monitoring of compliance with, Client Agreements, side letters and other constituent or related documents of the Client and the General Partner and other comparable compliance and compliance monitoring-related activities, and
- fees, costs and expenses incurred in connection with the marketing and offering of interests in the Client (including legal, accounting, filing, access to, and use of, databases, client relationship management systems ("CRM") or datarooms for posting the Client documents and due diligence materials, travel (including accommodation and meal), and printing).

#### **Operational Expenses**

Operational expenses generally include ongoing costs and expenses in connection with operating a Client, including those that are transaction and regulatory in nature. This expense category will generally include the following:

- legal, accounting (including third-party accounting services), bookkeeping, consulting, rating agency, asset assignment and settlement, tax preparation and filing (including Schedules K-1), independent appraisal, audit, other professional fees,
- expenses, fees, costs, expenses and liabilities of the Client in respect of administration, reporting (including the use of CRM), custody, management, operation, termination, liquidation, winding up and dissolution,
- ongoing tax and expenses incurred in connection with legal and regulatory compliance relating to the Client's activities (including, without limitation, regulatory filings of the General Partner, CVC Credit and their affiliates relating to the Client's activities), information, and communication,
- reporting costs and expenses (including reporting on Form PF or other reports to be filed by the Client (or by CVC Credit or the General Partner on behalf of or with respect to the Client)) and any costs associated with outsourcing the completion of such reports,
- costs and expenses of any litigation and other extraordinary expenses relating to the Client or an entity in which investments are made by the Client,
- costs and expenses attributed to holding any meetings (including annual investor conferences) of the Client, including the Client's investors, the Client's board of directors or advisory committee (including expenses related to transportation, accommodations, meals, events, and entertainment),
- insurance premiums and fees (including directors' and officers' fees and expenses),
- fees, costs and expenses incurred in connection with the settlement of loans and securities transactions, and other trade-related documentation, including expenses incurred in connection with legal counsel and expert review of loan documents,
- interest on and fees, costs and expenses associated with certain strategies involving the use of leverage and borrowings (including interest on principal, fees and other costs), guarantees or other indebtedness incurred by the Client (or a financing subsidiary thereof), and
- costs and expenses incurred in connection with the usage of data service providers such as Bloomberg terminal fees, Markit/WSO fees and other expenses incurred in connection with data services providing price feeds, news feeds, securities and company information, company fundamental data, and "S&P Index Alerts".

### Investment-Related Expenses

Investment-related expenses generally include costs and expenses in connection with the pursuit or sourcing of a particular investments and ongoing investment costs. This expense category will generally include the following:

- Fees, costs and expenses of identifying, investigating (including conducting diligence with respect to) evaluating, structuring and negotiating potential investments for a strategy (fees



and expenses of any legal, financial, accounting, consulting or other advisors or lenders, investment banks and other financing sources and any deposits or down payments that are forfeited in connection with, or amounts paid as a penalty for, unconsummated transactions (i.e., “broken-deals”),

- Costs, fees and expenses relating to the holding, administering, monitoring, financing, refinancing, managing, disposing and hedging investments (including proposed but unconsummated investments),
- These costs, fees and expenses include, without limitation: brokerage commissions; sourcing agent fees; clearing and settlement charges; syndication fees; arranger fees; pricing and valuation fees (including appraisal fees); underwriting commissions and discounts; interest and investment fees ; transaction fees; breakup fee; investment banking fees; advisory fees; bank charges ; other investment costs and expenses related to closing, execution and transaction costs ; custodial, trustee, transfer agent, recordkeeping and other administrative fees; origination fees; commitment fees; rating agency fees ; collateral management fees, facility fees, float fees or similar fees,
- Fees, costs and expenses of attending conferences or similar meetings in connection with the sourcing and evaluation of potential investments on behalf of Clients, irrespective of whether any such investment is ultimately consummated,
- Any travel-related expenses related to or arising from the discovery, evaluation, investigation, development, acquisition or consummation, ownership, maintenance, monitoring, hedging, or disposition of investments, including potential investments (which includes travel expenses for the use of business class travel),
- Fees, costs and expenses for other third-party research, specialty data subscription and license-based services and risk analysis software, industry information, analytics and expert networks/research resources incurred in connection with the sourcing or evaluation of investments for Clients,
- Fees, costs and expenses of consultants, including senior advisors and industry advisors, and other technical consultants. Where a consultant charges a retainer fee and, in addition, a sourcing fee which is paid in respect of specific investments or potential investments, the retainer fee will typically be borne by the Manager, and the sourcing fee will typically be borne by the Clients participating (or potentially participating in) the relevant investment opportunity,
- The costs and expenses associated with attendance at meetings, such as board meetings or steering committee meetings in connection with portfolio company investments made on behalf of Clients,
- Investment-related expenses incurred in connection with sourcing or due diligence for transactions that are not consummated,

- travel and accommodation expenses for CVC Credit personnel and third-party providers incurred in connection with a broken deal, and
- any reverse breakup fees, deposits or down payments (including deposits made by CVC Credit on behalf of Clients) that are forfeited in connection with, or amounts paid as a penalty for, broken deals.

### Expense Allocation and Attribution

Investors in a CVC Credit Managed Fund will indirectly bear their pro rata share of such additional fees and expenses for the time period they are invested in the CVC Credit Managed Fund. Certain expenses are incurred on behalf of multiple Clients, and on occasion, an expense will be incurred on behalf of CVC Credit or an affiliate of CVC Credit as well as one or more Clients. To address the potential conflicts of interest associated with the allocation of such expenses, CVC Credit has adopted an expense allocation policy designed to ensure equitable allocation of expenses among Clients and, as applicable, CVC Credit. Under the policy, the allocation of expenses will be determined by CVC Credit based on the following factors:

- the extent of each Client's utilization of the services associated with such expense;
- the relative benefit to each Client that is derived from such expense (or that is expected to be derived from such expense);
- with respect to transactions and broken deals, the size or expected size of each Client's participation in the transaction; and
- the relationship of such expense to the legal, contractual or other obligations of each of the Clients.

In applying these factors, CVC Credit will generally allocate expenses according to the following standards, subject to the relevant Client Agreement.

- Expenses that are obligations of CVC Credit and not obligations of any Client are allocated solely to CVC Credit. These include payroll and employee benefits, office expenses, and other expenses incurred in connection with the operations of CVC Credit.
- Organizational, operational, and transaction-related expenses incurred solely by, or on behalf of, a single Client are allocated, in whole, to that Client.
- Expenses that are attributable to more than one Client are allocated between and among such Clients in a manner that is fair and equitable based on the factors described above. Barring unusual circumstances, broken-deal expenses will be allocated according to the predetermined allocation of the deal among Clients (if one was made), or on cash availability of Clients eligible to participate in the deal at the time of the broken deal (if there is no predetermined deal allocation). Where co-investors have been permitted to participate in investments, expenses associated with such investments will be allocated to such co-investors and among Clients per the factors set forth above. Feeder funds

generally will bear their own expenses, as well as a pro rata share of all master fund expenses based upon their relative percentage of ownership of such master fund. Expenses that benefit all Clients in a particular CVC Credit investment strategy (including, for example, research subscriptions, publications, and other third-party vendors contracted to provide company and industry level research) are typically allocated to all Clients within that strategy on a pro-rata basis, based on investable AUM.

- Expenses attributable to CVC Credit and one or more Clients will generally be allocated in the same manner as expenses allocated among clients, except that the scope of benefit to CVC Credit shall also be considered when making the allocation. In addition, when CVC Credit engages consultants and vendors for deal sourcing purposes, CVC Credit will typically pay any retainer fee, and the applicable Client(s) who participate in the investment will pay the deal sourcing fee.

In circumstances where a portion of an expense is allocated to CVC Credit, the expense allocation policy requires a review of each allocation by CVC Credit's compliance department. CVC Credit's expense allocation policy also provides for the periodic testing and review of expense allocations to assess the propriety of our expense allocation practices.

### ***Other Sources of Potential Compensation***

CVC Credit may provide information regarding the price and time of trade executions or other trading-related information ("Trade Information") to third parties in an aggregate format that does not identify or otherwise indicate the Clients for which trades were executed. CVC Credit may receive fees, discounts or credits towards services provided by such third-parties that would otherwise be paid directly by CVC Credit, or other benefits or compensation in connection with such activities. When exercising discretion with respect to the selection of trading counterparties, CVC Credit does not take into consideration any fees, discounts, credits, or other compensation received from making Trade Information available to third-parties.

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

CVC Credit charges both asset-based fees and performance-based fees (meaning, fees based on a share of capital gains on or capital appreciation of assets) to certain advisory Clients. The fact that fees are based on performance may create an incentive for CVC Credit to recommend speculative investments to these Clients because CVC Credit participates in a portion of the upside of such investments, but does not fully participate in the downside. CVC Credit may also be incentivized to allocate certain investment opportunities to Clients with a higher fee structure and/or performance-based fees.

In an effort to mitigate conflicts of interest related to side-by-side management of Client accounts with different fee structures, CVC Credit has established a trade allocation policy, which applies to all Clients and which seeks to allocate investments among Clients in a fair and equitable manner over time. By this method, CVC Credit undertakes to ensure that all Clients receive appropriate and individualized treatment based on the needs of a given Client at a given time. This policy is

designed to ensure that, in allocating investment opportunities, no Client may or will be favored over another based on the Client's identity or affiliation, account performance, fee structure, or similar attributes not related to investment factors or restrictions. Each of CVC Credit's portfolio managers has responsibility for designated Clients, and is responsible for determining that Client's appropriate participation in the allocation by considering any relevant investment criteria. Such criteria include, without limitation, investment objectives, available capital, the timing of capital inflows and outflows, applicable concentration limits, portfolio diversification, availability of alternative investments and the overall risk profile of a Client.

#### **Item 7: Types of Clients**

CVC Credit provides investment advice to CLOs, Managed Funds and Managed Accounts. Investments in these vehicles are generally only available to institutional investors and certain high-net worth investors that are accredited investors and qualified purchasers or non-U.S. persons or in the case of employees, knowledgeable employees, within the meaning of the Investment Company Act of 1940. CVC Credit's Managed Funds generally have a specific minimum investment amount, which is set forth in their offering materials and governing documents.

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

In analysing investments, CVC Credit employs fundamental credit research with respect to each of the loans, bonds, and securities held in (or considered for) the CLOs, Managed Funds and Managed Accounts for which CVC Credit provides investment advisory services. CVC Credit operates a rigorous, multi-stage investment process designed to provide a centralized forum for the critical assessment of each proposed investment, and concentrates on fundamental credit analysis, technical analysis and the portfolio stability of each potential investment. Also central to this process is a fundamental assessment of the credit worthiness of the borrower or issuer. CVC Credit utilizes multiple sources of information in analysing investments, including but not limited to: 1) annual reports, prospectuses, regulatory filings filed with U.S. and foreign regulators and company press releases; 2) newswires, research material prepared by others and corporate rating services; 3) third party consultants, expert networks, lawyers, accountants, commercial and investment banks, financial intermediaries, other investment and advisory institutions and its direct and indirect contacts through its association with CVC. CVC Credit employees may participate in on-site visits, portfolio company management meetings, creditors' committees, industry groups, or steering committees or may sit on the boards of directors of portfolio companies. CVC Credit will seek to leverage CVC's network of relationships and capital resources across Europe to identify and participate in investment opportunities. In connection with the evaluation of potential investment opportunities, CVC Credit may engage with individuals retained by certain expert networks who are under an obligation not to disclose proprietary and/or confidential information. To further mitigate and manage this risk, CVC Credit has implemented policies and procedures designed to avoid inadvertently obtaining proprietary and/or confidential information from its interactions with all information sources, including CVC and industry contacts as well as expert network consultants. CVC Credit may also enter into agreements with certain industry experts

(“CVC Credit Advisers”), in connection with sourcing of investment opportunities for various Managed Funds and Managed Accounts.

### ***Material Risks of Significant Investment Strategies***

Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. While CVC Credit seeks to mitigate risks so that they are appropriate to the potential return for the Client or strategy, it is usually not possible or desirable to fully mitigate risks. Prospective investors or Clients should carefully consider the following risks, along with those risk factors described in the applicable governing documents. There can be no assurance that investment strategies will be carried out successfully. Investors and Clients should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses. The governing documents of each investment program, including the offering memoranda for the Managed Funds and CLOs, more fully explain the material risks associated with the Credit strategies managed by CVC Credit. Investors in Managed Funds and CLOs should review these documents in addition to the risk summaries below.

#### **Investment in Loans**

The value of any loans held on behalf of Clients may be detrimentally affected to the extent that a borrower defaults on its obligations. While CVC Credit may in certain instances attempt to minimize this risk by obtaining collateral, there can be no assurance that the value assigned by CVC Credit to collateralize an underlying loan can be realized upon liquidation, nor can there be any assurance that any such collateral will retain its value. Furthermore, circumstances could arise (such as in the bankruptcy of a borrower) that could cause a Client’s security interest in the loan’s collateral to be invalidated. Also, much of the collateral will be subject to restrictions on transfer intended to satisfy securities regulations, which will limit the number of potential purchasers if CVC Credit intends to liquidate such collateral on behalf of a Client. The amount realizable with respect to a loan may be detrimentally affected if a guarantor, if any, fails to meet its obligations under a guarantee. Finally, there may be a monetary, as well as a time cost involved in collecting on defaulted loans and, if applicable, taking possession of various types of collateral.

CVC Credit may, on behalf of its Clients, invest in second lien loans. Second lien loans are subject to the same investment risks generally applicable to loans, as described above. Second lien loans are also subordinate in right of payment to one or more senior loans of the related obligor. As a result, second lien loans are subject to additional risk that the cash flow of the related obligor and the property securing the second lien loan may be insufficient to repay the scheduled payments to the lender after giving effect to any senior secured obligations of the related obligor. Second lien loans are also expected to be more illiquid than senior first lien loans.

Additionally, CVC Credit may, on behalf of its Clients, invest in unsecured loans. Unsecured loans are subject to the same investment risks generally applicable to loans described above but are subject to additional risk that the assets and cash flow of the related obligor may be insufficient to repay the scheduled payments to the lender after giving effect to any secured obligations of the

obligor. Unsecured loans will be subject to certain additional risks to the extent that such loans may not be protected, and such loans are not secured by collateral, financial covenants or limitations upon additional indebtedness. Unsecured loans are also expected to be a more illiquid investments than senior loans.

Furthermore, under the agreements governing most syndicated loans, if a holder of an interest in a syndicated loan wishes to call a default or exercise remedies against a borrower, it generally may not do so without the agreement of at least a majority of the other lenders. In addition, actions could be taken by a majority of the other lenders, or in some cases, a single agent bank, without the consent of all lenders. Each lender would nevertheless be liable to indemnify the agent bank for its ratable share of expenses or other liabilities incurred in such connection and, generally, with respect to the administration and any renegotiation or enforcement of the syndicated loans. Moreover, an assignee or participant in a loan may not be entitled to certain gross-up payments in respect of withholding taxes and other indemnities that otherwise might be available to the original holder of the loan. As lenders, CVC Credit Clients may be subject to the foregoing risks.

CVC Credit invests, on behalf of its Clients, in senior loans acquired through assignment or participations. In purchasing participations, the Client will usually have a contractual relationship only with the selling institution, and not the borrower. CVC Credit, acting on behalf of a Client, generally will have no right directly to enforce compliance by the borrower with the terms of a loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to or waivers under the loan agreement, which was agreed to by the selling institution. A Client may not directly benefit from the collateral supporting the related senior loan and may not be subject to any rights of set-off that the borrower has against the selling institution.

In addition, in the event of the insolvency of the selling institution in participation, a Client may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the senior loan. Consequently, a Client may be subject to the credit risk of the selling institution as well as of the borrower. Certain senior loans or loan participations may be governed by the law of a jurisdiction other than the United States or a U.S. state which may present additional risks with regards to the characterization under such laws of such participation in the event of the insolvency of the selling institution or the borrower.

CVC Credit may aggregate bank debt investments to be purchased by one of its Clients, with bank debt investments to be purchased by other Clients managed by CVC Credit. In order to effect a bank debt purchase on behalf of multiple Clients, CVC Credit may cause a single Client to purchase the bank debt and enter into participation agreements or other similar arrangements with other Clients, allowing them to participate in the economic performance of the bank debt or other investments without actually owning the bank debt directly. CVC Credit prices the participations at the price paid by the issuing Client to the third-party from which it purchased the debt so that the economic effect of the transaction is the same as if the participants purchased directly from the third-party seller. Under the terms of participation arrangements, one or more Clients can be required to make future payments to another Client. If any other fund or account were to default on its respective obligations to the Client that issues the participation, that Client could be adversely impacted. In addition, if the issuing Client were to act as the lender of record with

respect to any purchase of bank debt or other investments, it may have greater exposure to third-party claims than other funds and accounts that hold the interest by participation.

### Financial Market Fluctuations

General fluctuations in interest rates and the market prices of investments may adversely affect the value of the Managed Funds' and Managed Accounts' investments. Instability and volatility in interest rates and the debt, equity and other relevant markets may also increase the risks inherent in a Client's investments. The ability of an underlying issuer to refinance debt may depend on the ability to sell new debt and equity in the market, to borrow from banks or do otherwise, which may not be achievable on favourable terms or at all. A deterioration of the global debt markets (particularly the E.U. and U.S. debt markets), any possible future failures of financial services companies or a significant rise in market perception of counterparty default risk will likely significantly reduce investor demand and liquidity for investment grade, high-yield and senior bank debt, which in turn is likely to lead some banks and other lenders to be unwilling or significantly less willing to finance new investments or to only offer financing for investments on less favourable terms than had been prevailing in the past.

### Credit Risk

Performance and investor yield on the interests may be affected by the default or perceived credit impairment of debt investments. Credit risks associated with such investments include among others: (i) the possibility that earnings of the obligor may be insufficient to meet its debt service obligations; (ii) the obligor's assets declining in value; and (iii) the declining creditworthiness, default and potential for insolvency of the obligor during periods of rising interest rates and economic downturn. Any such investment may become defaulted for a variety of reasons, including non-payment of principal or interest, as well as breaches of contractual covenants. A defaulted investment may become subject to workout negotiations or may be restructured by, for example, reducing the interest rate, a write-down of the principal, and/or changes to its terms and conditions. Any such process may be extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on the defaulted investment. In addition, significant costs might be imposed on the lender, further affecting the value of an investment. The liquidity in such defaulted investments may also be limited and, where a defaulted investment is sold, it is unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest owed on that investment. This would have a material adverse effect on the value of the Managed Funds and Managed Accounts. In the case of secured loans, restructuring can be an expensive and lengthy process which could have a material negative effect on the anticipated return on the restructured loan.

### High-Yield Securities

CVC Credit may, on behalf of its Clients, invest in bonds or other fixed income securities, including without limitation, commercial paper and "higher yielding" (and, therefore, higher risk) debt securities, when CVC Credit believes that such securities offer opportunities for profit. These securities may be below "investment grade" and face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to make timely interest and principal payments. The market values of certain of these lower-rated

debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. It is likely that a major economic recession or an environment characterized by a shortage of liquidity could severely disrupt the market for these securities and may have an adverse impact on their value or liquidity. Moreover, it is likely that any such economic downturn or liquidity squeeze could adversely affect the ability of the issuers of these securities to repay principal and pay interest thereon and increase the incidence of default for these securities. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of lower-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold.

### *Distressed Assets*

CVC Credit may on behalf of its Clients invest in "distressed assets" securities, private claims and obligations of entities that are experiencing significant financial or business difficulties or have filed for Chapter 11 protection under the U.S. Bankruptcy Code. Investments may include loans, commercial paper, loan participations, trade claims held by trade or other creditors, stocks, partnership interests and similar financial instruments, executory contracts and options or participations therein not publicly traded.

Distressed assets may result in significant returns to Clients, but also involve a substantial degree of risk. A Client may lose a substantial portion or all of an investment in a distressed environment or may be required to accept cash or securities with a value less than the Client's investment. Among the risks inherent in investments in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of these issuers. These investments also may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of these instruments are also subject to abrupt and erratic market movements and above average price volatility and the spread between the bid and ask prices of these instruments may be greater than normally expected. In trading distressed securities, litigation is sometimes required. Such litigation can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses.

### *Default of an Investment*

Performance and yield on CVC Credit's investments may be affected by the default or perceived credit impairment of investments made by CVC Credit and by general or sector specific credit risk spread widening. Credit risks associated with the investments may include the possibility that the earnings of an obligor may be insufficient to meet the debt service obligations, or an obligor's assets declining in value. An economic downturn and/or rising interest rates could severely disrupt the market for the investments and adversely affect the performance. Any such investment may become defaulted for a variety of reasons, including non-payment of principal or interest, as well as breaches to the contractual covenants. In the event of a default, CVC Credit and those Clients



who hold the investment will bear the risk of loss of principal and accrued interest on that investment.

### Investment in Leveraged Loans

The underlying investments made by CVC Credit are comprised primarily of leveraged loans, which have significant liquidity and market value risks since they are not generally traded on an organized exchange but are traded by banks and other financial institutional investors engaged in loan syndications. Because loans are privately syndicated and loan agreements are privately negotiated and customized, loans are not purchased or sold as easily as publicly traded securities.

### Structured Investments

CVC Credit may, on behalf of its Clients, invest in entities organized and operated for the purpose of restructuring the investment characteristics of other debt securities. These investments will typically consist of equity or subordinated debt securities issued by a private investment fund that invests on a leveraged basis in debt instruments, including primarily senior loans and high-yield bonds and to a lesser extent asset-backed securities (“ABS”), directly or through total rate of return swaps or other credit derivatives. The cash flow on the underlying instruments may be apportioned among the newly issued security to create securities with different investment characteristics such as varying maturities, payment priorities and interest rate provisions, and the extent of the payments made with respect to such securities is dependent on the extent of the cash flow on the underlying instruments. Because Clients will not own these assets directly, they will not benefit from rights that holders of the assets have, including indemnification and voting rights.

Exposure to structured finance securities entails various risks, including: credit risks, liquidity risks, prepayment risks, interest rate risks, market risks, operations risks, structural risks, geographical concentration risks, basis risks and legal risks. Structured finance securities are also subject to the risk that the servicer fails to perform. Structured finance securities are subject to risks associated with their structure and execution, including the process by which principal and interest payments are allocated and distributed to investors, how credit losses affect the issuing vehicle and the return to investors in structured finance securities, whether the collateral represents a fixed set of specific assets or accounts, whether the underlying collateral assets are revolving or closed-end, under what terms (including maturity of the structured finance instrument) any remaining balance in the accounts may revert to the issuing entity and the extent to which the entity that is the actual source of the collateral assets is obligated to provide support to the issuing vehicle or to the investors in such structured finance securities.

The investment characteristics of ABS differ from those of traditional debt securities. For example, ABS have underlying assets that include subprime mortgage loans, automobile loans, credit card receivables and student loans. Further, these securities may not have the benefit of a security interest in the related collateral. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor.

### Middle-Market Companies

CVC Credit, on behalf of its Clients, invests in the debt obligations or securities of middle-market and/or less well-established companies in both the U.S. and Europe. While middle-market companies may have the potential for rapid growth, they often involve higher risks than larger companies. Middle-market companies have more limited financial resources than larger companies and may be unable to meet their obligations under their debt obligations, which may be accompanied by deterioration in the value of any collateral and a reduction in the likelihood of Clients realising any guarantees they may have obtained in connection with their investment. Middle-market companies also typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Less publicly available information may be available about these companies and they may not be subject to the financial and other reporting requirements applicable to public companies. They are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on the company and, in turn, on the Client. Middle-market companies may also have less predictable operating results and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. They may also have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity. If these companies are private companies, there will not be as much publicly available information about these companies as there is for public companies and such information may not be of the same quality. CVC Credit European and US mid-market strategy Funds, will generally focus on debt investments in middle-market companies. CVC Credit may determine whether companies are US or European-based or qualify as "middle-market" in its sole discretion, subject to the terms of the relevant governing documents.

### Interest Rate Risk

CVC Credit, on behalf of its Clients, generally invests in a combination of floating rate and fixed income securities. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. The value of equity securities is also affected by changes in interest rates. CVC Credit may or may not attempt to minimize the exposure of the portfolio to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. Even if CVC Credit does attempt to do so, there can be no guarantee that it will be successful in mitigating the impact of interest rate changes.

### Credit Ratings are Not a Guarantee of Quality

Credit ratings of assets represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. A credit rating is not a recommendation to buy, sell or hold assets and may be subject to revision or withdrawal at any time by the assigning rating agency. In the

event that a rating assigned to any corporate debt obligation is lowered for any reason, no party is obligated to provide any additional support or credit enhancement with respect to such corporate debt obligation. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value; therefore, ratings may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an obligor's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of any corporate debt obligation should be used only as a preliminary indicator of investment quality and should not be considered a completely reliable indicator of investment quality. Rating reductions or withdrawals may occur for any number of reasons and may affect numerous assets at a single time or within a short period of time, with material adverse effects upon the corporate debt obligation. It is possible that many credit ratings of assets included in or similar to the corporate debt obligation will be subject to significant or severe adjustments downward.

### Leverage

CVC Credit may, on behalf of its Clients, utilize leverage through margin borrowing, use of derivatives, and through certain other financial transactions. Leverage increases returns to Clients if they earn a greater return on leveraged investments than their cost of such leverage. However, the use of leverage exposes the Client to additional levels of risk including (i) greater losses from investments than would otherwise have been the case had the Client not borrowed to make the investments, (ii) margin calls or changes in margin requirements may force premature liquidations of investment positions, (iii) losses on an investment where the investment fails to earn a return that equals or exceeds the Client's cost of leverage related to the investment and (iv) fluctuations in interest rates on the Client's borrowings, which may have a negative effect on the Client's profitability. In case of a sudden, precipitous drop in value of a Client's assets, the Client might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the Client. In addition to the enhanced portfolio volatility and risk that may arise from the use of leverage, the financial transactions that establish leverage generally subject Clients to credit risk with respect to the counterparty. Leveraging transactions often involve the transfer of legal title, pledge, or other encumbrance of underlying investments. Accordingly, the insolvency or bankruptcy of a financing counterparty may result in legal action that impairs the value, marketability, or ownership rights of the underlying investments used as collateral.

### Concentrated Portfolio

Since CVC Credit will, on behalf of its Clients, invest primarily in the credit markets, Client portfolios generally will not be as diversified as other investment vehicles and may end up with relatively fewer investments. In addition, because of the time it may take to source appropriate investments, certain Managed Funds and Managed Accounts will not initially be diversified. One risk of having a limited number of investments is that the aggregate returns realised by investors may be substantially adversely affected by the unfavourable performance of even a single investment. Accordingly, investments may be subject to a more rapid change in value than would be the case if CVC Credit were required, on behalf of its Clients, to maintain a wide diversification among types of securities, geographical areas, issuers and/or industries.

### Credit Derivatives

CVC Credit may, on behalf of its Clients, engage in trading in credit derivative contracts, which are contracts that transfer price, spread and/or default risks of debt and other instruments from one party to another, both for bona fide hedging of existing long and short positions, but also for independent profit opportunities. Such instruments may include one or more credits. The market for credit derivatives may be relatively illiquid, and there are considerable risks that may make it difficult either to buy or sell the contracts as needed or at reasonable prices. There are also risks with respect to credit derivatives in determining whether an event will trigger payment under the contract and whether the payment will offset the loss or payment due under another instrument. Generally, a credit event means bankruptcy, a failure to pay, the acceleration of an obligation or modified restructuring of a credit obligation or instrument.

CVC Credit may, on behalf of its Clients, be either the buyer or seller in these transactions. If CVC Credit is a buyer of credit protection on behalf of its Clients and no credit event occurs, the Client may recover nothing. If a credit event occurs, the Client, as a buyer, typically will receive full notional value for a reference obligation that may have little or no value. Buyers of credit derivatives carry the risk of non-performance by the seller due to an inability to pay.

As a seller of credit protection, a Client would typically receive a fixed rate of income throughout the term of the contract, which typically is between one month and five years, provided that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value of the reference obligations. Sellers of credit derivatives carry the inherent price, spread and default risks of the underlying instruments.

Credit default swaps involve greater risks than if the Client had invested in the reference obligation directly. In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk. A buyer of credit protection also may lose its investment and recover nothing if no credit event occurs. If a credit event does occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to the Client. Further, in certain circumstances, the buyer can receive the notional value of a credit default swap only by delivering a physical security to the seller, and is at risk if such deliverable security is unavailable or illiquid. Such a delivery crunch is a distinct risk of these investments.

The credit derivatives market is a rapidly evolving market. As a result, different participants in the credit derivatives markets may have different practices or interpretations with respect to applicable terms and definitions, and ambiguities concerning such terms or definitions may be interpreted or resolved in ways that are adverse to Clients. Additionally, there may be circumstances and market conditions (including the possibility of a large number of buyers of credit default swaps being required to deliver the same physical security in the same time frame) that have not yet been experienced and that could have adverse effects on a Client's investments.

### Short Sales

CVC Credit may, on behalf of its Clients, engage in short sales of securities. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on a Client's portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There is a risk that a Client would have to return the securities it borrows, in connection with a short sale, to the securities lender on short notice. If a request for the return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a short squeeze can occur, and a Client may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

### Special Situations

CVC Credit may, on behalf of certain Clients, invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity of this nature, there exists the risk that the contemplated transaction will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security whose value will be less than the purchase price. Similarly, if an anticipated transaction does not in fact occur, the Client may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which CVC Credit may invest, there is a potential risk of loss by the Client of its entire investment in such companies.

### Difficulty and Cost of Locating Suitable Investments

There is no guarantee that suitable deal flow will be available so that the Managed Funds and Managed Accounts will be able to invest its available capital during the applicable commitment period or that any such investments will be successful. The success of the Managed Funds and Managed Accounts depends on the ability of the Investment Manager to identify, select, effect and realise appropriate investments. Accordingly, CVC Credit may only make a limited number of investments in connection with the mid-market and special situations strategies. These investments may involve a high degree of risk and poor performance by a few could significantly affect the return to investors.

### Investing in Non-U.S. Assets

CVC Credit may, on behalf of its Clients, invest in non-U.S. assets. Investing in securities or other instruments issued outside of the U.S. involves considerations and possible risks not typically involved in investing in instruments of companies domiciled and operating in the U.S., including the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (initiated from the U.S. or from abroad) or changed circumstances in dealings between nations. The application of foreign tax laws (e.g., the imposition of withholding taxes on dividend, interest or other payments) or

confiscatory taxation may also affect investment in non-U.S. securities or other instruments. Higher expenses may result from investment in non-U.S. instruments than would from investment in U.S. securities or other instruments because of the costs incurred in connection with conversions between various currencies and the fact that foreign brokerage commissions may be higher than commissions charged in the U.S. Non-U.S. securities markets also may be less liquid, more volatile and less subject to governmental supervision than U.S. markets. Investments in non-U.S. countries could be affected by other factors not present in the U.S., including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

#### Currency Risks

Investments in securities or other instruments that are denominated in a currency other than that in which an investment in a Managed Fund or Managed Account is made are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. 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.

#### Lack of Liquidity of Assets, Valuation

A Client's assets may, at any given time, include securities and other financial instruments or obligations that are thinly traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to value accurately any such investments. The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties, and the resulting values may differ from values that would have been determined had a ready market existed for such securities, from values placed on such securities by other investors and from prices at which such securities may ultimately be sold. Securities and other instruments held by Clients may routinely trade with significant bid-ask spreads. At times, third-party pricing information may not be available for certain positions held by a Client. CVC Credit is entitled to rely, without independent investigation, upon pricing information and valuations furnished to CVC Credit by third-parties, including any independent third-party pricing services selected by CVC Credit. In addition, certain cross-transactions and other transactions between Managed Fund and Managed Accounts managed by CVC Credit, to the extent permitted, are subject to valuation risk.

#### Counterparty Risk

Clients will be exposed to the credit risk of the counterparties with which, CVC Credit and Clients transact. These parties may include trading counterparties, clearing agents, exchanges, clearing houses, custodians, prime brokers, trustees, administrators and other financial intermediaries. These parties may default on their obligations to CVC Credit Clients due to bankruptcy, lack of liquidity, operational failure or other reasons and such failure of a broker may result in adverse consequences for the assets held by such party, which may in turn have an adverse effect on the value of the investments.

### Liquidity Risk

Many of the credit investments held by Clients are highly illiquid, and there can be no assurance that Clients will be able to realize these investments in a timely manner. It is unlikely that there will be a public market for most of the investments held in Client portfolios. Clients generally will not be able to sell securities held in their investment portfolios publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. In some cases Clients may be prohibited by contract or regulatory requirements from selling investments for a period of time. In the event of a margin call or other loan repayment at a time when the Client does not have sufficient cash assets to cover such call or payment, it may be forced to liquidate certain investments at less than their expected returns, thereby resulting in lower realized proceeds to Client.

### Material Non-Public Information

Investment professionals at CVC Credit may acquire confidential information concerning an entity in which Clients have invested, or in which CVC Credit is considering an investment on behalf of one or more Clients. Acquiring material, non-public information may limit CVC Credit's ability to buy or sell particular securities or other instruments of the entity on behalf of a Client, and this in turn may limit the investment opportunities or exit strategies available to a Client.

CVC maintains an information barrier to isolate and prevent communication of material, non-public information between each of CVC Credit and CVC Capital, except as expressly provided for in the information barrier procedures and subject to appropriate procedural oversight. The purpose of this information barrier is, among other things, to confine any material, non-public information obtained by personnel on one side of the barrier so that the investment activities of the businesses on the other side of the barrier are not restricted as a result of the material non-public information being imputed to the personnel on the other side of the barrier. As a result of this information barrier, personnel of CVC Credit may not be able to use, act on or otherwise be aware of information that is known by or in the possession of the personnel of CVC Capital (and vice-versa). Collaboration between CVC Credit personnel and CVC Capital personnel may therefore be limited; this in turn may reduce potential synergies across CVC.

At the same time, there are no information barriers between or among the various investment teams within CVC Credit, or between CVC Credit Partners, LLC, CVC Credit UK and CVC Credit Partners European Investment Fund Manager Limited (as discussed further in Item 10 below). CVC Credit operates a shared restricted list to which all of their respective Clients are subject. Consequently, CVC Credit may not be able to buy or sell a particular security or other instrument on behalf of its Clients because one or more personnel of CVC Credit possesses material, non-public information concerning the instrument's issuer or the market for the issuer's securities or other instruments. Similarly, in such circumstances, CVC Credit may not be able to dispose of a security or other instrument owned by a Client, even in a declining market, until the information becomes publicly available or immaterial and the trading in the issuer's securities or instruments is no longer restricted.

### Creditors Committee Risk

CVC Credit, on behalf of its Client(s) may elect to appoint a representative to serve on creditors' committees, official or unofficial, equity holders' committees or other groups (in addition to boards of directors) to ensure preservation or enhancement of the Programme position as a creditor or equity holder. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. If CVC Credit concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to its Clients(), it may resign from that committee or group, and the Client(s) may not realise the benefits, if any, of participation on the committee or group. In addition, and also as discussed above, if a Client is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of or increasing its investments in such Underlying Issuer while it continues to be represented on such committee or group and potentially thereafter.

### Cyber Security Breaches and Disaster Recovery

Cyber security incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. CVC Credit and our service providers' information and technology systems may be vulnerable to damage or interruption from computer viruses or other malicious code, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals or service providers, power, communications or other service outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete or modify private and sensitive information. Although CVC Credit and CVC have implemented, and service providers may implement or already have implemented, various measures to manage risks relating to these types of events, such systems could prove to be inadequate and, if compromised, could become inoperable for extended periods of time, cease to function properly or fail to adequately secure private information. Breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing it from being addressed appropriately. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in CVC Credit's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and their beneficial owners) and the intellectual property and trade secrets of CVC Credit. As a result of such a failure CVC Credit and CVC could be required to make a significant investment to remedy the effects of any such failures, harm their reputations, subject them and their respective affiliates to legal claims and adverse publicity and otherwise affect their business and financial performance.



## **Item 9: Disciplinary Information**

Neither CVC Credit nor its management personnel have been involved in or are the subject of any legal or disciplinary events that would be material to a Client's or prospective Client's evaluation of CVC Credit's advisory business or the integrity of CVC Credit or its management personnel.

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

Stephen Hickey, the Chief Investment Officer of CVC Credit; Thomas Newberry, a Partner of CVC Credit and Head of Private Funds, and other CVC Credit access persons are all registered representatives of CVC Funding, LLC. These individuals are subject to the written supervisory procedures of CVC Funding, LLC when they engage in securities-related transactional activities.

### **Affiliated broker- dealer**

CVC Funding, LLC is registered as a broker-dealer in the U.S. with the SEC and FINRA and is a wholly-owned subsidiary of CVC Credit. The primary focus of CVC Funding, LLC is to conduct activities as a distributor and/or placement agent for private funds managed by or otherwise affiliated with CVC Credit and CVC Capital. Interests in the funds are generally offered pursuant to Rule 506 of Regulation D, as well as Regulation S. CVC Funding, LLC does not execute portfolio transactions on behalf of CVC Credit or CVC Capital or their client accounts.

CVC Funding, LLC will be compensated by CVC Credit Partners, LLC through an agreement for services. Under certain circumstances, it may also be compensated by the applicable general partner, investment manager, and/or adviser through a one-time or ongoing fee, although this is not currently anticipated. Certain personnel of CVC Credit and CVC Capital act as registered representatives of CVC Funding, LLC to the extent necessary or appropriate to perform their responsibilities. While fees, commissions and other compensation paid to CVC Funding, LLC are, in the judgment of CVC Credit and its affiliates, reasonable and generally charged at rates that CVC Credit Partners believes are at market rate for the relevant activities such compensation may not in each case be negotiated at arm's length.

### **Pooled investment vehicles**

CVC Credit, its related persons and other entities within the CVC business serve as sponsors or general partners of pooled investment vehicles including, but not limited to, collateralized debt obligations, hedge funds and private equity funds.

### **Relying investment advisers**

CVC Credit Partners Limited and CVC Credit Partners Investment Management Limited (collectively "CVC Credit UK") are Relying Advisers of CVC Credit and are authorized and regulated by the U.K. Financial Conduct Authority. CVC Credit Partners European Investment Fund Manager Limited is also a Relying Adviser of CVC Credit and is authorized and regulated by the Jersey Financial Services Commission.

A single Operating Committee oversees the operations of both CVC Credit UK and CVC Credit. In addition, certain senior CVC Credit personnel are members of CVC Credit UK investment committees, and vice versa, and certain investment committees are joint, comprised of representatives from CVC Credit and CVC Credit UK senior investment personnel.

CVC Credit UK is subject to the global CVC Code of Ethics (see Item 11 below) and its personnel are Access Persons of CVC Credit. CVC Credit UK and its personnel are subject to CVC Credit's regulatory oversight and its compliance policies and procedures, including those addressing books and records maintenance.

CVC Credit UK manages pooled investment vehicles including, but not limited to, collateralized loan obligations and separately managed accounts. CVC Credit UK Clients focus primarily on European investment opportunities. Nonetheless, Clients of CVC Credit and CVC Credit UK invest in substantially similar assets classes and may, in some instances, invest in the same instruments. In an effort to mitigate potential conflicts of interest, CVC Credit follows the procedures described in Item 6 above for the allocation of investments that are suitable for both CVC Credit and CVC Credit UK Clients.

As noted above, CVC Credit and CVC Credit UK are subject to a shared restricted list to which all of their respective Clients are subject. Consequently, CVC Credit may not be able to buy or sell a particular security or other instrument on behalf of its Clients because one or more personnel or teams of personnel of CVC Credit UK possesses material, non-public information concerning the issuer or the market for the issuer's securities or other instruments, and vice versa. Similarly, in such circumstances, CVC Credit may not be able to dispose of a security or other instrument owned by a Client, even in a declining market, until the information becomes publicly available or immaterial and the trading in the issuer's securities or instruments is no longer restricted.

#### CVC Credit CLO Management

Two separate investment advisers, CVC Credit Partners U.S. CLO Management LLC in the U.S. and CVC Credit Partners European CLO Management, LLP in the U.K. are part of CVC Credit Partners and under common control with CVC Credit. Both of these entities have their own distinct set of employees and their own Investment Committee and investment process. CVC Credit CLO Management managers CLOs focused on investing in the U.S. and Europe. While each Manager maintains its own Compliance Program, certain policies and practices (outside of the investment process) are similar and aggregated across all CVC Credit Partners' investment management entities. Certain supervised persons of CVC Credit are employees of CVC Credit CLO Management, and act on behalf of CVC Credit pursuant to personnel sharing agreement.

#### CVC Capital Private Equity Business

CVC Capital Partners Advisory (U.S.), Inc. ("CVC US") is an SEC-registered investment adviser and is a wholly-owned subsidiary of CVC Capital Partners (Luxembourg) Sàrl ("CVC Capital Luxembourg").

CVC Capital Partners Advisory Company Limited (“CPAC”), CVC Capital Partners Private Equity Advisors Limited (“CVC Capital PE Advisors”) and CVC Capital Partners Jersey Limited (“CVC Capital Jersey”) are limited companies incorporated in Jersey, Channel Islands. CPAC has filed with the SEC as an exempt reporting adviser. CVC Capital Partners Advisory Luxembourg, CVC Capital PE Advisors, and CVC Capital Jersey, as relying advisers to CPAC, have filed with the SEC as exempt reporting advisers.

CVC Capital Partners Advisory Luxembourg, CPAC, CVC Capital PE Advisors, CVC Capital Jersey, and their respective affiliates, including various CVC Capital sub-advisers (one of which is CVC US) operate the CVC Capital private equity business (referred to herein as “CVC Capital”) and are also part of CVC. CVC’s private equity business is primarily engaged in advising and managing private equity funds that generally acquire controlling or significant minority interests in European, North American and Asian businesses. CVC’s global private equity platform includes investment professionals across 23 countries in Europe, the Americas and the Asia-Pacific region. CVC and its predecessors have operated as an independent investment advisory business since 1993.

#### *Separation between CVC Capital and CVC Credit*

CVC Credit and CVC Capital, on behalf of their respective advisory clients, may make investments in different parts of the capital structure of the same company, in which case certain conflicts of interest, or the appearance of conflicts of interest, may arise. Such conflicts (or appearances thereof) are mitigated by CVC Credit and CVC Capital governance structures and policies by which the firms each engage in independent decision-making and, as discussed below, information barriers. For example, CVC Credit and CVC Capital maintain separate investment committees and operating boards. No member of one of CVC Credit’s investment committees serves on any investment committee for a CVC Capital Fund. While certain senior CVC Capital personnel serve on an Advisory Board to the CVC Credit Partners business, their involvement on this advisory board is strictly managerial and non-investment focused and these personnel have no access to underlying private information and do not participate in CVC Credit investment decisions.

#### *CVC Credit’s Conflicts Committee*

CVC Credit has established a CVC Credit Conflicts Committee (“Conflicts Committee”) comprised of the Firm’s Operating Committee members, the General Counsel, and Chief Compliance Officer (“CCO”). On a quarterly basis, Conflicts Committee is responsible for the review of any new potential and existing material conflicts of interest that may arise as part of the Firm’s ordinary course of business. The Conflicts Committee is also responsible for the review and approval of conflicts mitigating policies and procedures as well as conflicts disclosure. As needed, the Conflicts Committee will escalate matters to the Independent Subcommittee (discussed below).

### CVC Credit's Independent Subcommittee

CVC Credit has established an independent subcommittee (the “Independent Subcommittee”) of independent persons to conduct reviews on behalf of and to provide guidance to CVC Credit with respect to any situation where there is the potential for (or an appearance or perception of) a material conflict of interest. Any decision to purchase a primary credit investment or the initial purchase of a secondary credit investment in which a fund managed or advised by CVC Capital has a significant equity stake shall be reviewed by the Chief Compliance Officer, and instances where such purchase would exceed 10% of the voting share class, the investment will be referred to the Independent Subcommittee. Material Corporate Actions (i.e., amendments, re-leveraging, covenant waivers, or any restructuring) of a CVC Capital Portfolio Company will be reviewed by the CVC Credit Chief Compliance Officer. Corporate Actions relating to CVC Capital portfolio companies in which CVC Credit debt holding represents more than 10% of the relevant voting class will automatically be reviewed by the Independent Subcommittee. Additionally, if CVC Credit Clients provide financing to portfolio companies of the private equity funds managed by CVC Capital, the CVC Credit Clients participate on arm's length terms no more favorable than the terms on which any other lenders participate.

As discussed in Item 8, CVC maintains an information barrier to isolate the material, non-public information of each of CVC Credit and CVC Capital. The purpose of this information barrier is, among other things, to confine the two business' material, non-public information, such that the investment activities of CVC Credit, on the one hand, and CVC Capital, on the other hand, are not otherwise restricted because one business may have material, non-public information that would be imputed to the other business in the absence of an information barrier. The information barrier procedures limit interactions between CVC Credit personnel and CVC Capital personnel and establish appropriate procedural protections and Compliance oversight of any permitted communications.

CVC Capital serves as sponsors or syndicators of limited partnerships. Clients of CVC Credit are not solicited to invest in these limited partnerships.

### Commodity Pool Operators and Commodity Trading Advisors

Because certain Managed Funds may have the ability to invest in commodity interests, the Managed Funds may be subject to regulation as a commodity pool and CVC Credit as commodity pool operator under the Commodity Exchange Act and the rules of the U.S. Commodity Futures and Trading Commission (“CFTC”). However, because CVC Credit's Managed Funds limit trading in commodity investments and because interest in the Managed Funds are offered and sold without marketing to the public, CVC Credit is exempt from having to register as a commodity pool operator with respect to these Managed Funds pursuant to CFTC Rule 4.13(A)(3).

### Board Membership

In furtherance of CVC Credit's advisory business, CVC Credit personnel may serve on the boards of directors or on creditor committees of companies whose instruments are held by certain Clients.

Serving in this capacity may give rise to conflicts to the extent that such personnel's fiduciary duties to a company as a director may conflict with the interests of a Client. CVC Credit personnel are required to obtain pre-approval from the Chief Compliance Officer before accepting any such position, as discussed in Item 11 below. Additionally, CVC Credit evaluates any potential conflicts of interest that may arise in connection with such board service on an ongoing basis and in consultation with Compliance as appropriate.

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

CVC Credit is subject to CVC's Global Code of Ethics (the "Code"). The Code expresses CVC's operating principles of integrity, honesty and the fiduciary duties owed to Clients. The Code sets forth a standard of business conduct that is expected of all CVC directors, officers, partners and employees ("CVC Persons"), as well as policies and procedures that CVC Persons must follow to prevent activities that may lead to or give the appearance of conflicts of interest, insider trading, and other forms of unethical behavior. All CVC Credit personnel are CVC Persons subject to the Code.

Subject to certain exceptions, the Code requires CVC Persons to report securities transactions each quarter in accounts in which they, or their immediate family members or other family members living in their household, have a beneficial interest. CVC Persons must also report any newly opened accounts on an ongoing basis. Additionally, CVC Persons must certify annually in writing their holdings and existing accounts, as well as their compliance with the terms of the Code. The Code also requires CVC Persons to receive preclearance before making purchases or sales (investments and redemptions) involving IPOs or private placements.

CVC Credit employees are prohibited from executing any personal securities transactions of any kind in any securities on CVC Credit's restricted list. CVC Credit's restrict list contains the names of companies for which CVC Credit or CVC Credit UK has material non-public information, or for which CVC Credit has otherwise determined to restrict trading.

The Code additionally requires CVC's compliance team to regularly review all personal trading reports and to address any issues noted during the review, including determining, with senior personnel, whether to impose sanctions for violations of the Code and the extent of imposed sanctions.

Under the Code, CVC Persons may not serve as a director of a company (or in a similar position) or as a member of a company's creditors committee, unless the employee has received written approval from CVC Capital and/or CVC Credit's Chief Compliance Officer. Authorization will be based on a determination that the outside board or committee service would not conflict with the interest of any Client account.

CVC Credit personnel are also prohibited under the Code from using their position with CVC Credit to obtain an item of value from any person or company that does business with CVC Credit.

CVC Credit personnel are subject to limits on gift giving and receipt of gifts in connection with a clients or prospective investor that do business with CVC Credit or any investment vehicle managed by CVC Credit. Unsolicited business entertainment is permitted if: a) it is not so frequent or of such high value as to raise a question of impropriety, and b) the person providing the entertainment is present at the event.

A copy of the Code is available to any Client or investor, or potential Client or investor on request to the CVC Credit's Chief Compliance Officer.

Additionally, CVC Credit has adopted inside information barrier policies and procedures, as previously discussed in Item 8, to provide for the proper handling of confidential information to prevent violation of laws and regulations prohibiting the misuse of such information and to avoid situations which might create the appearance of such misuse. CVC Capital and CVC Credit's Compliance Team is responsible for monitoring the information barriers established by the firm, administering the information sharing policies and procedures and overseeing potential conflicts of interest.

From time to time, CVC Credit may execute or recommend transactions in which one Client sells securities or other instruments to another Client (a "cross trade"). CVC Credit may also recommend transactions in which one Client that is deemed to be more than 25% owned by CVC Credit or certain affiliated entities (a "principal account") buys securities or other instruments from, or sells securities or other instruments to, another Client (a "principal transaction"). Cross trades present potential conflicts of interest. For example, one Client could be advantaged to the detriment of another Client in the event that the securities being exchanged are not priced in a manner that reflects their fair value (*i.e.*, if the trade was not executed in the open market). Additionally, there is a potential conflict of interest when a cross trade involves a Client account on one side of the transaction and a principal account, or an account in which CVC Credit receives a higher management fee on the other side of the transaction. To address these potential conflicts, CVC Credit maintains cross trade and principal transaction policies and procedures that are compliant with the requirements of Section 206(3) of the Advisers Act. Any cross trade or principal transaction will be effected in accordance with CVC Credit's cross trade and principal transaction policies and procedures, which require Compliance approval before the transaction may proceed and are designed to ensure that the transaction is in the best interest of each involved Client, is consistent with CVC Credit's duty to seek best execution, and is executed at a fair price as determined in accordance with the pricing protocols specified in the abovementioned policies and procedures. CVC Credit will maintain documentation of the rationale for each transaction and the determination of pricing. In connection with principal transactions, CVC Credit will also disclose to the relevant Client(s) that the proposed transaction involves a principal account and obtain the necessary Client consent prior to the transaction being effected.

It is CVC Credit's policy to seek to ensure that no Client receives preferential treatment over any other Client. Potential conflicts of interest may exist in instances in which CVC Credit determines that a specific transaction in a security or other instrument is appropriate for a specific Client, including Managed Funds and Managed Accounts for which CVC Credit charges a performance based fee, based upon numerous factors including, among other things, investment objectives, investment strategies or restrictions, while other Clients may not participate in the transaction or

may hold or take the opposite position in the security or other instrument in accordance with those Clients' investment objectives, strategies and restrictions.

To address potential conflicts, as discussed above in Item 6, CVC Credit has adopted an allocation policy that governs allocation of investment opportunities among Clients.

CLOs, Managed Funds and Managed Accounts may invest in different loan investments or securities issued by the same company. In some circumstances, the interests of Clients that invest in a company may not be aligned with the interests of other Clients that invest in a different loan investment or security issued by the same company, which could create actual or potential conflicts of interest or the appearance of such conflicts. In that regard, certain actions may be taken by CVC Credit on behalf of a Client that are adverse to the interests of other Clients. The interests of Clients investing in different parts of the capital structure of a company are particularly likely to conflict in the case of financial distress of the company. For example, a Client holding senior loans or debt securities of a company may take actions to protect its own rights as a creditor that are detrimental to the rights of another Client that holds more junior securities issued by the same company. In addition, it is possible that, in a bankruptcy proceeding, a Client's interests may be subordinated or otherwise adversely affected by virtue of CVC Credit's involvement and actions relating to an investment made on behalf of another Client. This may result in a loss or substantial dilution of one Client's investment, while another Client receives a full or partial recovery on its investment.

While the possibility of conflicts in such circumstances can never be fully mitigated, prior to making any new investment in a company on behalf of a Client, CVC Credit will consider whether the interests of other Clients invested in the capital structure of the company may impair its ability to act in the best interest of the Client. When CVC Credit is required to take action with respect to a security or loan investment held by a Client, it is typically CVC Credit's policy to act in the best interest of the holder of the investment with respect to which action is being taken, even though such actions may be to the detriment of other Clients invested in the company's capital structure. Similar conflicts may arise when CVC Credit and CVC Capital make investments in different parts of the capital structure of the same company. These conflicts are discussed in Item 8.

There will be occasions when CVC Credit may encounter other conflicts or potential conflicts of interest between or among Clients. Although CVC Credit has adopted policies and procedures designed to mitigate any conflicts or potential conflicts of interest and that such conflicts are disclosed to Clients, there can be no assurance that CVC Credit will resolve any conflict in a manner that is favorable to all Clients or to any particular Client.

## **Item 12: Brokerage Practices**

CVC Credit is generally granted discretionary authority in its investment advisory contracts with Clients to select broker-dealers in connection with all portfolio transactions. With respect to CLO Clients, discretionary authority to purchase or sell securities or loan investments in Client accounts may be limited by the terms of the applicable indentures and other governing agreements which

may impose quality, liquidity, concentration, diversification and other requirements. CVC Credit seeks to trade on behalf of Client accounts in a manner that is fair and equitable to all clients, and to exercise diligence and care throughout the trading process. In seeking best execution, the determining factor is not always the lowest possible per security price or commission or fee but whether, in CVC Credit's view, the transaction represents the best overall execution for CVC Credit's Clients. In placing orders, CVC Credit seeks to obtain best net results for portfolio transactions that are reasonably available, whilst taking into account all relevant factors, including quality of execution, ability of the broker to commit capital to provide liquidity, speed of the execution, likelihood of execution and/or settlement, size, complexity and other characteristics, applicable credit rating of the investment, financial responsibility and market-making capabilities, and CVC Credit's overall responsibilities to each Client.

- CVC Credit may, from time to time, receive unsolicited market and industry research from broker-dealers and agent banks for loan syndications. In no instance does CVC Credit seek to obtain research or other soft dollar benefits in exchange for directing Client brokerage to the broker or bank producing such materials. All decisions related to the selection of CVC Credit's trading counterparties and broker-dealers that service Client accounts are made based on a best execution analysis without taking into account ancillary research made available to CVC Credit by trading counterparties.
- CVC Credit and its related persons do not receive Client referrals from broker-dealers or third parties that provide order execution on behalf of Client accounts.
- CVC Credit does not routinely recommend, request or require Clients to direct CVC Credit to execute transactions through specified broker-dealers.

In an effort to minimize costs and obtain best execution for Client transactions in marketable securities, CVC Credit may consider it appropriate to aggregate orders for Clients (subject to CVC Credit's obligations to obtain best execution for Clients and otherwise treat those Client in a fair and equitable manner). Allocations of aggregated Client orders are consistent with CVC Credit's allocation policies and procedures described above in Item 6 and Item 11.

CVC Credit has adopted written policies and procedures designed to identify and resolve errors in the security or loan execution process ("Trade Errors"). CVC Credit generally considers any mistake made in the process of placing an order for, or executing a security or loan transaction on behalf of, a client account over which it has investment discretion to be a Trade Error. Trade Errors may be compensable if CVC Credit determines that its actions leading to the Trade Error did not meet the applicable standard of care for managing the client account, and the client suffered a net loss as a result. The consequences of any Trade Error and the corrective measures required to rectify the error may differ depending upon the nature of the error or the account affected; not all errors are compensable Trade Errors. Where a single error or a series of related errors result in multiple transactions in a client account, gains and losses on these transactions may be netted to determine the net impact of a trade error.



On a quarterly basis, the Firm's Brokerage Committee meets to discuss the Firm's best execution practices, any identified trade errors or trading issues, review counterparties, review cross trades and evaluate execution quality as applicable.

### **Item 13: Review of Accounts**

CVC Credit has implemented an internal structure which allocates responsibility for the ongoing oversight and review of Managed Funds and Managed Accounts to respective CVC Credit investment committees and appropriate Senior Portfolio Managers. CVC Credit reviews CLOs on at least a quarterly basis, focusing primarily on credit analysis of each issuer's financial performance, a review of each issuer's capital structure and a review of each issuer's industry prospects. Managed Accounts are reviewed, no less frequently than quarterly, with the Client by the Portfolio Manager and the Senior Portfolio Manager and/or Chief Operating Officer of CVC Credit, as appropriate. Managed Funds are reviewed on an ongoing basis with certain reviews performed daily, weekly and monthly. Such reviews may take into account Managed Funds' security position exposure, pricing and risk analysis. These reviews are conducted by the Portfolio Manager. On a daily or weekly basis, CVC Credit also reviews certain aspects of each investment including, but not limited to: the operational performance of each investment, including an evaluation of the macro-economic, credit specific and event-driven factors for each investment; price performance; any related news items related to the investment; and any correspondence from the issuer/management and/or the institution that acts as the administrative agent for the issuer's financing. These reviews are conducted by the Portfolio Manager, together with CVC Credit's Operations Team.

The nature and frequency of regular reports provided to Managed Funds and Managed Accounts depends on the terms of the relevant governing documents and any regulatory requirements of jurisdictions where the Managed Funds and Managed Accounts are organized.

CLO Accounts receive monthly trustee reports, as well as quarterly investor letters, from CVC Credit discussing the performance of the portfolios.

The Managed Accounts receive reports from CVC Credit and/or the applicable custodian on a daily, monthly and quarterly basis. The custodian for each Managed Account makes available a cash flow report to the Managed Account on a daily basis. This report shows all transactions (debits and credits) affecting the account. CVC Credit also provides the Managed Account with a monthly report summarizing account activity. CVC Credit provides Managed Accounts with a quarterly report that summarizes market and economic activity together with return data and market prices.

Investors in Managed Funds may receive a monthly capital statement and one-page transparency discussing the performance and positioning of the Managed Fund. Investors in Managed Funds may also receive a quarterly letter summarizing the investments in the Managed Fund. Typically, investors in Managed Funds are provided with written quarterly unaudited financial reports and annual audited financial statements.

**Item 14: Client Referrals and Other Compensation**

CVC Credit does not receive any economic benefit from any party that is not a Client in connection with the provision of investment advice or other advisory services to CVC Credit Clients.

CVC Credit uses the services of placement agents to refer investors to Managed Funds for which CVC Credit serves as the investment manager. Pursuant to the placement agent agreements between CVC Credit and third-party placement agents, CVC Credit generally compensates placement agents with a portion of the management fees charged to each Client referred to CVC Credit by the placement agent. CVC Credit has entered into an agreement with CVC Funding, LLC, its affiliate Broker-Dealer, in connection with marketing interests in Managed Funds. Fees associated with that agreement are payable by CVC Credit.

**Item 15: Custody**

Related persons of CVC Credit serve as general partners to the Managed Funds for which CVC Credit provides investment advisory services. CVC Credit is, therefore, deemed to have custody of Client funds and securities for such Managed Funds. All funds and securities owned by Managed Funds are maintained by qualified custodians, and are audited by an independent auditor. Investors are provided with a copy of the audit report within 120 days after the end of the Managed Fund's fiscal year.

**Item 16: Investment Discretion**

The applicable indentures for each of the CLOs managed by CVC Credit place restrictions on CVC Credit's ability to buy and sell loans and securities on behalf of the CLO. Pursuant to the terms of these indentures, CVC Credit has limited discretionary authority over such accounts. CLO indentures generally restrict CVC Credit from selling collateral debt securities unless such loans or securities have experienced specified credit deterioration, ratings downgrades, or events of default. CVC Credit is also permitted by the terms of each CLO indenture to trade a portion of the CLO account on a discretionary basis. Investment management agreements for Managed Accounts and limited partnership agreements for Managed Funds set forth the general criteria for the types of loans and securities to be purchased and sold on behalf of the entity, subject to the restrictions as may be specified in such agreements. Further, certain investment management agreements for Managed Accounts may require that CVC Credit provide notice to the Client prior to executing any transaction on behalf of the Client and provide the Client the opportunity to decline the proposed transaction. Notwithstanding the foregoing, CVC Credit is generally granted discretionary investment authority on behalf of Managed Accounts and Managed Funds. CVC

Credit's discretionary investment authority on behalf of Managed Funds is evidenced by the execution of the limited partnership agreement by each of the Managed Fund's investors.

**Item 17: Voting Client Securities**

CVC Credit generally has authority to vote proxies on behalf of Clients. CVC Credit has adopted and implemented a proxy voting policy, as required by the Advisers Act. The policy provides that we will act in the best interest of our Clients in determining whether and how to vote on any matter to ensure that such rights are properly and timely exercised in the best interest of its Clients.

There may be times where conflicts arise between the interest of a Client and CVC Credit. The proxy voting policy includes guidelines for the CVC Credit's Chief Compliance Officer to follow if a potential material conflict arises in connection with a voting decision. In connection with investments in CVC Capital portfolio companies, CVC Credit has established a sub-committee to address conflicts of this nature. CVC Credit's Chief Compliance Officer will maintain records of all decisions with regards to each proxy and any potential material conflicts that have been identified.

Clients may obtain a copy of the proxy voting policy and information on how CVC Credit voted Client securities by written request to CVC Credit.

**Item 18: Financial Information**

CVC Credit does not require the payment of management fees or other compensation six months or more in advance. There exists no financial condition of which CVC Credit is currently aware that would impair its ability to meet contractual commitments to its Clients.