

**INVESTMENT ADVISER BROCHURE  
PART 2A OF FORM ADV**

**MARANON CAPITAL, L.P.**



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**This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Maranon Capital, L.P. If you have any questions about the contents of this Brochure, please contact Mike Parilla at (312) 646-1200. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.**

Maranon Capital, L.P. is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.

Additional information regarding Maranon Capital, L.P. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **MATERIAL CHANGES**

The last version of this Brochure was filed January 31, 2019. This annual amendment updates the description of the business practices of Maranon Capital, L.P. and its affiliates.

## **TABLE OF CONTENTS**

	<b><u>Page</u></b>
Material Changes .....	i
Advisory Business .....	1
Fees and Compensation .....	3
Performance-Based Fees and Side-By-Side Management.....	7
Types of Clients .....	8
Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Disciplinary Information.....	28
Other Financial Industry Activities and Affiliations.....	28
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	31
Brokerage Practices .....	32
Review of Accounts .....	33
Client Referrals and Other Compensation .....	33
Custody .....	33
Investment Discretion .....	34
Voting Client Securities .....	34
Financial Information.....	35

## ADVISORY BUSINESS

Maranon Capital, L.P. (“Maranon Capital”) is a private investment management firm that, together with certain of its affiliates (collectively “Maranon”), including the affiliates listed on Appendix A, operates as a single advisory business. Maranon managed approximately \$2.4 billion in private fund and separately managed account assets as of December 31, 2018. Maranon commenced operations in May 2007 and initially became registered as an investment adviser with the SEC on February 6, 2012. This Brochure describes the business practices of Maranon.

### Asset Classes

Maranon invests across three principal asset classes:

- “*Senior Credit*,” which includes senior secured first and second lien debt investments, predominantly in non-public companies;
- “*Mezzanine*,” which includes mezzanine investments, predominantly in non-public companies; and
- “*Equity Co-Investment*,” which includes non-control equity investments alongside third-party sponsors, predominantly in non-public companies.

### Clients

Maranon provides investment advisory services to its clients, which consist of privately offered investment funds (such existing and any hereafter formed funds managed by Maranon Capital or its affiliates, the “Funds”),<sup>1</sup> Funds that are organized as issuers of collateralized loan obligations (collectively, the “CLOs”), clients with separately managed accounts (“Separate Accounts”), and Maranon Senior Credit IV, LLC (“Senior Credit IV” and, collectively with the Funds, the CLOs and Separate Accounts, the “Clients”).

- *The Funds.* Maranon, acting through one or more entities listed on Appendix A, serves as general partner of, or in other similar capacity to, certain of the Funds (in such capacity, the “General Partner”) and has the authority to make investment decisions for each Fund to which it provides advisory services. The General Partners have delegated day-to-day advisory responsibilities for each Fund to Maranon Capital under each Fund’s limited partnership or operating agreement or other governing document (each a “Fund Agreement”).
- *The CLOs.* Each CLO is a non-U.S. entity that issues rated notes (“Senior Notes”) and non-rated notes (the “Equity Notes” and, together with the Senior Notes, the “Notes”) pursuant to the terms and conditions of an indenture (“Indenture”). The Notes issued by each CLO are secured by a portfolio consisting primarily of senior secured first and second lien loans selected and managed by a collateral manager. Pursuant to a collateral management agreement, either Maranon Capital or one of its subsidiaries serves as the

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<sup>1</sup> Maranon’s Funds, as of the date of this Brochure, and their associated general partners are listed in Appendix B.

collateral manager of each CLO. Additionally, Maranon Capital or one of its subsidiaries serves as a “risk retention” vehicle by maintaining a financial interest in one or more of the CLOs.

- *The Separate Accounts.* Maranon Capital provides advisory services to each Separate Account under a separately negotiated investment management agreement (each, together with the collateral management agreement of each CLO, an “Investment Management Agreement”).
- *Senior Credit IV.* Maranon Capital also provides advisory services to Senior Credit IV, which is owned by Security Benefit Corporation, a subsidiary of Eldridge Industries, LLC (“Eldridge”). Senior Credit IV provides a source of capital for a number of functions including warehousing Senior Credit for new CLOs and Separate Accounts, making commitments for future investments alongside other Clients, and supporting not-yet-funded commitments of other Clients such as in the case of delayed-draw term loans and revolving lines of credit.

The Funds that invest in Senior Credit may be referred to collectively as the “Senior Credit Funds.” The CLOs and Senior Credit Funds may be referred to collectively as the “Senior Funds.” The Senior Funds, Separate Accounts and any future Funds and/or Separate Accounts that invest primarily in Senior Credit may be referred to collectively as “Senior Products.”

### **Advisory Services**

Maranon provides advisory services to each Client, including identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments, interacting with management teams of borrowers and portfolio companies and achieving dispositions for such investments. In connection with certain investments, the senior principals or other personnel of Maranon may serve on the boards of directors of the related portfolio companies or otherwise act to influence the management of such portfolio companies until Clients exit such investment; however, this activity is rare in Senior Products in light of the investments Maranon typically pursues.

Maranon’s advisory services are detailed in the applicable confidential private placement memorandum or other offering documents (each, a “Memorandum”) and Fund Agreement for each Fund and Investment Management Agreement for each Separate Account and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Other than any Separate Accounts that have been designated as non-discretionary, Maranon Capital exercises control over investment decisions for Clients on a discretionary basis. Investors in a Fund participate in the overall investment program for such Fund and do not exercise any control over the Fund’s investment decisions; provided, however, that, investors in a Fund (other than the CLOs) may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Fund Agreement.

Maranon has entered into, and may enter into additional, bilateral agreements or similar agreements (“Letter Agreements”) with certain investors that have the effect of establishing rights under, altering or supplementing the terms of the relevant Fund Agreement, including, without

limitation, informational rights, regulatory matters and variations in fees and carried interest, with respect to such investors.

The description of Maranon's advisory services and Clients is not exhaustive. Maranon may provide other advisory services to other types of Clients not described herein.

## **Principal Owners**

Maranon Capital's principal owners are Ian Larkin and a subsidiary of Eldridge. Todd Boehly is the Chairman and Chief Executive Officer and controlling owner of Eldridge.

Eldridge is a private investment firm that owns businesses that operate within a number of industries, including the financial services industry. Eldridge and certain affiliates have material business relationships with Maranon Capital, including having invested in and/or providing capital commitments for one or more of the Funds (including CLOs) and Senior Credit IV.

Maranon believes there are benefits to these relationships, including that Eldridge and its affiliates have a significant amount of investment experience and access to investment opportunities, and that Eldridge's ownership of Maranon may improve Maranon's ability to identify and close on profitable investments. For further information on Eldridge and its relationship with Maranon, please refer to the discussion below under "Methods of Analysis, Investment Strategies and Risk of Loss" and "Other Financial Industry Activities and Affiliations".

## **FEES AND COMPENSATION**

In general, Maranon Capital receives a management fee (a "Management Fee") from each Client. For the Funds, Maranon or its related parties also generally receive performance-based compensation ("Incentive Compensation"), which may be in the form of carried interests or incentive fees. Maranon or its related parties may also receive additional compensation in connection with management and other services performed for Client portfolio companies or with respect to investments, including, without limitation, monitoring, consulting, directors', agent, administrative, transaction, origination, closing, undrawn commitment, breakup, anniversary, documentation, amendment and prepayment fees, (collectively, "Third-Party Fees"), in each case as specified in the applicable Fund Agreement or Investment Management Agreement. Clients also bear certain expenses, as further described below.

The following is a summary of the fees paid by the Clients. Investors should review the applicable Fund Agreement, Investment Management Agreement, Indenture or Collateral Management Agreement, as applicable, for further details regarding the fee structures summarized below. Terms not defined herein are defined in the applicable Fund Agreement, Investment Management Agreement, Indenture or Collateral Management Agreement. To the extent there is a deviation between the general descriptions provided in this brochure and the provisions and disclosures in any Memorandum, Fund Agreement, Investment Management Agreement, Indenture or Collateral Management Agreement applicable to a particular Fund, the terms of the applicable Memorandum, Fund Agreement, Investment Management Agreement, Indenture or Collateral Management Agreement shall govern.

## **Mezzanine Fund and Senior Credit Fund Fees**

In general, each Fund pays Management Fees and Incentive Compensation, to Maranon or its related parties. The amount of Management Fees and Incentive Compensation, as well as the timing and manner of payment, is established on a case-by-case basis and set forth in the applicable Fund Agreement or Investment Management Agreement.

Fees and Incentive Compensation may vary across Funds. In some cases, fees paid will vary among investors in the same Funds. Fees and Incentive Compensation are negotiable and paid more or less frequently depending upon the terms of the applicable Fund Agreement or Investment Management Agreement. Maranon, at its sole discretion, can elect to reduce, rebate, waive or calculate differently the fees with respect to any investor. One of Maranon's Funds, the Maranon Mezzanine Executive Fund, L.P., which is no longer actively investing, does not pay a Management Fee or Incentive Compensation.

To the extent permitted by the applicable Fund Agreement, Maranon may agree to waive or reduce a Fund's Management Fee. Certain waived portions of the Management Fee are treated by such Fund Agreement as a deemed capital contribution by the relevant General Partner, which is effectively invested in the relevant Fund on such General Partner's behalf, and operates to reduce the amount of capital such General Partner would otherwise be required to contribute to the Fund. Limited Partners of an applicable Fund will generally be required to make a *pro rata* contribution according to their respective commitments to fund any contribution that would otherwise be required of the General Partner in connection with any such waiver or reduction as described above and, as a result, the exercise of such waiver may result in an acceleration (or delay) of investor capital contributions. Waived or reduced Management Fees are not subject to the Management Fee offsets described above, and the amount of such waived or reduced Management Fees have the potential to be significant.

### **CLO Fees**

As more fully set forth in the governing documents of each CLO, Maranon Capital receives, to the extent that funds are available, a senior collateral Management Fee, a subordinated Management Fee and Incentive Compensation in the form of an incentive fee, each payable on each payment date or, in the case of the senior Management Fee and the subordinated Management Fee, to the extent there are not sufficient funds available therefor on such payment date, on a subsequent payment date. The senior Management Fee and subordinated Management Fee will accrue with interest if unpaid and will be payable on the next payment date on which funds are available therefor. The Incentive Compensation is payable to Maranon or its related parties if and to the extent funds are available for such purpose, but will not be payable on any payment date or redemption date unless the CLO Equity has achieved the internal rate of return ("IRR") thresholds set forth in the Indenture or Collateral Management Agreement. Fees are negotiated on a case-by-case basis and, as such, there will be no set CLO fee schedule.

### **Separate Account Fees**

Separate Account fees are negotiated on a case-by-case basis and may vary across Clients based on the type of service provided, size of the account and the overall relationship between Maranon and the Client. Such fees will be set forth in the applicable Investment Management Agreement.

## **Other Fee Information**

Maranon and its related parties from time to time receive certain Third-Party Fees in connection with services provided to the Funds' portfolio companies or with respect to investments. Certain Third-Party Fees will be apportioned among Maranon, its related parties and its Clients as set forth in the Fund Agreements or Investment Management Agreements. Such apportionment, if any, may take the form of a reduction of such Client's Management Fees or a direct credit to such Client. To the extent such fees are paid where multiple Clients or other investment vehicles managed by Maranon have invested, a Client will, in most cases, only benefit with respect to its allocable portion of any such fee (and only to the extent provided in the applicable Fund Agreement or Investment Management Agreement) and not the portion of any fee that relates to such other Clients or co-investors, which have the potential to be significant. Other Third-Party Fees may be solely for the account of Maranon or its related parties and not offset or paid or only a part of such fees may be offset or paid against the applicable Management Fee, as set forth in the applicable Fund Agreement or Investment Management Agreement. To the extent that an offset credit would reduce the Management Fee for a given period below zero, the credit will be carried forward for future application against payable Management Fees.

Maranon Capital, in its sole discretion, may waive all or any portion of a Client's Management Fees, and may defer all or any portion of such Management Fees subject to certain limitations as provided in the applicable Fund Agreement or Investment Management Agreement.

Maranon and its related parties often receive Incentive Compensation. Such Incentive Compensation would typically constitute a percentage of appreciation or depreciation or net realized gains of the portfolio. To the extent a Client provides for Incentive Compensation, it is typically payable only if a specified return is achieved, as specified in the applicable Fund Agreement, Investment Management Agreement, Indenture or Collateral Management Agreement. Maranon's receipt of Incentive Compensation is subject to the terms and conditions set forth in the applicable Fund Agreement, Investment Management Agreement, Indenture or Collateral Management Agreement that is provided to current and prospective Clients and investors who should review such documentation carefully before making any investment decision.

Principals or other employees of Maranon generally receive salaries and other compensation derived from the Management Fee, Incentive Compensation or other compensation received by Maranon Capital or its affiliates. In addition, employees, consultants or independent contractors of Maranon may serve, in connection with a workout or otherwise, as directors of portfolio companies, and any directors' fee or similar fee received in connection with such service will not be credited to any Client unless otherwise specified in the applicable Fund Agreement or Investment Management Agreement.

## **Expense Information**

In addition to any Management Fee and Incentive Compensation, Clients bear certain expenses. As set forth more fully in the applicable Memorandum and/or Fund Agreement, each Mezzanine Fund and Senior Credit Fund bears all expenses relating to such Fund's activities, investments and business to the extent not reimbursed by portfolio companies or applied to reduce



transaction fees, and may include (i) costs, expenses, liabilities and obligations attributable to acquiring, holding and disposing of the applicable Fund's investments and incurring indebtedness (including interest and fees on money borrowed by or on behalf of the applicable Fund), (ii) legal, tax, accounting, auditing, insurance (including directors and officers and errors and omissions liability insurance), travel, litigation and indemnification costs and expenses, judgments and settlements, consulting, finders', financing, credit agreement sourcing, appraisal, filing, custodian, rating agency, valuation, third party administrator and other fees and expenses, (iii) expenses of the advisory board, (iv) costs, expenses, liabilities and obligations incurred by the applicable Fund, its General Partner or its affiliates relating to investment and disposition opportunities for the applicable Fund not consummated (including legal, accounting, auditing, insurance, travel, consulting, finders', financing, appraisal, filing, printing, real estate title and other fees and expenses), (v) out-of-pocket fees and expenses incurred by the applicable Fund, its General Partner or any of their affiliates in connection with any conference or meeting of limited partners or other contact with limited partners (including travel, meals and entertainment), (vi) taxes, fees and other governmental charges levied against the applicable Fund, (vii) placement fees, and (ix) costs and expenses that are classified as extraordinary expenses under GAAP, but not ordinary overhead and administrative expenses of Maranon (such ordinary expenses include items such as employee compensation, rent, utilities and general office expenses).

Similarly, as set forth in its Memorandum and collateral management agreement ("Collateral Management Agreement"), each CLO bears all of its costs and expenses, including any cost and expenses reasonably incurred by Maranon Capital on its behalf, such as (i) the costs and expenses of Maranon Capital incurred in connection with the negotiation and preparation of the collateral management agreement and all other agreements and matters related to the issuance of Notes from such CLO; (ii) transfer fees necessary to register any collateral obligation in accordance with the indenture governing such Notes; (iii) fees and expenses in connection with the acquisition, management or disposition of collateral or otherwise in connection with such Notes or such CLO (including (a) investment related travel, communications and related expenses, (b) loan processing fees, legal fees and expenses and other expenses of professionals retained by Maranon Capital on behalf of such CLO and (c) amounts in connection with the termination, cancellation or abandonment of a potential acquisition or disposition of any collateral that is not consummated); (iv) taxes and governmental charges that may be incurred or payable by such CLO; (v) insurance premiums or expenses incurred in connection with the activities of such CLO by Maranon Capital; (vi) costs, fees and expenses incurred in connection with the rating of such Notes or obtaining ratings or credit estimates on the debt obligations that provide security for the Notes (the "Collateral Obligations"), and communications with rating agencies; (vii) costs, fees and expenses incurred in connection with Maranon Capital's communications with CLO noteholders; (viii) costs and fees of one or more firms that provide software databases and applications for the purpose of modeling, evaluating and monitoring the collateral and such Notes pursuant to a licensing or other agreement; (ix) fees and expenses for services to such CLO in respect of the collateral relating to asset pricing and rating services; (x) incurred to comply with any law or regulation related to the activities of such CLO and Maranon Capital to the extent relating to such CLO, Maranon Capital and the collateral; (xi) fees and expenses of any independent advisor employed to value or consider Collateral Obligations; and (xii) costs and expenses in connection with any amendment or supplement (including any proposed amendment or supplement) to the Collateral Management Agreement, documents governing such Notes and any other agreements executed in connection therewith.

Separate Accounts bear similar expenses incurred in connection with the senior debt and other investments held in its account, as set forth in each Investment Management Agreement. Brokerage fees for Clients may be incurred in accordance with the practices set forth in “Brokerage Practices.”

From time to time and as permitted by the relevant Fund Agreement, Maranon expects to provide (or agree to provide) co-investment opportunities to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers and certain other persons associated with Maranon Capital and/or its affiliates. Fees charged by Maranon to such co-investors and/or the share of Third Party Fees apportioned to such co-investors may differ among co-investors and are also likely to differ from the fees charged and Third Party Fee apportionment share provided to Clients. From time to time, for various reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from one or more Clients after such Clients have consummated their investment in the portfolio company. Where appropriate, and in Maranon’s sole discretion, Maranon is authorized to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Client for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the relevant Client.

Maranon and its affiliates use some of the same service providers as are retained for Clients. In some cases, rates or discounts are or will be offered to Maranon and its affiliates by these service providers which differ from those offered to Clients by such service providers. Where Maranon is in a position to control the cost of services, it seeks to obtain favorable rates or discounts extended to it to costs borne by Clients, to the extent such services are of a similar scope, type or nature. There is no assurance that Maranon will be successful in securing favorable rates or discounts for Clients. Certain expenses outlined above will be borne by Clients and not Maranon.

The Funds invest in illiquid assets on a long-term basis and the General Partner of each Fund can only be removed under limited circumstances as set forth in the applicable Fund Agreement. Accordingly, Management Fees and any other fees and expenses are expected to be paid, except as otherwise described in the applicable Fund Agreement, over the term of each Fund. A Fund’s investors generally are not permitted to withdraw or redeem their interests.

#### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described under “Fees and Compensation,” Maranon may receive Incentive Compensation as set forth in the applicable Fund Agreement or Investment Management Agreement for such Client. Each of these arrangements create a variety of risks and conflicts, including, but not limited to, those described below.

Maranon’s Incentive Compensation is structured to comply with applicable requirements of the Advisers Act. Such fees are disclosed in applicable client documentation and are expected to vary among Clients, investors and investment strategies. Because Incentive Compensation could be calculated on a basis which includes realized and unrealized appreciation and depreciation on all portfolio assets including those assets for which independent quotations are not readily available or are deemed to be unreliable, in those instances such assets are valued by Maranon in

accordance its valuation policy. Maranon has a conflict in determining such valuations because they directly impact Maranon's level of performance-based compensation. It is possible that identical assets in Client's accounts could be valued differently for different Clients. For example, this may occur when pursuant to relevant client documentation, valuation guidelines or valuation agents differ from one Client to another Client.

In the case of CLOs, Incentive Compensation is paid as a percentage of available cash flow not appreciation of assets, and only after CLO Equity holders have achieved a specified IRR (not appreciation of portfolio assets) consistent with the terms of the applicable Indenture.

The receipt of Incentive Compensation, and the presence of different pecuniary interests in Client accounts, creates a potential conflict of interest between Maranon's interest to generate revenue for itself, and its personnel and affiliates, and the interest of Clients and investors. Specifically, performance-based compensation arrangements create an incentive for Maranon to make investments that are considered riskier or more speculative than those that would be otherwise recommended under a different fee arrangement. In most cases, the payment of performance-based compensation is dependent on portfolio performance creating an incentive for Maranon to make decisions which may conflict with the interests of some investors or, in the case of CLOs, Note holders or any class thereof. For example, the performance-based fee structure could create an incentive for the collateral manager of a CLO to take greater risks in order to maximize IRR for the CLO Equity holders, which may conflict with the interests of investors holding Notes with higher creditworthiness like the Senior Notes. Focusing on increasing yield could result in potential defaults or volatility and could contribute to a decline of creditworthiness of the portfolio. Client documentation typically contains specific investment guidelines and restrictions which seeks to constrain Maranon's discretion to select speculative investments. This is particularly relevant with respect to CLOs where the Indentures limit the portfolios to certain types of investments, as well as required levels of diversification, minimum credit quality and concentration by industry and issuer.

Maranon also has an incentive to favor Clients paying higher fees or in which Maranon and its affiliates may have a greater pecuniary interest (e.g. in the form of a carried interest) when allocating investment opportunities. Additionally, to the extent that Maranon personnel are assigned varying percentages of Incentive Compensation from Clients that pay such compensation, such personnel are subject to potential conflicts of interest, to the extent they are involved in identifying investment opportunities as appropriate for Clients from which they are entitled to receive a higher percentage of Incentive Compensation. Maranon seeks to mitigate these conflicts through disclosure and implementing its allocation policy as described below.

"Side-by-side management" refers to the simultaneous management of multiple types of Client accounts and/or investment products. As discussed above, Maranon manages a variety of Clients who will pursue investment objectives, policies or strategies that are similar to, competing with, or complementary to one another. Side-by-side management gives rise to a variety of potential and actual conflicts of interest for Maranon and its affiliates and personnel, including the incentive to favor certain Clients with performance-based fees, higher fee-paying Clients or those Clients where Maranon and its affiliates and their respective personnel have a pecuniary interest. As further described in "Methods of Analysis, Investment Strategies and Risk of Loss -- Conflicts of Interest," Maranon has an allocation policy designed to mitigate this conflict by seeking to

allocate investment opportunities among eligible Clients in a manner deemed by Maranon to be fair and equitable. Many Maranon Clients have specific targeted investment strategies, investment objectives or risk parameters as described in their client documentation. Accordingly, such Clients have less flexibility to invest across multiple asset classes. In cases where there is a limited offering (which is the case for all investment opportunities considered by Maranon), eligible Clients may receive larger allocations or the entire allocation of an investment opportunity where Maranon determines, in its reasonable discretion and consistent with its allocation policies, that such opportunity aligns more with a Client's specific investment target, investment guidelines, target returns or risk parameters and not with those of other Clients. The application of these considerations can result in non-pro rata allocation of an investment opportunity to some Clients (including Clients in which Maranon or its affiliates or their respective personnel have a direct or indirect pecuniary interests) when other Clients receive a smaller allocation or none.

### **TYPES OF CLIENTS**

Maranon Capital provides investment advice to Funds as well as other Clients. Funds may include investment partnerships or other investment entities formed under domestic or non-U.S. laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended (the "Investment Company Act"). Other Clients (and indirectly, investors participating in Funds) may include individuals, banks or thrift institutions, insurance companies, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities. Clients may also include, directly or indirectly, principals or other employees of Maranon Capital and its affiliates and members of their families, affiliates of Maranon or Eldridge or other service providers retained by Maranon Capital and/or its affiliates.

Fund investors generally are required to be accredited investors (as such term is defined in Regulation D promulgated under the Securities Act). In addition, for most Funds, investors are required to be qualified purchasers (as defined in the Investment Company Act). In the case of Notes issued by CLOs, investors are required to be either qualified purchasers or non-U.S. persons (as such term is defined in Regulation S promulgated under the Securities Act). Minimum investment amounts for Funds are set forth in the applicable client documentation. Minimum investment amounts and investor qualification standards for Separate Accounts and other Clients are determined on a case-by-case basis taking into account, among other things, the nature of the investment strategy and investment objectives. Accordingly, there is no set minimum amount for Separate Accounts and such amounts could vary. In addition, subject to the terms and conditions of the applicable Fund Agreements or Investment Management Agreements, Maranon may, in its discretion, waive minimum investment amounts in certain circumstances.

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

#### **General**

Maranon's overall investment methodology is described below. Fund investors should review each Fund's private placement memorandum and the applicable Fund Agreement and Separate Account Clients should review the applicable Investment Management Agreement for more detailed information regarding the investment strategies to be employed in connection with

and/or any investment restrictions that pertain to their particular investments. There can be no assurance that Maranon will achieve a Client's investment objectives and a loss of investment may be possible.

## **Investment Strategy**

Maranon typically targets investments in middle market companies. Maranon may seek to offer an integrated financing solution for such companies by managing two complementary, committed pools of capital. The Mezzanine Funds were formed to invest in mezzanine and non-control equity securities. The Senior Products generally invest in floating rate senior secured first lien loans and to a lesser extent second lien loans. Generally, the Mezzanine Funds and Senior Products invest in the lower middle market (generally companies with \$5 to \$50 million of EBITDA and enterprise valuations of \$50 million to \$500 million). Investment targets for the Funds include private equity sponsored leveraged buyouts as well as non-sponsored transactions in partnership with management teams. In certain instances, Maranon may offer an integrated financing solution in partnership with other senior secured first and second lien debt providers in club and syndicated transactions.

Maranon may also take advantage of equity co-investment opportunities in situations that Maranon believes provide attractive investment return prospects. Any such equity co-investments will focus primarily on investment opportunities where Maranon believes the enterprise valuation and investment return prospects are more compelling than market norms. Such co-investments are expected to be made only in conjunction with a mezzanine or senior credit investment by a Fund (other than the CLOs).

Maranon sources Client investments through direct origination efforts focused on private equity firms, investment banks, business brokers, commercial lenders, accountants, lawyers and other centers of influence in the middle market.

Maranon focuses on risk management, high transaction selectivity and loan portfolio diversification. Maranon also builds portfolio diversity by transaction type and industry.

Maranon generally is the lead investor in Mezzanine Fund investments and seeks to be the lead investor when investing in Senior Credit. As a result, Maranon is often in a position to exert influence over the structure and terms of each investment. Maranon's investment professionals expect to be active members or observers of the boards of directors for portfolio companies in which a Fund makes a significant equity co-investment.

Additionally, from time to time and as permitted by the relevant Fund Agreement, Maranon expects to provide (or agree to provide) co-investment opportunities to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, investors or Clients and certain other persons associated with Maranon Capital and/or its affiliates. Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Client making the investment. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment from one or more Clients after such Clients have consummated their investment in the portfolio company.

Senior Credit IV may temporarily acquire investments for a variety of reasons and such investments may be sold to Clients or co-investors. Because Senior Credit IV is an affiliate of Maranon, such sales will require Client approvals in accordance with any applicable law and the applicable Fund Agreement.

## **Risks of Investment**

The Clients bear the risk of loss that Maranon's investment strategy entails. A prospective Client or investor in a Client should only invest with Maranon as part of an overall investment strategy and only if such investor is able to withstand a total loss of its investment. Prospective investors should not construe the performance of earlier investments by Maranon as providing any assurances regarding future performance.

Risks involved with Maranon's investment strategy and an investment in the Funds or in or by another Client include, but are not limited to, those described below. Fund investors should additionally review the applicable Memorandum for specific information regarding the risks associated with an investment in a given Fund, which are available to prospective investors prior to a Fund's closing and are available to existing investors upon request.

**Integrated Financing.** As part of Maranon's investing strategy, Maranon may use an integrated financing approach on select transactions and provides both senior and mezzanine capital in certain of its investments. The Senior Products typically have a set capacity available for financing of senior loans. In addition, Senior Product funding commitments made by a Separate Account may be terminated under certain situations by the Separate Account client, generally involving significant adverse events with respect to the investments held in the Separate Account. Maranon may require additional senior financing capacity to implement its integrated financing approach.

**Business Risks.** A Client's investment portfolio consists primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses. There is generally no publicly available information available about these businesses.

**Future and Past Performance.** The performance of Maranon's principals' prior investments and a Client's performance to date is not necessarily indicative of its future results. While Maranon intends for each Client to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that a targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

**Leveraged Nature of Investments.** The portfolio companies in which a Client may invest may be highly leveraged, thereby increasing the degree of credit risk inherent in each investment. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs or to pay principal and interest on a Client's investments when due. The leveraged capital structure of portfolio companies increases the exposure of a Client's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates (which have

recently been at or near historic lows). A Client's investments may be unsecured and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured and bear floating interest rates. In the event any portfolio company cannot generate adequate cash flow to meet debt service, a Client may suffer a partial or total loss of capital invested in the portfolio company, which would adversely affect the returns of such Client. Furthermore, the companies and securities in which a Client invests generally will not be rated by a credit rating agency.

Prepayment of Investments. The stated maturity of traditional mezzanine investments is generally six to eight years, and the stated maturity of senior credit investments is generally five years. However, Maranon expects that borrowers will generally prepay their mezzanine and/or senior credit loans earlier than the stated maturity. The life of a traditional mezzanine or senior credit investment can be substantially shorter, particularly for well performing credits. Early prepayment, particularly by well performing issuers, reduces a Client's opportunity to make long-term compounded returns. Conversely, a lack of early prepayment, particularly by weaker issuers, can result in a Client's capital remaining in investments which may have a greater risk of default. Either way, the shortening or lengthening of the holding period may prevent a Client from realizing its objectives.

Investing in Participation Interests. In the event that a Client may acquire interests in loans indirectly by purchasing a participation interest from the selling institution, holders of participation interests are subject to additional risks not applicable to a holder of a direct interest in a loan. In the case of a participation interest, a Client will generally have the right to receive payments of principal, interest and any fees to which it is entitled only from the institution selling the participation and only upon receipt by such selling institution of such payments from the borrower. Accordingly, a Client generally will have no right to enforce compliance by the borrower with the terms of the loan agreement, may not have rights of set off against the borrower, and may not directly benefit from the collateral supporting the loan in which it has purchased the participation interest. In addition, a Client may purchase a participation interest from a selling institution that does not itself retain any portion of the applicable loan and, therefore, may have limited interest in monitoring the terms of the loan agreement and the continuing creditworthiness of the borrower. Selling institutions voting or consenting in connection with such matters may have interests different from those of the Client and may fail to consider the interests of the Client in connection with their votes or consents.

Non-Payment of Principal and Interest; Adequacy of Collateral. The Clients' investments are subject to the risk of non-payment of scheduled interest or principal by the applicable issuers. Such non-payment would likely result in a reduction of income to the Clients and a reduction in the value of the loans experiencing non-payment. Although a Client may invest in portfolio companies that Maranon believes are secured by specific collateral the value of which typically exceeds the principal amount of the investment at the time of initial investment, there can be no assurance that the liquidation of any such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal payments with respect to such investment, or that such collateral could be readily liquidated. In addition, in the event of bankruptcy of a borrower, a Client could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing an investment a portfolio company. Under certain circumstances, collateral securing an investment in a portfolio company may be released without

the consent of a Client. Moreover, a Client's first lien loans (if any) may be unperfected for a variety of reasons, including the failure to make required filings by lenders and, as a result, a Client may not have priority over other creditors as anticipated.

Non-controlling Investments. Each Client will principally hold debt obligations and other non-controlling interests in portfolio companies and, therefore, will have a limited ability to protect each Client's position in such portfolio companies. Maranon seeks appropriate creditor and shareholder rights to help protect the applicable Client's interest.

Concentration of Investments. The Clients participate in a limited number of investments and may seek to make several investments in one industry or one industry segment, or within a short period of time. As a result, each Client's investment portfolio could become highly concentrated, and the performance of a few holdings or of a particular industry may substantially affect its aggregate return.

Lack of Sufficient Investment Opportunities. It is possible that a Client will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying, structuring and completing mezzanine or senior credit transactions is highly competitive and involves a high degree of uncertainty. Each Client competes for investments with other private investment vehicles (particularly those focused on mezzanine or senior credit investments), as well as individuals, financial institutions and other institutional investors. In addition, companies seeking an infusion of capital may choose to draw upon the public debt or equity markets, or with regard to a Client with a Mezzanine strategy, obtain first and/or second lien debt financing, instead of issuing privately placed mezzanine securities. However, investors in certain Funds and other Clients typically will be required to bear annual management fees during the applicable investment period based on the entire amount of their commitments and other expenses as set forth in the applicable Fund Agreement or other governing agreement.

Illiquidity; Lack of Current Distributions. In general, Client investments in Senior Credit, Mezzanine and Equity Co-Investments should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating each Client (including the annual management fee payable, if any) may exceed its income, thereby requiring that the difference be paid from the applicable Client's capital.

Leveraged Investments. If permitted by the applicable governing documents, Clients (such as the Funds pursuing a Mezzanine strategy) may use leverage by incurring debt to finance an investment in a given portfolio company pending receipt of capital contributions from the Client's investors pursuant to a capital call notice. Furthermore, if permitted by the applicable governing documents, Clients may use leverage by incurring debt to finance an investment in a given portfolio company. The use of leverage will magnify the volatility of changes in the value of the investments of a Client in a market that moves adversely to their investments could result in substantial losses to such Client, which would be greater than if such Client did not use leverage.



In connection with borrowing, a Client may use credit facilities for the purchase or implementation of certain investments or for other portfolio management purposes. Should such credit facilities be utilized, such Client would incur additional interest and other expenses with respect to such facilities. Any such credit facility provider that permits the use of Client assets as collateral for such credit facility may require the sale or liquidation of Client assets held by it as collateral after default by such Client pursuant to the agreement with such credit facility provider. Events of default under any such credit facility may include, among other things, failure to pay amounts due under such credit facility, failure to inform the credit facility provider of certain events with respect to the Client, failure to provide the credit facility with certain periodic reports and financial statements, breach by the Client of other representations and covenants contained in credit facility documentation and other similar terms. In such instances, the credit facility provider may take any such action without notice to the Client or Maranon. If any such credit facility provider were to require such Client to sell or liquidate assets or otherwise act to realize on such collateral, these actions may impair the operational capabilities of such Client and have adverse tax and economic effects on such Client. In connection with any financing or other borrowing transaction, Maranon may have the right, at its option, to pledge or assign any or all of the assets of the applicable Client, including the right to call the unfunded commitments of such Client's investors as security for any financing incurred directly or indirectly by such Client. In addition, investors in such Client may be required to honor capital calls made by the lender in accordance with applicable documentation.

Restricted Nature of Investment Positions. Generally, there is no readily available market for a substantial number of the Clients' investments, and hence, most of the Clients' investments are difficult to value. Certain investments may be distributed in kind to a Client's owners and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such owners. After a distribution of securities is made to a Client's owners, many such owners may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities. The price at which such securities may be sold by such owners may be lower than the value of such securities determined pursuant to the applicable governing documents, including the value used to determine the amount of carried interest available to Maranon (if any) with respect to such investment.

Reliance on Maranon and Portfolio Company Management. Control over the operation of each Fund is vested entirely with its General Partner, and each Client's profitability depends largely upon the business and investment acumen of the principals of Maranon (the "Principals"). The loss of service of one or more of the Principals could have an adverse effect on a Client's ability to realize its investment objectives. In addition, the Principals may in the future manage other investment funds or investment vehicles besides the existing Clients and the Principals may need to devote substantial amounts of their time to the investment activities of such other Clients, which may pose conflicts of interest in the allocation of the time of the Principals. Fund Limited Partners, and Clients with Separate Accounts generally have no right or power to take part in the management of the applicable Clients, and as a result, the investment performance of each Fund and most Separate Accounts will depend entirely on the actions of Maranon. Although Maranon will monitor the performance of each Client's investments, it is primarily the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although the Clients generally intend to invest in companies with strong management, there can be no assurance that the existing management of such companies is strong or will continue to operate a company successfully. In addition, certain changes in Maranon or circumstances relating

to Maranon may have an adverse effect on the applicable Client or one or more of its portfolio companies including potential acceleration of debt facilities.

Financial Workout Issues. A Client may (through Maranon) participate on committees formed by creditors to negotiate the management of financially troubled obligors that may or may not be in bankruptcy. If a Client does join a creditors' committee, the participants of the committee would be interested in obtaining an outcome that is in their respective individual best interests and there can be no assurance of obtaining results most favorable to the Client in such proceedings. By participating on such committees, the Client may be deemed to have duties to other creditors represented by the committees, which might expose the Client to liability to such other creditors who disagree with the Client's actions.

Projections. Projected operating results of a company in which a Client invests normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by Maranon in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes. There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity/debt industry. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on a Client's activities, including the ability of a Client to effectively and timely address such regulations, implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

The combination of such scrutiny of private equity/debt firms (along with other alternative asset managers) and their investments by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity/debt firms, contributed to the downturn in the U.S. and global financial markets, may complicate or prevent a Client's efforts to structure, consummate and/or exit investments. As a result, a Client may invest in fewer transactions or incur greater expenses or delays in completing or exiting investments than it otherwise would have. In addition, there are various final and proposed regulations by the SEC and other federal regulatory agencies that, as enacted or if enacted, as applicable, do or could significantly alter the manner in which asset-backed securities, including securities similar to the notes issued to investors in the CLOs, are issued and structured and increase the reporting obligations of the issuers of such securities. Given the broad scope and sweeping nature of these changes and the fact that not all final implementing rules and regulations have been enacted, the potential impact of these actions on the CLOs or its investors is unknown, and no assurance can be made that the impact of such changes would not have a material adverse effect on the prospects of the CLOs or the value or marketability of the notes issued by them. In particular, if existing transactions are not exempted from certain of such new rules or regulations, the costs of compliance with such rules and regulations could have a material adverse effect on the CLOs and its investors.

Need for Follow-On Investments. Following its initial investment in a given portfolio company, a Client may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that the applicable Client will make follow-on investments or that such Client will have sufficient funds to make all or any of such investments. Any decision by a Client not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment (including, in the case of Equity Co-Investments, an event of default under applicable debt documents in the event an equity cure cannot be made). Additionally, such failure to make such investments may result in a lost opportunity for such Client to increase its participation in a successful operation or the dilution of such Client's ownership in a portfolio company if a third party invests in such portfolio company.

Non-U.S. Investments. A Client may invest a portion of its aggregate commitments in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of a Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on a Client and/or its owners with respect to such Client's income, and possible non-U.S. tax return filing requirements for a Client and/or its owners.

Incentive Compensation. As discussed in more detail above, the fact that Maranon's Incentive Compensation, if any, is based on Client performance may create an incentive for Maranon to cause a Client that pays Incentive Compensation to make riskier or more-speculative investments or to hold an investment longer than would otherwise be the case.

Director Liability. In certain circumstances, a Client may receive the right to appoint a representative to the board of directors (or similar governing body) of the companies in which it invests. Serving on the board of directors of a portfolio company exposes such Client's representatives, and ultimately such Client, to potential liability. Not all portfolio companies may obtain insurance with respect to such liability, and the insurance that portfolio companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from the Client's investment activities.

Phantom Income. Certain of a Client's portfolio investments may be issued with "original issue discount" and may result in the receipt of ordinary interest or dividend income without a corresponding receipt of cash or property. Consequently, an investor's share of taxable income of a Client for a particular period (and possibly the income tax payable with respect to that income) may exceed the cash or other property distributed by such Client to such investor in respect of that period.

Uncertain Economic and Political Environment. The current global economic and political climate is one of uncertainty. Prior acts of terrorism in the United States, the threat of additional terrorist strikes and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate and financial confidence to weaken,

increasing the risk of a “self-reinforcing” economic downturn. The availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, continues to be restricted. This may have an adverse effect on the economy generally and on the ability of the Clients and their portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of their businesses. A climate of uncertainty may reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. Furthermore, such uncertainty may have an adverse effect upon portfolio companies in which the Clients make investments.

Market Conditions. Any material change in the economic environment, including a slow-down in economic growth and/or changes in interest rates or foreign exchange rates could have a negative impact on the performance and/or valuation of the portfolio companies. A Client’s performance can be affected by deterioration in public markets and by market events, such as the onset of the credit crisis in the summer of 2007 or the downgrading of the credit rating of the United States in 2011, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and investors’ risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and a Client’s performance. The value of publicly traded securities may be volatile and difficult to sell as a block, even following a realization through listing. The impact of market and other economic events may also affect a Client’s ability to raise funding to support its investment objective and also the level of profitability achieved on realizations of investments.

Public Company Holdings. Unless otherwise specified in the applicable governing agreement, each Client’s investment portfolio may contain equity and debt securities issued by publicly held companies. Such investments may subject each Client to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of each Client to dispose of such securities at certain times, increased likelihood of shareholder litigation and insider trading allegations against such companies’ executives and board members, including the Principals, and increased costs associated with each of the aforementioned risks.

Valuation of Investments. Generally, Maranon will determine the value of all the related Client’s investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of a Client’s investments because, among other things, the securities of portfolio companies held by such Client generally will be illiquid and not quoted on any exchange. Maranon will determine the value of all a Client’s investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States, or as otherwise specified in the relevant governing agreement for the Client. There can be no assurance that Maranon will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of Maranon with respect to an investment will represent the value realized by the relevant Client on the eventual disposition of such investment or that would, in fact, be realized upon an

immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by Maranon may cause it to ineffectively manage the relevant Client's investment portfolios and risks, and may also affect the diversification and management of such Client's portfolio of investments. In addition, the valuation of the same investment may differ for different Clients in circumstances in which one or more Clients require specific valuation procedures that differ from the valuation procedures generally used for other Clients.

Cybersecurity Risks. Recent events have illustrated the ongoing cybersecurity risks to which operating companies are subject. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the relevant Client, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Maranon or one of its service providers holding its financial or investor data, Maranon, its affiliates or the Clients may also be at risk of loss, despite efforts to prevent and mitigate such risks under Maranon's policies.

Nature of Investment in Senior Loans. The assets of a Senior Product will primarily be in floating rate senior, first and second lien secured loans. The factors affecting an issuer's first and second lien loans, and its overall capital structure, are complex and may differ from the general structure outlined in the applicable Memorandum or other offering document, if any. Some first lien loans may not necessarily have priority over all other indebtedness of an issuer. For example, some first lien loans may permit other secured obligations (such as overdrafts, swaps or other derivatives made available by members of the syndicate to the company or sale and leaseback transactions, capital leases, purchase money debt, or other facilities made available by members of the syndicate or other unrelated parties to the company), or involve first liens only on specified assets of an issuer. Issuers of first lien loans may have two tranches of first lien debt outstanding each with first liens on separate collateral. Furthermore, the liens referred to herein generally only cover domestic assets and non-U.S. assets are not included (other than, for example, where a borrower pledges a portion of the stock of first-tier non-U.S. subsidiaries). In the event of chapter 11 filing by an issuer, title 11 of the United States Code (11 U.S.C. §§ 101 - 1532) (the "Bankruptcy Code") authorizes the issuer to use a creditor's collateral and to obtain additional credit by grant of a priority lien on the issuer's property, senior even to liens that were first in priority prior to the bankruptcy filing, as long as the issuer provides what the presiding bankruptcy judge considers to be "adequate protection," which may, but need not always, consist of the grant of replacement or additional liens or the making of cash payments to the affected secured creditor. The imposition of prior liens on a Senior Product's collateral would adversely affect the priority of the liens and claims held by a Senior Product and could adversely affect a Senior Product's recovery on its loans.

Any secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. Moreover, underlying assets are subject to credit, liquidity, and interest rate risk. Although the amount and characteristics of the underlying

assets selected as collateral may allow a Senior Product to withstand certain assumed deficiencies in payments occasioned by the borrower's default, if any deficiencies exceed such assumed levels or if underlying assets are sold it is possible that the proceeds of such sale or disposition will not be equal to the amount of principal and interest owing to a Senior Product in respect to its loans.

Further, loans may become non-performing for a variety of reasons. Upon a bankruptcy filing by an issuer of debt, the Bankruptcy Code imposes an automatic stay on payments of its pre-petition debt. Non-performing debt obligations may require substantial workout negotiations, restructuring or bankruptcy filings that may entail a substantial reduction in the interest rate, deferral of payments and/or a substantial write-down of the principal of a loan or conversion of some or all of the debt to equity. If an issuer were to seek relief under chapter 11 of the Bankruptcy Code, the Bankruptcy Code authorizes the issuer to restructure the terms of repayment of a class of debt even if the class fails to accept the restructuring as long as the restructured terms are "fair and equitable" to the class and certain other conditions are met.

Senior secured credit facilities are generally syndicated to a number of different financial market participants. The documentation governing the facilities typically requires either majority consent or, in certain cases, unanimous approval for certain actions in respect of the credit, such as waivers, amendments, or the exercise of remedies. In addition, voting to accept or reject the terms of a restructuring of a credit pursuant to a chapter 11 plan of reorganization is done on a class basis. As a result of these voting regimes, a Senior Product may not have the ability to control any decision in respect of any amendment, waiver, exercise of remedies, restructuring or reorganization of a Senior Product's loan investments.

Senior secured loans are also subject to other risks, including (i) the possible invalidation of an debt or lien as a "fraudulent conveyance," (ii) the recovery as a "preference" of liens perfected or payments made on account of a debt in the 90 days before a bankruptcy filing, (iii) equitable subordination claims by other creditors, (iv) so-called "lender liability" claims by the issuer of the obligations and (v) environmental liabilities that may arise with respect to collateral securing the obligations. It is possible that a secondary loan market participant can be denied a recovery from the debtor in a bankruptcy if a prior holder of the loans either received and does not return a preference or fraudulent conveyance or engaged in conduct that would qualify for equitable subordination.

Leveraged Nature of Mezzanine Investments. The portfolio companies in which a Client pursuing a Mezzanine strategy will invest may be highly leveraged, thereby increasing the degree of credit risk inherent in each investment. The Client's investments may be unsecured and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured and bear floating interest rates. In the event any portfolio company cannot generate adequate cash flow to meet debt service, the Client may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of the Client. Furthermore, the companies and securities in which the Client will invest generally will not be rated by a credit rating agency.

United Kingdom Exit from the European Union (the "EU"). On June 23, 2016, the people of the United Kingdom ("UK") voted in a referendum to leave the EU. As at the date of this Brochure, there has been no change in the status of the UK as a member of the EU. Pursuant to

the EU constitution, the only method of withdrawal is via Article 50 of the Treaty of the EU, which itself provides for a period of up to two years during which the terms of the UK's ongoing relationship with the EU will be negotiated. The Article 50 procedure was triggered by the UK government on March 29, 2017; accordingly, it is currently anticipated that the UK will cease to be a member of the EU by the end of March 2019 (subject to any transitional arrangements or extensions which may be agreed).

As a result of the UK ceasing to be a member of the EU, the manner in which a Client invests in assets located within the EU may be impacted. The terms of the UK's exit from the EU are not clear, and the shape of the regulatory landscape following exit is not yet defined; the legal, political and economic uncertainty generally resulting from the UK referendum result and anticipated exit from the EU may adversely impact UK-based businesses, and may also result in an economic slowdown and/or a deteriorating business environment in one or more EU Member States.

#### *Risks Related to the Funds*

Limited Transferability of Fund Interests. There is no public market for each Fund's interests, and none is expected to develop. There are substantial restrictions upon the transferability of each Fund's interests under the Fund Agreements and applicable securities laws. In general, withdrawals of the Funds' interests are not permitted. In addition, the Funds' interests are not redeemable.

Conflicting Investor Interests. Limited Partners may have conflicting investment, tax, and other interests with respect to their investments in a Fund, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by a General Partner regarding an investment that may be more beneficial to one Limited Partner than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, each General Partner generally will consider the investment and tax objectives of the applicable Fund and its Partners as a whole, not the investment, tax, or other objectives of any Limited Partner individually.

Alternative Investment Fund Managers Directive. The EU Alternative Investment Fund Managers Directive (the "AIFMD") regulates the activities of certain private fund managers undertaking fund management activities or marketing fund interests to investors within the European Economic Area ("EEA"). If a Fund is actively marketed to investors domiciled or having their registered office in the EEA: (i) such Fund may be subject to certain reporting, disclosure and other compliance obligations under the AIFMD, which may result in the Fund incurring additional costs and expenses; (ii) such Fund and/or its General Partner may become subject to additional regulatory or compliance obligations arising under national law in certain EEA jurisdictions, which may result in the Fund incurring additional costs and expenses or otherwise affect the management and operation of the Fund; (iii) its General Partner may be required to make detailed information relating to the Fund and its investments available to regulators and third parties; and (iv) the AIFMD may also restrict certain activities of such Fund in relation to EEA portfolio companies including, in some circumstances, the Fund's ability to recapitalize, refinance or potentially restructure an EEA portfolio company within the first two years of ownership. In addition, it is possible that some EEA jurisdictions will elect to restrict or

prohibit the marketing of non-EEA funds to investors based in those jurisdictions, which may make it more difficult for a Fund to raise its targeted amount of commitments.

Significant Adverse Consequences for Default. Each Fund Agreement provides for significant adverse consequences in the event a Limited Partner defaults on its commitment or any other payment obligations. In addition to losing its right to potential distributions from a Fund, a defaulting Limited Partner may be forced to transfer its interest such Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.

Dilution. Limited Partners admitted or that increase their respective commitments to a Fund at subsequent closings generally will participate in then-existing investments of such Fund, thereby diluting the interest of existing Limited Partners in such investments. Although any such new Limited Partner will be required to contribute its pro rata share of previously made capital contributions, there can be no assurance that this contribution will reflect the fair value of such Fund's existing investments at the time of such contributions.

#### *Risks Related to the CLOs*

Credit Rating Risks and Uncertainties. A CLO's collateral (the "Collateral Obligations"), which are middle market loans, will generally have private ratings assigned by rating agencies. Each CLO is required to obtain an annual review of each private rating from each rating agency. A credit rating or credit estimate 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. Rating agencies attempt to independently evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value; therefore, ratings and estimates may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings or credit estimates and may change credit rating and credit estimate methodology in response to legislative and regulatory initiatives or for other reasons. Consequently, credit rating and credit estimate 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 interests in the CLOs. Credit ratings are available to investors in CLOs upon request.

Below Investment Grade Collateral. The majority of the Collateral Obligations will be non-investment grade middle market loans (or participation interests therein). All of the Collateral Obligations are subject to liquidity, market value, credit, repricing, default, recovery, interest rate, reinvestment and certain other risks. It is anticipated that the Collateral Obligations generally will be subject to greater risks than investment grade corporate obligations. These risks could be exacerbated to the extent that the portfolio is concentrated in one or more particular types of Collateral Obligations. Redemptions or prepayments of Collateral Obligations and the disposition of Collateral Obligations and any subsequent reinvestment in other Collateral Obligations may result in a greater concentration in any one obligor, region or industry, and such concentration could subject the Notes to a greater degree of risk with respect to collateral defaults by such obligor, and such concentration of a CLO's portfolio in any one industry or region could subject a CLO's Notes to a greater degree of risk with respect to economic downturns relating to such industry or region.



Prices of the Collateral Obligations may be volatile, and have in the past experienced volatility, and will generally fluctuate due to a variety of factors that are inherently difficult to predict. In particular, the market for non-investment grade loans has experienced and may in the future experience periods of severe price volatility and reduced liquidity.

Some of the Collateral Obligations may be “covenant-lite” loans. “Covenant-lite” loans typically do not have maintenance covenants, and may expose a CLO to different risks, including with respect to liquidity, price volatility and ability to restructure loans, than is the case with loans that have maintenance covenants. A non-investment grade loan, bond or other debt obligation or an interest in a non-investment grade loan is generally considered speculative in nature and may default for a variety of reasons. In the event of a default, the Indenture often prohibits the applicable CLO from agreeing to restructurings of Collateral Obligations that extend their maturity past the stated maturity of the Notes, which can lead to lower recoveries.

Interest Rate Mismatch. There will be mismatches between the floating rates applicable to a CLO’s collateral and the LIBOR applicable to the Senior Notes issued by such CLO, and there are restrictions with respect to each CLO’s ability to hedge. In addition, to the extent payments of principal or interest on a CLO’s collateral are reinvested, there is no requirement that such investments bear interest at a floating rate, and the interest rates available for such investments are inherently uncertain and expected to be significantly lower than the interest rates on such CLO’s collateral. As a result of these and other potential mismatches, changes in the level of LIBOR or any other applicable floating rate index could adversely affect the ability of a CLO to make distributions to its investors.

LIBOR Developments. On July 27, 2017, the head of the UK Financial Conduct Authority (the “FCA”) made remarks indicating that the FCA does not intend to sustain LIBOR by using its influence or legal powers to persuade or compel banks to submit rates for the calculation of LIBOR as a benchmark rate beyond 2021. Accordingly, LIBOR may be discontinued as a benchmark rate by the end of 2021. If LIBOR is discontinued as a benchmark rate, it is uncertain whether broad replacement conventions in the leveraged loan markets will develop and, if conventions develop, what those conventions will be and whether they will create adverse consequences for the CLOs or its investors. If no such conventions develop, it is uncertain what effect broadly divergent interest rate calculation methodologies in the markets will have on the price and liquidity of CLO investments or the Notes and the ability of Maranon to effectively mitigate interest rate and currency risks. While LIBOR may be replaced with an alternative rate, there can be no assurance that any such replacement (a) will occur, (b) that does occur will effectively mitigate interest rate risks as between the assets and liabilities of a CLO or result in an equivalent methodology for determining the interest rates on any floating rate Notes, (c) will occur prior to any date on which a CLO suffers adverse consequences from the elimination or modification or potential elimination or modification of LIBOR, (d) will not have a material adverse effect on any CLO investors, including by affecting liquidity of the Notes held by such investors or (e) will align with an interest rate on a CLO’s investments.

## **Conflicts of Interest**

*General.* Maranon and its related and affiliated entities engage in a broad range of advisory and non-advisory activities, including providing agent services to portfolio companies. Maranon

will devote such time, personnel and internal resources as are necessary to conduct the business affairs of the Clients in an appropriate manner, as required by the relevant Fund Agreement, Investment Management Agreement and/or Collateral Management Agreement, although the Clients and their respective investments will place varying levels of demand on these over time. In the ordinary course of Maranon conducting its activities, the interests of a Client may conflict with the interests of Maranon, one or more other Clients, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein.

Maranon seeks to mitigate these and other conflicts and risks through its compliance program. Maranon conducts an annual review of its compliance program in accordance with the Advisers Act. In addition, Maranon's Chief Compliance Officer expects to meet directly with Eldridge's outside counsel on an annual basis to review any matters that the Chief Compliance Officer deems necessary or appropriate.

*Allocation of Investment Opportunities.* Conflicts of interest may arise in Maranon Capital's direction of certain relevant investment opportunities among Clients from time to time (e.g. allocating an investment opportunity to the Mezzanine Funds, on the one hand, and the Senior Products, on the other hand).

From time to time, Maranon will be presented with investment opportunities that would be suitable for multiple Clients or investment vehicles operated by Maranon. In determining which investment vehicles should participate in such investment opportunities, Maranon is subject to conflicts of interest among the investors in such investment vehicles. Investments by more than one Client in a portfolio company may also raise the risk of using assets of a Client to support positions taken by other Clients or affiliates of Maranon Capital.

Maranon must first determine which Client(s) will, or are required to, participate in the relevant investment opportunity. Maranon generally assesses whether an investment opportunity is appropriate for a particular Client based on the Client's operating documents, investment and operating guidelines, diversification limitations, tax and regulatory situation, minimum dollar limits, leverage requirements, return and risk targets and other relevant factors. Generally, in the event there are multiple Senior Products for which an investment opportunity is suitable, the following allocation methodology is used. Initially the allocation will be based on the minimum hold sizes for each participating Senior Product. For investments greater than minimum investment amount for each participating Senior Product, the allocation will be based on available capital held in each respective fund with a maximum based on Maranon's judgment considering each Senior Product's objectives, operating documents and diversification requirements, especially with regard to Funds which are leveraged. Investment opportunities related to add-on and recapitalization opportunities are generally allocated first to the currently invested Clients, and then to other Clients based on the factors described above. Generally, a similar approach is applied to allocating investment opportunities among suitable Mezzanine Funds.

In addition, if a portfolio company requires additional capital as a result of financial or other difficulties, or to finance growth or other opportunities, Clients may or may not provide such additional capital, and if provided, each Client generally will supply such additional capital in such amounts, if any, as determined by Maranon in its sole discretion.

Following determination of allocation among Clients, Maranon will determine if the amount of an investment opportunity in which Clients will invest exceeds the amount that would be appropriate for all such Clients and any such excess may be offered to one or more potential co-investors, including third parties, as determined by the Fund Agreements, Letter Agreements and Maranon's procedures regarding allocation.

Maranon's procedures permit it to take into consideration a variety of factors in making such determinations, including consideration of: existing commitment or investment in Clients, knowledge and experience in financial and business matters necessary to make them capable of evaluating the merits and risks of the prospective investment; perceived ability to quickly execute on transactions; and tax, regulatory, securities laws and/or other legal considerations (e.g., qualified purchaser or qualified institutional buyer status); and other appropriate factors. Co-investment opportunities may, and typically will, be offered to some and not other Maranon investors, and certain investors may receive multiple opportunities to co-invest while others expressing interest in co-investment opportunities receive none. Maranon may grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments or otherwise to have priority in co-investment opportunities over certain other third-party investors.

For certain investment opportunities, the borrower will require or prefer lenders that commit, on a short time frame, to provide (subject to diligence and negotiation of acceptable documentation) an amount of aggregate financing in excess of the aggregate amount Maranon believes would be suitable for their Clients. In such cases, in order to respond as quickly as possible to the borrower's request and thereby increase the chance that Maranon will be offered such investment opportunity, Maranon may first contact a potential co-investor that it believes would have the ability and desire to commit to make a co-investment for the entire excess amount on the time frame requested and, if such potential co-investor agrees to do so, provide the entire amount of the co-investment opportunity to such co-investor. In addition, if such co-investor agrees to be responsible for the entire amount of the co-investment opportunity if necessary but requests that Maranon seek additional co-investors to take the portion of the co-investment specified by such co-investor, Maranon may do so in its discretion. In light of Maranon's ongoing relationship with Eldridge (as described in further detail below) and given Eldridge's experience in investments similar to those Maranon seeks for its Clients, its historical ability to commit to fund transactions on an expedited basis, and its significant capacity to make investments, Maranon believes Eldridge and certain of its affiliates are the potential co-investors that are most likely to make such a commitment. Accordingly, Maranon will usually approach Eldridge and/or its affiliates with such co-investment opportunities before approaching any other potential co-investment investor, unless the applicable client documentation requires otherwise. This is expected to result in Eldridge and its affiliates participating in a significant portion of the co-investment opportunities that Eldridge approves.

Maranon's allocation of investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. While Maranon will allocate investment opportunities in a manner that it believes in good faith is fair and equitable to its Clients under the circumstances over time and considering relevant factors, there can be no assurance that a Client's actual allocation of an investment opportunity, if any, or

the terms on which that allocation is made, will be as favorable as they would be if the conflicts of interest to which Maranon may be subject, discussed herein, did not exist.

*Conflicting Investments.* The Mezzanine Funds may make mezzanine and equity co-investments in the same transactions in which the Senior Products invest, subject to any limitations in the applicable Fund Agreements and Investment Management Agreements. Also, if permitted by the applicable Fund Agreements and/or Investment Management Agreements, a Senior Product may refinance a loan in a company where a Mezzanine Fund has already provided debt and equity financing, which would result in such Senior Product owning debt in the same company where a Mezzanine Fund has an equity interest. As a result, the Mezzanine Funds and the Senior Products may have conflicting interests in negotiating the terms of their investments. In negotiating the price of the relevant securities, characterizations, rates of interest or stated dividends, nature of the covenants, and other terms and conditions of such securities, the Senior Products may have interests that conflict with those of the Mezzanine Funds. Questions may arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest. Maranon will, to the extent it is managing investments of a Mezzanine Fund and the senior loans of a Senior Product in the same issuer, seek to manage such conflicts in good faith and in a manner consistent with its duties to its Clients, including through the various Fund Agreements and protocols that are in effect between the Mezzanine Funds and the Senior Products and were put in place to mitigate such conflicts, and may seek the advice of the applicable Client and/or a Fund's advisory board as it deems appropriate. Certain additional conflicts may be present if a Senior Product manages a senior loan in a default, workout or bankruptcy scenario, as permitted by the applicable Fund Agreement or Investment Management Agreement. In such a case, the Senior Product could take actions that are adverse to the interests of a Mezzanine Fund. Maranon anticipates that when a Senior Product and a Mezzanine Fund hold investments of differing seniority in the same issuer and such issuer enters into a default, workout or bankruptcy scenario, Maranon will typically engage separate counsel to represent the Senior Product and the Mezzanine Fund, respectively. In certain circumstances Clients may be prohibited from exercising (or Maranon may deem it appropriate to refrain from exercising) voting or other rights in order to mitigate the relevant potential conflicts.

*Transactions with Affiliates.* Additional potential conflicts of interest relating to affiliates are discussed below under "Other Financial Industry Activities and Affiliations".

*Allocation of Expenses.* Subject to any relevant restrictions or other limitations contained in the Fund Agreements, Maranon will allocate expenses, including fees payable to third parties, in a manner that it believes in good faith is fair and equitable to its Clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, Maranon may be faced with a variety of potential conflicts of interest. As a general matter, Client expenses typically will be allocated among all relevant Clients eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by Maranon Capital or its affiliates using their best judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses may not be proportional, and any such

determinations involve inherent matters of discretion, e.g., in determining whether to allocate pro rata based on the number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Client or to Maranon. The Clients may have different expense reimbursement terms, including with respect to Management Fee offsets, which may result in the Clients bearing different levels of expenses with respect to the same investment.

*Selection of Service Providers.* Certain expenses (including without limitation travel expenses) are paid for by a Client and/or its portfolio companies or, if incurred by Maranon, are reimbursed by a Client and/or its portfolio companies, in connection with Maranon's performance of services for such Client and/or portfolio company. The amount of such reimbursements over time is expected to be substantial, and Clients generally do not have an interest or share in these reimbursements. Maranon will not necessarily seek out the lowest cost options when incurring (or causing a Client or its portfolio companies to incur) such expenses. Although Maranon selects service providers that it believes are aligned with its operational strategies and will enhance Client returns, Maranon may have an incentive to recommend a related or other person (including a limited partner) because of its financial or other business interest. Maranon may also, for various reasons (including a belief that the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Client or to Maranon), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not Maranon has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

To the extent a portfolio company is to reimburse any expenses, it determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices. Although the amount of individual reimbursements typically is not disclosed to investors in any Fund, their effect is reflected in each Fund's audited financial statements, and any fee paid or expense reimbursed to Maranon or such service providers generally is subject to: agreements with sellers, buyers and management teams; the review and supervision of the board of directors of or lenders to portfolio companies; and/or third party co-investors in its transactions. These factors help to mitigate related potential conflicts of interest.

*Transfer of Fund Interests.* In certain cases, Maranon will have the opportunity (but, subject to any applicable restrictions or procedures in the relevant Partnership Agreement, no obligation) to identify one or more secondary transferees of interests in a Fund. In such cases, Maranon will not receive compensation for identifying such transferees, and will use their discretion to select such transferees based on suitability and other factors similar to those employed in selecting co-investors, and unless required by the relevant Partnership Agreement, will determine in their sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors.

*Cross-Trades.* From time to time Maranon may cause a Client to enter into a transaction whereby such Client purchases securities from, or sells securities to, other Clients managed by Maranon, or co-investors or co-investment vehicles. Such transactions may arise in the context of re-balancing an investment among parallel investing entities or in contexts where a portfolio

company owned by one Client is acquired by a portfolio company acquired by another Client. Any such transactions raise potential conflicts of interest, including where the investment of one Client supports the value of portfolio companies owned by another Client. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value. To the extent required by the relevant Clients' Partnership Agreements or Investment Management Agreements or otherwise in the sole discretion of Maranon, Maranon may seek to mitigate such conflicts by seeking the opinion of an unaffiliated third party (including the use of a consultant or investment banker to opine as to the fairness of a purchase or sale price) or by obtaining the consent of the relevant Client(s) (including, in the case of a Fund, where authorized, the consent of such Fund's advisory board or a specially authorized advisory committee) to such transactions. In certain circumstances, Maranon may determine that the willingness of a third party to make an investment on the same terms demonstrates the fairness of the relevant transaction to the Client under then-current market conditions. Maranon intends that any such transactions be conducted in a manner that it believes in good faith to be fair and equitable to each Client under the circumstances, including a consideration of the potential present and future benefits with respect to each Client.

*Certain Other Conflicts.* Other conflicts of interest include, but are not limited to the following:

- Maranon, its affiliates, and equity holders, officers, principals and employees of Maranon and its affiliates may buy or sell securities or other instruments that Maranon has recommended to a Client. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Client. Employees and related persons of Maranon and Eldridge and its affiliates have, and are expected to continue to have, capital investments in or alongside certain Funds, as well as in investment vehicles (including private funds) sponsored by potential competitors, and therefore may have additional conflicting interests in connection with these investments.
- Because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because Management Fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure may create an incentive to deploy capital when Maranon may not otherwise have done so. In addition, since Maranon is permitted to retain certain fees (as described under "Fees and Compensation") in connection with Client investments, it could have a conflict of interest in connection with approving transactions.
- Maranon and/or its affiliates may enter into Letter Agreements with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

## **DISCIPLINARY INFORMATION**

Maranon Capital and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### *General Partner Entities*

Maranon Capital is affiliated with the General Partners, which collectively operate as a single advisory business. Maranon Capital and General Partners may share common owners, officers, partners, employees, consultants or persons occupying similar positions.

### *Eldridge and Its Affiliates*

Maranon Capital is also affiliated with Eldridge, which owns a majority of Maranon Capital. Eldridge is a private investment firm that owns directly or indirectly businesses that operate within a number of industries, including the financial services industry. One of these businesses is Security Benefit Life Insurance Company (“SBL”), a Kansas insurance company that specializes in fixed, fixed indexed and variable annuities. Both Eldridge and SBL have material business relationships with Maranon Capital.

As described above under “Methods of Analysis, Investment Strategies and Risk of Loss – Conflicts of Interest”, Maranon’s relationship with Eldridge and the resources of Eldridge potentially available to invest in co-investment opportunities make it likely that Eldridge will have frequent access to, and participation in, co-investment opportunities, provided that such co-investment opportunities are not first allocated to Clients in accordance with Maranon’s allocation policies and procedures or other relevant documentation.

Senior Credit IV, which is owned by Security Benefit Corporation, a subsidiary of Eldridge, engages in a number of different types of investments and transactions relating to other Clients. These include, without limitation, warehousing Senior Credit for new CLOs and Separate Accounts that are not able to participate at inception and making commitments for future investments alongside other Clients. Although Maranon believes the functions performed by Senior Credit IV benefit Maranon’s other Clients, Maranon also recognizes that these transactions also represent potential conflicts of interest, especially to the extent they directly involve other Clients. Maranon seeks to mitigate these conflicts through its compliance policies and procedures, which include following its allocation policies and complying with the Advisers Act in connection with principal transactions as described below.

From time to time, Maranon may, to the extent permitted under applicable law and the governing documents for a CLO, or other Fund or Client, effect cross-transactions between Clients. Among other things it is expected that Maranon will cause the CLOs and Senior Credit IV to engage in such cross-transactions in connection with Senior Credit IV warehousing Senior Credit for CLOs and other similar transactions. Because Senior Credit IV is an affiliate of Maranon, any such cross-transactions between Senior Credit IV and a CLO or any other Client constitutes a “principal transaction” under applicable law. When Maranon engages in a principal transaction, it will comply with the applicable requirements of the Advisers Act, including

disclosure to and consent of the Client, which may be sought and obtained from the Client's independent review party or board of directors.

Eldridge also controls other investment adviser entities. Therefore, Maranon Capital is also affiliated, through its relationship with Eldridge, with the following investment advisers registered with the SEC: CBAM Partners, LLC ("CBAM Partners" and, together with its relying adviser CBAM CLO Management LLC, "CBAM") and Cain International Advisers Limited ("Cain"). CBAM offers investment advisory services primarily focused on credit and value-oriented investments to a variety of institutional clients through separately managed accounts and private funds. Cain is primarily engaged in making debt and equity real estate investments. Maranon is also affiliated with Stonebriar Commercial Finance LLC ("Stonebriar"), a privately held commercial finance company controlled by Eldridge that provides financing to businesses in a wide variety of industries. From time to time, each of CBAM, Cain and Stonebriar may collaborate or co-invest with Maranon on investment opportunities.

#### *Potential Conflicts and Mitigation*

As described above, certain Eldridge affiliates have business relationships with Maranon. Maranon believes there are benefits to these relationships, including that Eldridge and its affiliates have a significant amount of investment experience and access to investment opportunities, and that Eldridge's ownership of Maranon may improve its ability to identify and close on profitable investments. Eldridge manages capital solely for itself and is not an investment adviser. Maranon has been in existence for 11 years prior to Eldridge taking a controlling interest in Maranon. Over that time Maranon has established and maintained its own personnel, operations, and investment decision-making process. Despite Eldridge's controlling interest in Maranon, Maranon will continue to be operationally independent of Eldridge. Eldridge will not have any role in Maranon's investment decisionmaking process or in Maranon's day-to-day operations. Although Eldridge personnel serve on the board of Maranon Capital's general partner, Todd Boehly and other individuals responsible for controlling Eldridge will not serve on such board. Nevertheless, Maranon generally has incentives to conduct its operations in a manner that benefits Eldridge and its affiliates.

Eldridge and its network of direct and indirect subsidiaries, and their respective employees, officers and directors including those described above (collectively, the "Eldridge Related Parties"), engage in a number of businesses with a broad array of products and services and the resulting transactions create actual or potential conflicts of interest with Clients and Maranon's activities on behalf of Clients. The following discussion briefly summarizes some of these conflicts, but is not intended to include an exhaustive list of all such conflicts. Clients and investors should also review carefully the applicable Memorandum.

Eldridge and certain of the Eldridge Related Parties, including CBAM, Cain, Stonebriar and SBL (each as defined above), engage in investment operations that may be substantially similar to and/or competitive with those of Maranon, including opportunities in which Clients have invested or are considering for investment. The performance and operation of such competing businesses could conflict with and adversely affect the performance and operations of Maranon and its Clients, and may adversely affect the prices and availability of investment opportunities or transactions available to Clients. Eldridge and its management personnel and other Eldridge



Related Parties may, but are under no obligation to, share any such research or opportunities with Maranon. Moreover, Eldridge, its management personnel and other Eldridge Related Parties may invest on behalf of themselves in such opportunities. This may result in financial benefits to Eldridge and other Eldridge Related Parties, and their respective personnel, which are not experienced by Maranon or its Clients. To the extent Maranon Clients and clients of Eldridge Related Parties have overlapping investments or similar investment strategies, Eldridge Related Parties may give advice or take action for their own accounts that may differ from, potentially conflict with or be adverse to advice given or action taken by Maranon for any of its Clients.

Maranon, from time to time, may initiate or recommend transactions with or investments in companies in which Eldridge Related Parties have controlling interests or are affiliated. In addition, in some circumstances, Maranon on behalf of its Clients may invest in issuers or borrowers, or otherwise participate in transactions, in which Eldridge Related Parties have invested or will invest, have other financial interests, or have financial or other relationships (including but not limited to directorships or equivalent roles) with affiliates or parties related to the issuers or borrowers in such transactions and such an investment will provide a direct or indirect benefit to Eldridge Related Parties. In these circumstances, such Client investments would be expected to indirectly benefit Eldridge Related Parties and would not be for the exclusive benefit of Maranon Clients. In addition, Maranon might choose to offer more favorable terms to, or refrain from taking actions that might be adverse to, companies in which Eldridge Related Parties have an interest, subject to Maranon's obligations to its Clients under applicable law and governing documents. Eldridge Related Parties may from time to time provide loans to Maranon, which could create an additional incentive for Maranon to favor such Eldridge Related Parties. Interests of non-affiliated Clients may therefore conflict with the interests of Eldridge Related Parties.

Maranon and Eldridge Related Parties, including Eldridge, CBAM, Cain, Stonebriar and SBL, may be engaged in the loan origination, asset financing, and/or loan servicing businesses. In connection with their lending activities, such loan origination and/or servicing businesses may receive certain fees, including, arranger, syndication, agency, origination, sourcing, structuring, collateral management, advisory, commitment, facility, float or other fees, discounts, spreads, commissions and concessions, and other fees received as part of such loan origination, asset financing, and/or loan servicing businesses. Clients should not expect to participate or share in such fees or compensation. Such fees may be charged on a cost reimbursement or on a cost-plus basis, or may be based on market rates (and which may not be the lowest market rate). Clients or the issuers of financial instruments held by Clients may acquire loans originated, structured, arranged and/or placed and/or arranged by such affiliated loan origination, asset financing, and/or loan servicing businesses that receive such fees. Clients will bear such fees directly or indirectly (e.g., by the issuers of financial instruments held by the applicable Client).

Eldridge Related Parties own all or a portion of the CLO Equity of the CLOs. Accordingly, Maranon may face a conflict of interest in making investment decisions for the CLOs between the holders of the Senior Notes and the holders of the CLO Equity in the CLOs.

Certain individuals that serve as members of the board of the general partner of the General Partners and Maranon Capital (the "Ultimate General Partner") also hold positions with other Eldridge Related Parties, including Eldridge. These individuals do not make investment decisions for Eldridge, Maranon, or any other investment adviser entity that Eldridge controls. However,

such individuals are likely to have responsibility for certain aspects of the business of these affiliates, and the overall compensation these individuals receive is based, in part, upon the performance of such affiliates, including Maranon Capital. Consequently, in carrying out their board member responsibilities at the Ultimate General Partner and duties at other Eldridge Related Entities, such persons are subject to the same or similar potential conflicts of interest that exist between Maranon and these affiliates.

Maranon attempts to resolve these conflicts of interest in light of their obligations to Clients, and attempt to allocate investment opportunities among Clients and any other such investment vehicles in a fair and equitable manner and in accordance with any provisions regarding the allocation of investment opportunities in the Clients' governing documents. To the extent that an investment or relationship raises particular conflicts of interest, Maranon will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, Maranon may consult with and receive consent to conflicts from the Client, or in the case of a Fund, its advisory board or other independent review party, if applicable.

#### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Maranon has adopted a Code of Ethics and Securities Trading Policy and Procedures (the "Code"), which sets forth standards of conduct that are expected of Maranon's principals and employees and addresses conflicts that arise from personal trading. Personal securities transactions are required to be conducted in a manner that prioritizes Client interests in Client eligible investments. The Code requires Maranon's personnel to report their personal securities transaction and to obtain approval from Maranon's Chief Compliance Officer prior to, directly or indirectly, acquiring beneficial ownership of any security in an initial public offering or a limited offering or engaging in any securities transactions involving securities on Maranon's restricted list. In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any Client or prospective investor upon request to Mike Parilla, Maranon's Chief Compliance Officer, at (312) 646-1200.

Maranon and its affiliates may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, Maranon and its affiliates would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of Maranon.

Accordingly, should Maranon or any of its personnel come into possession of material nonpublic or other confidential information with respect to any public company, Maranon generally would be prohibited from communicating such information to clients, and Maranon will have no responsibility or liability for failing to disclose such information to clients as a result of following their policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of Maranon's personnel serving as directors of public companies and may restrict trading on behalf of Clients.

Principals and employees of Maranon and its affiliates may directly or indirectly own an interest in Funds, including the Mezzanine Funds, the Senior Credit Funds or certain co-investment vehicles. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as a Fund.

The Funds, the other Senior Products and any other Clients may invest together with other private investment funds or clients advised by affiliates of Maranon, subject to any limitations in the applicable Clients' governing documents. Maranon will determine the allocation of investment opportunities in a manner that they believe is fair and equitable to Clients consistent with Maranon's obligations to such Clients, including any investment restrictions and objectives set forth in the relevant Client's governing documents.

Maranon and its affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who are not Clients, and may give advice and recommend securities to such persons or vehicles which may differ from advice given to, or securities recommended or bought for, a Client, even though their investment objectives may be the same or similar. The governing documents of certain Clients may restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Clients or may give priority with respect to investments to such Clients. Some of these restrictions could be waived by Clients (or their representatives).

#### **BROKERAGE PRACTICES**

Maranon focuses on investments in private companies and generally purchases and sells such investments through privately-negotiated transactions in which the services of a broker-dealer may or may not be retained. However, Maranon may also distribute securities to Clients or Private Fund Investors or sell such securities, including through using a broker-dealer, if a public trading market exists. Although Maranon does not intend to regularly engage in public securities transactions, to the extent they do so, they would generally follow the brokerage practices described below.

If Maranon sells publicly traded securities for a Client, Maranon is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by Maranon. In such event, Maranon will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, Maranon may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

Consistent with Maranon seeking to obtain best execution, brokerage commissions on Client transactions may be directed to brokers in recognition of research furnished by them, although Maranon generally does not make use of such services at the current time and have not made use of such services since their inception. To the extent Maranon engages in any such soft dollar transactions in the future, they will seek to comply with the safe harbor set forth in Section 28(e) of the Securities Exchange Act of 1934, as amended, and adopt any necessary policies and procedures.

From time to time, Maranon may, but is not obligated to, purchase or sell securities for several Clients at approximately the same time. Such orders may be combined or “batched” to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating Client of Maranon’s is favored over any other Client. To the extent such orders are not batched, they may have the effect of increasing brokerage commission or other costs.

From time to time Clients may refinance or otherwise purchase debt obligations owned by another Client, including predecessor Clients. Any cross-Fund or Client transactions will typically be effectuated after disclosure of the terms and client consent, which may often be authorized to be given by a Fund’s advisory board.

### **REVIEW OF ACCOUNTS**

Client investments, particularly those made by the Funds, are generally private, illiquid and long-term in nature and/or in debt securities with a stated maturity. Accordingly, Maranon’s review process is not directed toward a short-term decision to dispose of securities. However, Maranon closely monitors companies in which a Client invests, and Maranon’s Chief Compliance Officer periodically checks to confirm that each Client’s account is maintained in accordance with its stated objectives.

Each Fund generally provides to its limited partners (i) annual U.S. GAAP audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each limited partner’s tax return and (iii) quarterly reports providing a narrative summary of the status of each portfolio. Maranon provides Separate Account Clients with monthly, quarterly and annual reports related to aspects of their portfolios, as required by the applicable Investment Management Agreement.

### **CLIENT REFERRALS AND OTHER COMPENSATION**

Maranon and/or its affiliates may provide certain business or consulting services to companies in a Client’s portfolio and may receive compensation from these companies in connection with such services. In the case of each Fund, this compensation may, in many cases, offset a portion of the Management Fees paid by each Fund. However, in other cases, these fees may be in addition to Management Fees. See “Fees and Compensation.”

From time to time, Maranon may enter into placement agreements or solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a Client. Any fees and expenses payable to any such placement agents will be borne by Maranon either directly or indirectly through an offset against the Client’s Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically are borne by the relevant Client(s).

### **CUSTODY**

Maranon maintains custody of Client assets with the following qualified custodians:

- Merrill Lynch, Pierce, Fenner & Smith, Inc. at 600 California Street, 8<sup>th</sup> Floor, San Francisco CA, 94108,
- Silicon Valley Bank at 3003 Tasman Drive, Santa Clara, CA 95054,
- U.S. Bank Global Corporate Trust Services, One Federal Street, 3rd Floor, Boston, MA 02110, and
- State Street Global Services at 801 Pennsylvania, Kansas City, MO 64105.
- Wells Fargo Corporate Trust Services at 9062 Old Annapolis Road, Columbia, MD 21045.
- Delaware Trust Company at 251 Little Falls Drive, Wilmington, DE 19808.
- CapitalOne Commercial Banking Group at 2 Bethesda Metro Center, 7th Floor, Bethesda, MD 20814.

### **INVESTMENT DISCRETION**

In general, Maranon has discretionary authority to manage investments on behalf of its Clients, including, without limitation, authority to make decisions with respect to amount, price and counterparties. Maranon assumes this discretionary authority pursuant to, and subject to the terms and conditions set forth in, the Fund Agreements and the Investment Management Agreements and any powers of attorney executed by Clients. Maranon provides investment advice to each Client and not individually to any Fund investors or, in the case of a CLO, any Note holders. As a general policy, Maranon does not allow Clients to place limitations on this authority. Pursuant to the terms of the Fund Agreements or other relevant client documentation, however, Maranon may enter into Letter Agreements with certain limited partners whereby the terms applicable to such limited partner's investment in a Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Separate Accounts can negotiate limitations on Maranon's authority when entering into Investment Management Agreements with Maranon, including designating an account as non-discretionary.

### **VOTING CLIENT SECURITIES**

Maranon has adopted Proxy Voting Policies and Procedures (the "Proxy Policy") to address how they will vote proxies, as applicable, for Clients. The Proxy Policy seeks to ensure that Maranon votes proxies (or similar instruments) in the best interest of Clients, including where there may be material conflicts of interest in voting proxies. Maranon generally believes its interests are aligned with those of Funds' investors through the principals' beneficial ownership interests in the Funds and therefore will not seek investor approval or direction when voting proxies for the Funds. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that Maranon may address the conflict using several alternatives, including by seeking the approval or concurrence of the applicable Fund's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. Additionally, a Fund's advisory board may approve Maranon's vote in a particular solicitation. Maranon does not consider service on portfolio company boards by Maranon personnel or Maranon's receipt of

management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. Clients (or investors in a Fund) may request a copy of Maranon's complete Proxy Policy or information regarding how Maranon voted proxies for particular portfolio companies, free of charge, by contacting Mike Parilla, Maranon's Chief Compliance Officer, at (312) 646-1200.

#### **FINANCIAL INFORMATION**

Maranon does not require prepayment of Management Fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.

## **Appendix A**

Maranon Mezzanine GP, L.P.  
Maranon Mezzanine GP II, L.P.  
Maranon Senior Credit GP II, L.P.  
Maranon Senior Credit Strategies Fund V GP, L.P.  
Maranon Centre Street General Partner, L.P.  
Maranon Senior Credit Opportunities SPV GP, L.P.  
Maranon Mezzanine GP III-B, L.P.  
Maranon Management, LLC.

## Appendix B

<b>Fund</b>	<b>General Partner</b>
Maranon Mezzanine Fund, L.P. Maranon Mezzanine Executive Fund, L.P.	Maranon Mezzanine GP, L.P.
Maranon Mezzanine Fund II, L.P. Maranon Mezzanine Offshore Fund II, L.P.	Maranon Mezzanine GP II, L.P.
Maranon Senior Credit Fund II-A, L.P. Maranon Senior Credit Fund II-B, L.P.	Maranon Senior Credit GP II, L.P.
Maranon Senior Credit Strategies Fund V -- Unlevered, L.P. Maranon Senior Credit Strategies Fund V -- Levered, L.P.	Maranon Senior Credit Strategies Fund V GP, L.P.
Maranon Centre Street Partnership, L.P.	Maranon Centre Street General Partner, L.P.
Maranon Senior Credit Opportunities SPV, L.P.	Maranon Senior Credit Opportunities SPV GP, L.P.
Maranon Mezzanine Fund III-B, L.P.	Maranon Mezzanine GP III-B, L.P.