

**ITEM 1. COVER PAGE**

**CBAM PARTNERS, LLC**  
**AND**  
**CBAM CLO MANAGEMENT LLC**

Part 2A of Form ADV  
Firm Brochure



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This brochure provides information about the qualifications and business practices of CBAM Partners, LLC ("CBAM") and CBAM CLO Management LLC ("CBM"). If you have any questions about the contents of this brochure, please contact CBAM or CBM at (212) 603-3101 or [lisa@cbam.com](mailto:lisa@cbam.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Additionally, registration as an investment adviser does not imply a certain level of skill or training.

Additional information about CBAM also is available on the SEC's Investment Adviser Public Disclosure (IAPD) website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2. MATERIAL CHANGES**

This brochure dated April 12, 2019 amends our brochure that was last filed on March 29, 2019. We made the following material changes to the Brochure in our March 29, 2019 filing:

Eldridge Industries, the indirect parent company of CBAM, acquired a controlling interest in Maranon Capital, L.P, a registered investment adviser specializing in middle market debt and private equity investing. Additional information is available in Item 10 herein.

Prospective and current clients should carefully review this brochure in its entirety.

## **Important Note about this Brochure**

*This Brochure is not:*

- *An offer or agreement to provide advisory services to any person.*
- *An offer to sell interests (or a solicitation of an offer to purchase interests) in any pooled investment vehicle ("Fund").*
- *A complete discussion of the features, risks or conflicts associated with any Fund or advisory service.*

*As required by the Investment Advisers Act of 1940, as amended (the "Advisers Act"), CBAM or CBM, as the case may be, will provide this Brochure to its current and prospective clients and may also, in its discretion, provide this Brochure to current or prospective investors in a Fund, together with other relevant governing documents, such as the Fund's offering or private placement memorandum, prior to, or in connection with, such person's investment in the Fund.*

*The descriptions set forth in this Brochure of specific advisory services that CBAM and CBM expect to offer and investment strategies to be pursued, should not be understood to limit in any way, CBAM's or CBM's actual investment activities. CBAM and CBM expects to offer any advisory services, engage in any investment strategy and make any investment, including any not described in this brochure that CBAM or CBM considers appropriate to the extent not prohibited by Client Documentation, as defined in Item 4, below. There is no assurance that the investment objectives of any Client, as defined herein, will be achieved or that losses will not occur.*

*Although this publicly available Brochure describes investment advisory services and investment products expected to be offered by CBAM or CBM, persons who receive this Brochure from CBAM, CBM or otherwise should be aware that it is designed solely to provide information about CBAM and CBM as necessary to respond to disclosure information required under the Advisers Act. As such, the information in this Brochure will differ from information provided in relevant Client Documentation or other CBAM or CBM communications. More information about each Fund is included in relevant Client Documentation, certain of which will be provided to current and eligible prospective investors by CBAM and CBM and their respective agents. To the extent that there is a conflict between discussions herein and similar or related discussions in any Client Documentation, the terms of the Client Documentation shall govern and control.*

### ITEM 3. TABLE OF CONTENTS

<b><u>Item No.</u></b>	<b><u>Item</u></b>	<b><u>Page</u></b>
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	4
Item 4	Advisory Business	5
Item 5	Fees and Compensation	7
Item 6	Performance-Based Fees and Side-by-Side Management	12
Item 7	Types of Clients	14
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	15
Item 9	Disciplinary Information	28
Item 10	Other Financial Industry Activities and Affiliations	28
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	32
Item 12	Brokerage Practices	40
Item 13	Review of Accounts	43
Item 14	Client Referrals and Other Compensation	43
Item 15	Custody	43
Item 16	Investment Discretion	44
Item 17	Voting Client Securities	44
Item 18	Financial Information	45

#### ITEM 4. ADVISORY BUSINESS

CBAM offers investment advisory services on a discretionary basis and, in certain instances, a non-discretionary basis, to a variety of institutional clients through separately managed accounts (“SMAs”) and private funds (“Funds”). Funds, together with SMAs, are referred to herein collectively as “Clients.” For the avoidance of doubt any “Client” referred to herein can be expected to include Clients with investments by CBAM and CBAM Related Parties (as defined herein) and their respective, partners, principals, employees and family members. The amount of proprietary investment by CBAM or CBAM Related Parties will differ from Client to Client and such proprietary ownership could be substantial and continue for an indefinite period of time subject to third party investment, which is beyond the control of CBAM. CBAM also accepts non-discretionary Clients for which it makes recommendations on existing portfolio(s) or prospective investments or transactions. CBAM expects to offer any advisory services, engage in any investment strategy and make any investment, including any not described in this brochure that CBAM or CBM considers appropriate to the extent not prohibited by Client Documentation. The addition of other strategies in the future, increases the potential conflicts of interest among CBAM, CBAM Related Parties, Clients, Note holders and investors.

The Funds are organized to be exempt from registration under the Investment Company Act of 1940, as amended, (the “Investment Company Act”) and the securities or interests of which are expected to be exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”). In certain cases, Funds will be organized as issuers of collateralized loan obligations (“CLOs”). Each CLO issuer is expected to be a non-U.S. entity that issues rated notes (“Senior Notes”) and non-rated notes (“Equity”, and, together with the Senior Notes, the “Notes”) pursuant to the terms and conditions of an indenture (“Indenture”). The Senior Notes issued by each CLO are expected to be secured by a portfolio consisting primarily of leveraged loans selected and managed by a collateral manager.

CBAM CLO Management, LLC (“CBM”), a relying adviser and wholly owned subsidiary of CBAM, acts as collateral manager to the CLOs. CBAM provides employees and services to CBM pursuant to a staffing and services arrangement. References in this Brochure to CBAM shall be deemed to include references to CBM unless the context clearly indicates otherwise. CBAM will be paid a fee by CBM to provide certain services including, among others, investment related services such as portfolio management, trading and research, to CBM.

To the extent applicable, CBM facilitates compliance with EU Capital Requirements Directive (No. 2013/36/EU) (the “EU Risk Retention Requirements”). As such, CBM’s primary business consists of, (i) acting as collateral manager of CLOs and related warehouse facilities; (ii) engaging in activities, including but not limited to, acting as an

“originator” for the purposes of EU Risk Retention Requirements; (iii) acting as the holder of CLO Notes for the purpose of complying with EU Risk Retention Requirements ( the “Retention Interests”); and (iv) from time to time, as the case may be, providing first loss equity in connection with warehouse facilities entered into by CBM. A CBAM Related Party (as defined below in Item 10. “Other Financial Industry Activities and Affiliations”) has financed CBM’s purchase of the Retention Interests in multiple CLO transactions and is expected to do so for others. In the alternative, CBAM could seek to negotiate financing for the purchase of Risk Retention Interests with non-affiliated third parties. CBM also operates as an “originator” for the purposes of the EU Risk Retention Requirements and to facilitate compliance with similar risk retention rules that are in place in the European Union. Because not all of the CLOs are EU Risk Retention compliant, CBM holds Retention Interests in some CLOs but not others.

Other jurisdictions, in addition to the EU, have adopted risk retention requirements related to securitizations such as CLOs. CBAM expects to comply with applicable risk retention requirements.

The documentation governing each Fund or other Client relationship, which includes offering circulars, private placement memoranda, management agreements, Indentures, subscription agreements and other documents governing the Client relationship, including any agreements with Clients and/or investors (collectively, “Client Documentation”) contains, among other things, detailed specifications and requirements regarding the types of investments and overall composition of a Client portfolio (such as diversity, ratings, concentration, etc.), and CBAM’s role and authority. Except in the case of an SMA, investment guidelines for Clients generally, are not tailored to the individual needs of any particular Fund investor or CLO Note holder and it is likely that Clients will have similar investment strategies and objectives. Often, certain prospective Fund investors or Note holders can be expected to influence investment criteria or portfolio guidelines. Also, CBAM has no restrictions on its ability to enter into side letter agreements or other similar separate agreements with certain investors or CLO Note holders that have the effect of establishing rights under or altering or supplementing the terms of a Fund’s governing documents (with respect to each such investor or Note Holder, such side letter is part of the Client Documentation).

Entities managed by CBAM have in the past, and in the future, serve as warehouse or risk retention vehicles for CLOs to accumulate loans intended to satisfy CBAM’s risk retention obligations or to be transferred to a CLO upon its launch. Such entities will be capitalized by third parties or CBAM and/or CBAM affiliates or their respective principals, officers, employees or family members (collectively, “CBAM Related Parties”).

As required by Client Documentation, CBAM, from time to time, prepares written commentary on general market conditions. The commentary is designed to educate and inform current and prospective Clients, investors, Note holders, consultants and other business contacts. CBAM does not charge a fee for providing these commentaries and can determine in its discretion to initiate or discontinue this practice at any time, where not in conflict with Client Documentation. Accordingly, certain Clients, investors, Note holders and prospects, and not others, will receive this commentary.

CBAM is a Delaware limited liability company formed on March 31, 2017. CBAM is a wholly owned subsidiary of CBAM Holdings, LLC which is owned indirectly and directly by CBAM management and employees and Eldridge Industries, LLC ("Eldridge"), a private investment firm. Todd Boehly is the Chairman and controlling member of Eldridge. As of December 31, 2018, CBAM and CBM have \$10,567,470,474 regulatory assets under management all of which are discretionary.

CBAM also provides advisory services to CLOs owned by a CBAM Related Party. CBAM provides the CLOs with advice with respect to certain existing CLO portfolio investments and makes recommendations about whether actions should be taken. CBAM is compensated for these services based on a negotiated fee.

The description of CBAM's advisory services and Clients is not exhaustive; consequently, CBAM can provide other advisory services to other types of Clients not described herein.

## **ITEM 5. FEES AND COMPENSATION**

### **Fees**

CBAM receives advisory fees and incentive compensation in accordance with Client Documentation.

### *Funds and SMAs*

CBAM generally receives a management fee and/or a performance-based fee for managing Funds or SMAs. The amount of each fee, as well as the timing and manner of payment, is established on a case-by-case basis. The performance or incentive fee typically constitutes a percentage of appreciation or depreciation or net realized gains of the portfolio, subject to the terms and conditions set forth in the relevant Client Documentation that is provided to current and prospective Clients, Note holders and investors who should review such documentation carefully before making any investment decision. To the extent there is a deviation between the general descriptions provided in this brochure and the provisions and disclosures in such Client Documentation applicable to a specific Client or Fund, the terms of the Client Documentation shall govern. In some cases, as negotiated, CBAM's compensation also includes a sharing of fees received by or on behalf of a Client in

connection with portfolio investments (e.g., bridge commitments, direct lending or underwritings) entered into on behalf of Clients. Additionally, in these cases, CBAM's Fund investors will consist of "Qualified Purchasers" who will primarily include institutional investors such as endowments, foundations, financial institutions, high net worth individuals and their investment vehicles. In the case of SMAs, Clients charged a performance fee will be "Qualified Clients" in accordance with the applicable requirements of the Advisers Act. As such, there is no set fee schedule. Fees and expenses are paid in accordance with Client Documentation. Performance fees are structured in accordance with the Advisers Act.

Fees vary across Clients based on the type of service provided, size of the account, and the overall relationship between CBAM and the Client. In some cases, fees paid will vary among investors in the same Funds. Fees are negotiable and paid more or less frequently depending upon the terms of the Client Documentation. CBAM, at its sole discretion, can elect to reduce, waive or calculate differently the fees with respect to any investor, whether through different classes or through separate written agreements with investors.

### *CLOs*

As compensation for its services as the collateral manager of CLOs, CBM expects to receive an advisory fee, paid as a senior management fee and a subordinated management fee. Fees are negotiated on a case-by-case basis and, as such, there will be no set CLO fee schedule. The senior management fee has a higher priority in a CLO's priority of payments waterfall whereas the subordinated fee generally ranks below certain payments to Senior Note holders, subject to satisfaction of any requirements set forth in the Indenture. The collateral manager is often eligible for incentive compensation (a percentage of the cash flow generated by the CLO portfolio) provided that the CLO Equity has achieved the internal rate of return ("IRR") threshold set forth in the Indenture. CLO fees are calculated by the CLO Trustee and not CBAM and only the CLO Trustee has the authority to cause such fees to be paid by the CLO. The senior and subordinated fees are typically paid quarterly in arrears, consistent with the Indenture.

CBAM or CBAM Related Parties hold risk retention interests in each CLO when required by applicable law or contractual obligation, and hold other interests in any CLO acquired at issuance or in the secondary market, which gives CBAM an additional pecuniary interest in the CLO.

### *General*

CBAM does not require prepayment of fees but will accept prepayments if provided under Client Documentation. If prepayments are made in accordance with Client Documentation,



CBAM will rebate a proportionate amount of prepaid fees to the Client, in the event of a termination of its management services before the end of a billing period.

Subject to the terms of Client Documentation, CBAM invests Client assets in investments that charge additional fees, such as, money market funds, short term investment vehicles, tax blocker entities, co-investment vehicles and other eligible investments. In the case of CLOs, additional advisory fees related to eligible investments (e.g., cash sweep) are often paid to an affiliate of the CLO Trustee. In other cases, such fees could be payable to CBAM, CBM or other CBAM Related Parties, resulting in multiple layers of fees paid by the Client and received by CBAM, CBM and/or other CBAM Related Parties. CBAM has an incentive to make decisions with respect to Clients such as the selection of investments, counterparties or service providers that increase the total fees paid to or reduces the expenses of CBM, CBAM and/or other CBAM Related Parties.

CBAM or CBAM Related Parties receive fees, remuneration or profits from transactions in Client portfolios involving affiliated entities in addition to any management and performance fees described herein, which creates potential conflicts of interest. Please see Item 11, *Code of Ethics, Participation or Interests in Client Transactions and Personal Trading*.

Client fees are subject to negotiation. The fees actually charged to each Client and investor reflect the negotiated fee rate applicable to each. Under such circumstances, fees can differ among Clients as well as among investors in the same Client. As discussed above, CBAM receives a negotiated fee from its affiliates for portfolio monitoring services.

## **Expenses**

In addition to the fees described above, Clients often bear (or reimburse CBAM, as the case may be) the costs and expenses described below, to the extent permitted under Client Documentation:

- Expenses incurred in connection with the formation, qualification and registration and/or exemption from qualification and registration of Clients including CBM, and the interests and the offering, distribution and processing of interests in Funds or CLOs under applicable U.S. federal and state law and foreign law, including but not limited to legal, accounting and auditing fees and expenses, printing and duplication expenses, mailing expenses, filing fees, solicitation and marketing expenses and other related expenses, and insurance (e.g., “directors and officers” or similar professional liability insurance).
- Costs and expenses relating to a Client’s ongoing operations, as set forth in the Client Documentation, will generally include, but are not limited to, the following: (i)

all fees, costs and expenses related to the purchase, holding and sale of portfolio investments including assignment fees, delayed compensation and other costs customarily related to trading in relevant markets; (ii) fees and expenses paid to an administrator, a custodian or other service providers; (iii) fees and expenses paid to professional advisors regarding tax, accounting or legal matters related to the Clients or their investments; (iv) fees and expenses paid to directors, registered office fees, bank service fees, investment or trading related fees, brokerage commissions or spreads, prime broker fees, clearing and settlement charges; (v) expenses associated with any borrowing, financing or credit facility incurred by the Clients to finance the Client's investment activity or operations consistent with the Client Documentation, and legal fees and expenses incurred in connection with the negotiation of such financings; (vi) research expenses, consultant, operator or servicer fees, structuring and ongoing costs related to the analysis, purchase, sale, monitoring or valuation of investments, including transactions not consummated; (vii) due diligence related to the analysis, purchase, sale, monitoring or valuation of investments, including unconsummated investments, and travel costs and expenses associated with the foregoing (including in limited situations to the extent set forth in Client Documentation, the use of private aircraft); (viii) costs and expenses associated with regulatory and licensing requirements that are applicable to the Client, such as annual or periodic filings and reporting obligations, or its investment program (such as costs associated with complying with trading limitations); (ix) any fees for bookkeeping, auditing, accounting or recordkeeping services obtained or maintained on behalf of the Clients; (x) costs related to internal CBAM accounting, risk management and trading systems; (xi) expenses relating to the valuation or appraisal of investments (including third party valuation providers); (xii) distribution, marketing and offering costs and expenses, including costs and expenses incurred in connection with meetings, reports and communication with existing and prospective Clients and investors, including an annual meeting of Clients, investors and Note holders and the use of placement agents and finders; (xiii) taxes, litigation or indemnification costs or damages including indemnification obligations of Clients related to or in connection with a portfolio investment (including investments that have been disposed of) or arising under contracts with service providers; (xiv) costs and expenses incurred in connection with the winding up and liquidation of a Client; (xv) any other expenses related to the investment, financing, monitoring, enhancement, disposition or reporting of Client assets; (xvi) costs and expenses associated with an investor advisory committee, independent client representative or other similar person or body retained to represent the interests of Clients, investors or Note holders, and (xvii) trading vehicle and/or other special purpose vehicle such as a tax blocker or co-investment vehicle facilitating a Client's investment activity or investment objective, the Client's pro rata share of costs and expenses associated with its investment in such vehicles.

To the extent set forth in Client Documentation, costs and expenses incurred by CBAM on its own behalf, including but not limited to: (i) costs and expenses associated with liability insurance, risk-specific insurance and “key person” life insurance on particular CBAM personnel; (ii) costs and expenses associated with data feeds and related technology, such as news feeds, data services, equipment and software incurred in connection with the provision of investment management, monitoring, administrative or other services by CBAM (e.g., news and quotation services); (iii) third parties providing back office operations support to CBAM, market data, modeling services and related software, trade order management systems and related software, portfolio management and monitoring software; and (iv) costs and expenses related to compliance matters, filings, regulatory requirements and regulatory investigations or requests (e.g., Form PF and other regulatory filings, notices or disclosures of CBAM).

When CBAM incurs expenses on behalf of multiple Clients, it will seek to allocate the expenses among the applicable Clients in accordance with its practices in effect from time to time. In some circumstances, to the extent set forth in Client Documentation, a Client bears 100% of the expenses attributable to an unconsummated transaction. This could occur in instances, among others, where a Client is primarily focused on the relevant strategy and the potential co-investment group is not guaranteed an allocation of the relevant transaction. Likewise, a Client or group of Clients might bear 0% of such expenses. To the extent that CBAM uses blocker entities as a means of investing in a tax efficient manner, the expenses of forming, operating and maintaining such blocker entities will be borne in accordance with the formation documents of the blocker entity. Clients, investors and Note holders should not expect to be able to negotiate the formation documents of blocker entities.

### *Co-Investment*

From time to time, CBAM offers, but is not obliged to offer, co-investment opportunities to CBAM Related Parties and/or third parties (including existing and prospective Clients, investors and Note holders), which it selects in its sole discretion, for investment either directly or through the formation of one or more co-investment vehicles. CBAM will take into account its own interests in selecting co-investors and, unless provided to the contrary in Client Documentation, no Client, investor or Note Holder has any right, and should not expect, to participate in a co-investment. In CBAM’s discretion, certain co-investors pay no or reduced fees and expenses, including management fees, carried interest and fund administrative fees. In addition, in certain cases, such co-investment vehicles or other co-investors will evaluate a potential investment alongside existing Clients. If the potential investment is not consummated, the full amount of any expenses relating to such potential but not consummated investment are likely to be borne entirely by Clients which would have made such investment, rather than CBAM or the co-investment vehicle or other co-investors when consistent with CBAM’s policies and procedures. In the case of a

consummated co-investment opportunity, the participation of a co-investor will result in participating Clients receiving a smaller allocation than they otherwise might have had there been no participation from a co-investor.

CBAM, CBAM Related Parties and/or personnel of CBAM and CBAM Related Parties from time to time could be employed or engaged in an operating capacity (e.g., as a consultant) by, or serve as a director for, one or more companies or entities in which CBAM has invested on behalf of its Clients. For example, CBAM or CBAM Related Parties or their personnel could provide services to issuers in special or distressed situations, reorganizations or bankruptcy, including without limitation serving on creditors' committees, advising on or leading restructuring negotiations. The services provided by such persons in this capacity are separate and apart from CBAM's investment advisory services to its Clients. Such persons receive compensation which can include, among other things, cash, stock options, warrants and/or stock awards. Any such compensation received either directly or indirectly should not be expected to be for the account of Clients or reduce the fees otherwise payable by Clients to CBAM and are typically borne by the issuers. In such circumstances, such amounts could, depending upon the nature of the CBAM Client's investment in the underlying issuer, be borne indirectly by Clients invested in the company and their equity investors, and will not be borne or reimbursed by CBAM.

#### *Certain Expense-Related Conflicts*

CBAM and CBAM Related Parties use some of the same service providers as are retained for Clients. In some cases, rates or discounts are or will be offered to CBAM and CBAM Related Parties by these service providers which differ from those offered to Clients by such service providers. Where CBAM 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 and nature. There is no assurance that CBAM will be successful in securing favorable rates or discounts for Clients. Certain expenses outlined above will be borne by Clients and not CBAM.

#### **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

CBAM receives performance-based compensation from eligible Clients, as set forth in the relevant Client Documentation. Additionally, CBAM, CBM and CBAM Related Parties have other pecuniary interests in Clients (including Funds and CLOs), such as risk retention interests and personal or proprietary investments. Each of these arrangements create a variety of risks and conflicts, including, but not limited to, those described herein.

CBAM performance-based compensation is structured in a manner designed to comply with the applicable requirements of the Advisers Act. Such fees are disclosed in Client Documentation and are expected to vary among Clients, investors and investment

strategies. Because performance-based compensation could be calculated on a basis which includes 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 CBAM in accordance with its valuation policy. CBAM has a conflict in determining such valuations because they directly impact CBAM's level of performance-based compensation. It is possible that identical assets in Clients' accounts could be valued differently for different Clients. For example, this occurs when pursuant to the relevant Client Documentation, valuation guidelines or valuation agents differ from one Client to another Client. In those cases CBAM is paid a fee on realized gains, CBAM will have a conflict in making trading decisions for such Clients because they directly impact CBAM's compensation. For example, CBAM has an incentive to dispose of an investment in order to realize appreciation while not entering into sale transactions for other Clients with the same portfolio investment.

In the case of CLOs, performance-based fees are paid as a percentage of available cash flow, not appreciation of assets, and only after Equity holders have achieved a specified IRR (not the appreciation of portfolio assets) consistent with the terms of the Indenture.

The receipt of performance-based compensation, and the presence of different pecuniary interests in Client accounts, creates a potential conflict of interest between CBAM's interest to generate revenue for itself, and its personnel and affiliates, and the interests of Clients and investors (including Note holders). Specifically, performance-based fee arrangements and ownership of Risk Retention Interests or other pecuniary interests create an incentive for CBAM 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 a performance-based compensation is dependent on portfolio performance creating an incentive for CBAM to make decisions which conflict with the interests of some investors or Note holders or any class thereof. For example, the performance-based fee structure could create an incentive for the collateral manager to take greater risks or otherwise manage the CLO portfolio in a manner which seeks to maximize IRR for Equity holders relative to investors holding Notes with higher creditworthiness like Senior Notes. Taking greater risks by focusing on increasing yield could result in potential defaults or volatility in a Client portfolio and could contribute to a decline in the creditworthiness of the Client portfolio. Client Documentation typically contains specific investment guidelines and restrictions which constrain CBAM'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 diversification, credit quality and concentration by industry and issuer.

CBAM also has an incentive to favor Clients paying higher fees or in which CBAM, CBM and other CBAM Related Parties have greater pecuniary interests when allocating investment

opportunities. CBAM seeks to mitigate this conflict through disclosure and our 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, CBAM manages investments for a variety of Clients which pursue similar, competing or complementary investment objectives, policies or strategies. Side-by-side management gives rise to a variety of potential and actual conflicts of interest for CBAM and its personnel and CBAM Related Parties, including, the incentive to favor certain Clients with performance-based fees, higher fee-paying Clients or those Clients where CBAM and CBAM Related Parties, and their respective personnel have a pecuniary interest. CBAM has a trade allocation policy designed to mitigate this conflict by seeking to allocate investment opportunities among eligible Clients in a manner deemed by CBAM to be fair and equitable over time, subject to, and consistent with, Client guidelines, objectives and strategies. Certain CBAM Clients have specific targeted investment strategies, investment objectives or risk parameters. Accordingly, such Clients have less flexibility to invest across multiple asset classes. In cases where there is a limited offering, eligible Clients receive larger allocations or the entire allocation of an investment opportunity where CBAM determines, in its reasonable discretion, that such opportunity aligns with a Client’s specific investment target, investment guidelines, target returns or risk parameters. The application of these considerations can result in a non-pro rata allocation of an investment opportunity to some Clients (including Clients in which CBAM or CBAM Related Parties or their respective personnel have a direct or indirect pecuniary interest) when other Clients receive a smaller allocation or none. See Item 11. *“Code of Ethics, Participation or Interest in Client Transactions and Personal Trading”* for more information regarding CBAM’s allocation policy.

#### **ITEM 7. TYPES OF CLIENTS**

As described in Item 4 *“Advisory Business”*, CBAM advises SMAs, Funds and CLOs. SMA Clients and investors in Funds and CLOs include CBAM Related Parties, some of which are insurance companies. Fund investors and Note holders include banks, family offices, endowments, pensions, and other institutional investors.

In general, investors in Funds must be (1) (a) “accredited investors” under Regulation D under the Securities Act (and, in the case of CLOs, generally limited to institutional accredited investors), and (b) “qualified purchasers” under Section 2(a) (51) (A) of the Investment Company Act or “knowledgeable employees” under Rule 3c-5 under the Investment Company Act or (2) not “US Persons” as defined under Regulation S of the Securities Act, for Funds or CLOs domiciled outside of the US. In some cases, investors in a CLO are required to be “qualified institutional buyers” as defined by Rule 144A under the Securities Act.



Minimum investment amounts for Funds are set forth in the Client Documentation. Minimum amounts for SMAs are individually negotiated with Clients with CBAM making a determination of the appropriate minimum amount taking into account, among other things, the nature of the investment strategy and investment objective. Accordingly, there is no set minimum amount for SMAs and such amounts could vary.

Beneficial owners of SMAs generally receive more information with more frequency than other investors or other Clients. Likewise, other terms such as fees or termination can be more favorable to SMAs than Funds with a similar investment strategy.

#### **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

CBAM employs an investment approach based on fundamental credit, and value analysis along with active portfolio management. CBAM identifies investment opportunities in the markets through industry and company analysis using information from borrowers, underwriters, sales and trading desks as well as other industry participants. In evaluating potential investments, CBAM typically considers, among other things, any of the following: industry dynamics, competitive environments, performance history and prospects, investment sponsors and quality of management, free cash flow, projected cash flow, quality and value of underlying collateral, downside protection and relative value opportunities within a borrower's capital structure and the market. As part of the research process for certain investments, CBAM can, in its discretion utilize third-party firms to conduct accounting, tax, valuation, legal, environmental and/or other diligence. In connection with implementing its opportunistic credit-focused investment strategy, it considers investments in bank loans, senior and subordinated bonds, revolvers, bridge loans and credit default swaps, consistent with Client Documentation. It is active in both the primary and secondary credit markets.

In the future, CBAM expects to broaden the scope of its advisory services to include a variety of other asset classes, investment strategies and products.

#### **Risk Factors**

*Although our investment strategies emphasize a proactive credit discipline, there can be no assurance that our investment strategies will be successful, that Clients will achieve their investment objectives or that losses will not occur. Investing involves significant risks and is suitable only for persons who can bear the economic risk of the loss of their entire investment, have a limited need for liquidity in their investment and meet the conditions set forth in Client Documentation. Accordingly, Clients and investors should give careful consideration to the following risk factors in evaluating the merits and suitability of CBAM's strategies. The following should not be considered and does not purport to be a summary of all the risks associated with CBAM's investment strategies. Rather the following are risks which CBAM reasonably believes to be material or unique relative to the particular investment strategies*

*or methods CBAM employs. A description of risks relevant to a Client can be found in the final confidential offering circular or other Client Documentation. A copy of such documents is available at no charge upon Client request. Clients investors and Note holders should consult their own legal, tax and financial advisors, prior to making an investment in a Fund, or engaging CBAM as a manager.*

*While CBAM seeks to manage Funds and Client accounts so that the risks are appropriate to the return potential for the strategy, it is often not possible or desirable to fully mitigate risks. Any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. Mandates are often limited to certain types of investments and are not diversified by asset type. An investment in a Fund or Client account managed by CBAM is not a complete investment program. SMAs, investors and Note holders are responsible for appropriately diversifying their assets to guard against the risk of loss.*

*Non-Investment Grade Loans.* CBAM invests in credit markets, including leveraged, non-investment grade loans. Such loans are considered a higher risk than other types of investments because historically they have experienced a higher default rate than other asset classes. As a result, there can be no assurance that the ultimate recovery on a defaulted instrument will not result in a capital loss, adversely affecting a Client portfolio.

*Default Risk.* If there is a default on a loan, reference loan, bond or other instrument in a Client portfolio, the defaulted borrower often ceases to fund its obligations as they become due. The defaulting borrower usually becomes subject to lengthy and substantial workout negotiations or restructuring, often resulting in, a reduction in interest rates on obligations, a write-down of principal and/or change in the terms, conditions or covenants with respect to the defaulted obligation, all of which can be substantial; including the possibility that equity of the borrower will be issued in exchange for the original obligation, in whole or in part. While loans are often secured by collateral, losses can result from default and foreclosure. The value of the underlying collateral, the creditworthiness of the obligor and the priority of the lien will have a significant impact on the potential recovery of a defaulted asset. There is no assurance that the liquidation proceeds of collateral will be sufficient to satisfy the entire outstanding balance of principal and interest on a defaulted loan, resulting in a possible loss of all or part of an investment in a Client portfolio.

*Investments in Loans; Lack of Liquidity and Transparency.* Leveraged loans and interests therein, including derivatives and structured finance obligations, have significant liquidity and market value risks as they are not traded in organized markets or exchanges but rather are traded over the counter by commercial banks and other institutional investors. Because leveraged loans are privately syndicated, loans are not purchased or sold as easily as publicly traded securities and purchasers and sellers do not have the protections and certainty provided by an established market or regulatory regime. Further, market data



regarding trading activity and pricing is not widely available as would be the case for certain other investments.

*Valuation Risk.* Valuation of positions in Client portfolios (which can be used to determine the amount of CBAM management and performance-based fees and calculate CBAM's performance track record data) will involve uncertainties and judgmental determinations, and if such valuations should prove to be incorrect, Clients could be adversely affected. Independent pricing information is often not available or reliable. Certain assets will be difficult to value and be subject to varying interpretations of value and on certain occasions will need to be valued by CBAM. Such valuation methodologies may change over time and there is no assurance that consistent valuation methodology will be used. While the methods used to mark the hard-to-value assets are intended to be fair, there is no assurance that this will be the case and independent verifications of such valuations should not be expected.

*Pre-Payment Risk.* Leveraged loans are generally subject to pre-payment in whole or in part at any time at the option of the obligor, at par plus accrued unpaid interest. Pre-payments on loans will occur as a result of a number of factors that are often difficult to predict, and not within the control of CBAM. Consequently, there is a risk that loans purchased at a price greater than par will experience a capital loss as a result of a pre-payment at par. Likewise, there is no assurance that proceeds received from a pre-payment can or will be invested in other assets of comparable value or bearing a comparable rate of interest.

*Risks related to Ratings.* CBAM performs its own independent credit analysis but also, when relevant to investment guidelines, takes rating agency assessments into consideration in reaching its judgments concerning the portfolios under its management. Credit ratings of borrowers represent the opinions of the rating agencies regarding the likelihood of payment of certain obligations when due but are not a guarantee of the creditworthiness of obligors or the repayment of (or payment of interest on) a credit obligation. In addition, rating agencies do not make timely changes to credit ratings in response to evolving events, so that the financial condition of an obligor at any given time could be better or worse than what the current rating indicates. Therefore, the ratings assigned to a borrower or its loan by a rating agency frequently does not fully reflect the true risks of holding a credit in a Client portfolio.

*Non-Exchange Traded Instruments; Derivatives.* To the extent consistent with Client Documentation, CBAM invests on behalf of its Clients in derivatives, swaps and other synthetic instruments. The use of derivatives involves a variety of material risks, including the possibility of counterparty non-performance as well as deviations between the actual and the theoretical value of such derivatives. Changes in the volatility of the price of an underlying instrument or index can make a difference, which could be substantial to the

theoretical value of a derivative instrument. Derivatives are subject to a wide variety of contractual terms including a range of “early termination events” permitting the counterparty to liquidate the position prematurely. Derivatives can be extremely illiquid, and in many cases, derivative positions can be offset only by transacting with the counterparty to the derivative. Derivatives are also subject to valuation, liquidity and credit risks, risks related to movements in the price of a underlying reference instrument and counterparty risks (i.e., the failure of a counterparty to fulfill its contractual obligations). In addition, certain derivatives are subject to mandatory central clearing and exchange trading. Central clearing and exchange trading are intended to reduce counterparty credit risk and increase liquidity but do not render derivatives transactions risk free. Unforeseeable events outside the control of CBAM, can have significant impacts on reference obligations or their issuers, interest and exchange rates which, in turn, can have large and sudden effects on prices of derivative instruments.

*Leverage Risk.* Losses incurred on leveraged investments will increase in direct proportion to the degree of leverage employed. Clients will also incur interest expense on the borrowings used to leverage its positions. There may be instances where the use of leverage results in the forced liquidation of positions (which was otherwise profitable) as a result of margin or collateral calls, depending on a Client’s structure. To the extent the assets have been leveraged through the borrowing of money, the purchase of investments on margin or otherwise, the interest expense and other costs and premiums incurred in relation thereto are not recoverable. If gains earned by the portfolio fail to cover such costs, the net asset value of the portfolio is expected to decrease faster than if there had been no borrowings. Moreover, to the extent CBAM can adjust leverage levels, CBAM could increase (or decrease) leverage at times when it is not advantageous to do so and, as a result, the value of your investment can decrease.

- CLOs: The leverage level is generally fixed at the outset of the respective CLO but varies during the life of the CLO based upon realized losses and gains, and repayments by tranche after the end of the reinvestment period.
- SMAs: SMAs may utilize leverage when permitted by Client Documentation. Accounts that hold CLO equity and debt securities and CLO warehouse vehicle investments are affected by the leverage employed by such CLOs or CLO warehouse vehicles. The level of leverage increase the risk of loss of the CLO investments.
- Funds: Certain Funds can adjust leverage levels based upon market outlook and other factors. In addition, Funds that hold CLO equity and debt securities and CLO warehouse vehicle investments are affected by the leverage employed by such CLOs or CLO warehouse vehicles. The level of leverage increases the risk of loss of the CLO investments.

*Risks Related to Holding CLO Interests.* The value of interests in CLOs generally will fluctuate with, among other things, the financial condition of the obligors/issuers of the underlying portfolio of assets of the related CLO (“CLO Collateral”), market conditions, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Interests in CLOs are issued on a non-recourse basis and holders of interests in CLOs must rely solely on distributions on the CLO Collateral or proceeds thereof for payment in respect thereof. If distributions on the CLO Collateral are insufficient to make payments on the interests in CLOs, no other assets will be available for payment of the deficiency and following liquidation of the CLO Collateral, the obligations of such issuer to pay such deficiency will be extinguished.

*Changes to LIBOR.* There are proposals to phase out or reduce reliance on LIBOR in certain financial markets. Such events could increase the likelihood that fewer loan investments would pay interest based on LIBOR and that LIBOR rates would not continue to be compiled and reported. This could lead to significant mismatches between interest rates applicable to the CLO Notes and the underlying loan investments in a CLO portfolio and, in certain circumstances, could result in the reference rate for the Senior Notes becoming fixed at the last reported LIBOR rate. Any amendment to the CLO indenture required in order to change the reference rate from LIBOR to a different reference rate, would be subject to conditions, which are expected to be costly, difficult or impossible to satisfy. Moreover, there is no assurance that any such amendment would mitigate interest rate risks, particularly if consensus within the leveraged loan market is slow to develop regarding an alternative reference rate. Any such amendment could have a material adverse effect on one or more classes of Notes, including by affecting the market value or liquidity of such Notes and/or by causing adverse U.S. federal income tax consequences for holders of the Notes.

*Lower Credit Quality Securities.* Interests in CLOs are rated by rating agencies on their determination of vulnerability to default in payment of interest and/or principal and are subject to downgrade or placed on “credit watch” for future downgrades. Lower rated and unrated securities are considered to have material uncertainties or major risk exposures to adverse conditions and to be speculative. Generally, such securities offer a higher return potential than higher rated securities, but involve greater volatility of price and greater risk of loss of income and principal. The market values of interests in CLOs also tend to be more sensitive to changes in market or economic conditions than other securities. The value of the leveraged loans underlying a CLO can also be affected by changes in the market’s perception of the entity issuing or guaranteeing them, or by changes in government regulations and tax policies.

*Concentration Risk.* The concentration of investments in any one obligor would subject a Client to a greater degree of risk with respect to defaults by such obligor, and the concentration of investments in any one industry or country would subject a Client to a greater degree of risk with respect to economic downturns relating to such industry or country. Any concentration with respect to any particular obligor, industry or country could ultimately result in significant losses to a Client.

*Lower Credit Quality Securities.* Interests in CLOs are rated by rating agencies on its determination of vulnerability to default in payment of interest and/or principal. Other securities which have the lowest quality ratings or are unrated, are subject to downgrade or placed on “credit watch” for future downgrades. Lower rated and unrated securities can have significant uncertainties or major risk exposures to adverse conditions and are generally considered to be speculative. Generally, such securities offer a higher return potential than higher rated securities, but involve greater volatility of price and greater risk of loss of income and principal. The market values of interests in CLOs also tend to be more sensitive to changes in market or economic conditions than other securities. The value of the leveraged loans underlying a CLO can also be affected by changes in the market’s perception of the entity issuing or guaranteeing them, or by changes in government regulations and tax policies.

*Liquidity of Markets.* Markets periodically experience significant falloffs in liquidity. While these are usually attributable to changes in interest rates or other macro-economic factors, the cause is not always apparent or predictable. During these periods of market illiquidity, CBAM might not be able to sell assets in its Clients’ portfolios or might only be able to do so at unfavorable prices. Because interests in CLOs themselves could be illiquid, they can be difficult to value and the valuations are often based on models or an indicative price from a dealer, rather than on prices at which the security was actually sold in the secondary market. As a result, CLO Notes and Equity could experience large movements in price.

*Subordination of Interests in CLOs.* Subordinate interests in CLOs generally are fully subordinated to the CLO’s senior tranches. Thus, investments in a particular CLO tranche can rank behind other creditors of the CLO and an investment in CLO Equity will rank behind all creditors of the CLO (including the management fees of CBAM). To the extent that any losses are incurred by a CLO in respect of its related CLO Collateral, these losses will be borne first by the holders of the CLO Equity, next by the holders of any related subordinated CLO Notes, and finally by the holders of the related CLO Senior Notes. In addition, if an event of default occurs under the governing instrument or underlying investment, as long as any CLO Senior Notes are outstanding, the holders thereof generally will be entitled to determine the remedies to be exercised under the documentation governing the CLO. Remedies pursued by such holders could be adverse to the interests of the holders of any related subordinated CLO Notes or CLO Equity. Investments in

subordinated Notes or Equity will be the first to absorb any losses by the CLO on its underlying portfolio. This can result in a complete or partial loss of an investment.

*Mandatory Redemption of CLO Senior Tranches.* Under certain circumstances, cash flows from CLO Collateral that otherwise would have been paid to the holders of its mezzanine CLO Notes and Equity will be used to redeem the related CLO Senior Notes pursuant to the Client Documentation. This could result in an elimination, deferral, or reduction in the interest payments, principal repayments or other payments made to investors who hold such interests in CLOs, which would adversely impact their returns.

*Optional Redemption of CLO Senior Tranches.* An optional redemption by a CLO of its Notes (which generally can be required at the request of a majority of the controlling class as set forth in the Client Documentation) could require the collateral manager to liquidate positions more rapidly than would otherwise be desirable, which could adversely affect the realized value of the CLO Collateral sold (and which in turn could adversely impact the holders of any related CLO equity securities).

*Market Volatility Risk.* The value of a Client's investments is subject to decline due to changing economic, political, regulatory or market conditions beyond the control of CBAM. Economic, political, regulatory or market developments can affect a single obligor, obligors within an industry, economic sector or geographic region, or the market as a whole. Different parts of the market and different types of investments can react differently to these developments. Every investment has some level of market volatility risk.

*Risks Associated with Bankruptcy Cases.* Bankruptcy cases are adversarial and can be lengthy. While creditors generally are afforded an opportunity to object to significant actions in bankruptcy proceedings, there can be no assurance that a bankruptcy court would not approve actions that are contrary to the interests of Clients. If CBAM were determined to have taken over management and functional operating control of a debtor, it could lose Clients' ranking and priority as a creditor. Reorganizations can involve substantial legal, professional and administrative costs, are subject to unpredictable and lengthy delays and, during the reorganization process, the company's competitive position could erode, key management could depart and the company can be limited in its ability to invest adequately. U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for the purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that Clients' influence with respect to a class of investments can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for taxes) are expected to be high. CBAM invests principally in North American issuers with assets located in this region

(with a focus on U.S. based issuers and assets), although CBAM invests in securities and other financial instruments of other issuers domiciled, or with assets located, elsewhere, particularly Europe. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. The law and process in such jurisdictions can differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain. While CBAM generally favors jurisdictions where it believes the rule of law is clear, well-developed and respected, there can be no assurance that the outcome of bankruptcy or insolvency proceedings, particularly in jurisdictions outside the U.S., will result in a favorable outcome. In addition, as more companies conduct operations internationally, multi-jurisdictional bankruptcy or insolvency proceedings are increasing in prevalence and the foregoing factors results in unique challenges that impact the potential recovery and timing thereof. On behalf of one or more Clients, CBAM elects to serve on creditors' committees, official or unofficial, equity holders' committees or other groups to seek to preserve or enhance such Client's position as a creditor or equity holder. A member of any such committee or group generally owes certain obligations to parties similarly situated that the committee represents. If CBAM concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to its Clients, it could determine to resign from that committee or group if such conflict cannot be appropriately resolved, and Clients should not expect to realize the benefits, if any, of participation on the committee or group. In addition, and also as discussed above, if a Client is represented on a committee or group, CBAM and its Clients may be restricted or prohibited under applicable law from disposing of or increasing its investments in such company while it continues to be represented on such committee or group.

*CLO Warehouse Vehicles.* Certain investors or Clients invest in the first loss position of CLO warehouse vehicles, managed by CBAM, used to acquire loans on an interim basis that are expected to be transferred into a future CLO to be managed by CBAM. CLO warehouse vehicles take a variety of forms. During the warehouse period, the collateral manager, on behalf of the CLO issuer, commits to acquire (directly or indirectly) the loans which the CLO issuer intends to purchase at the CLO closing at which time it issues its CLO securities. While it is expected that the warehouse will be fully repaid and extinguished at the CLO closing, there can be no assurance that the future CLO will be consummated or that the loans held in such a warehouse vehicle will be eligible for the CLO at closing. CLO warehouses are leveraged investments. Although the collateral manager on behalf of the CLO issuer selects the loans to go into the warehouse, the senior warehouse lender generally must not object to the loans acquired during the warehouse period and often also



have consent rights with respect to material modifications or sales of such loans. The senior warehouse lender can have interests that are different than those of the other warehouse investors. During the warehouse period, loans can be sold at a loss which result in a loss to the investors of all or a portion of their investment in the warehouse. Some CLO warehouses include mark-to-market triggers, which require first loss providers to commit additional capital to avoid liquidation of the warehouse assets. CLO warehouses typically require first loss/equity capital to be committed from time to time and the investors take the risk that they or other first loss / equity warehouse investors will not advance capital when required. If these requirements are not met or other representations, warranties or covenants in the warehouse documents are breached, or if the CLO fails to close, the warehouse lender can require a liquidation of the warehouse assets which could result in a loss to the investors of all or a portion of their investment in the CLO warehouse vehicle.

*Counterparty Risk.* Clients will be subject to the credit risk of counterparties with whom CBAM trades. If a trading counterparty becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, trade term disputes or other reasons, Clients should expect significant delays in obtaining a recovery (if any) in such circumstances.

*Restrictions on CBAM's Ability to Manage.* Client Documentation such as a CLO Indenture or management agreement, often place contractual restrictions, which are often significant, on CBAM's discretion. During certain periods or in certain specified circumstances, CBAM may not be able to effect purchases or sales which it would otherwise choose to effect in the absence of such restrictions. Alternatively, CBAM will be able to transact for other Clients without such restrictions.

*Competition; Availability of Investments.* There is a high degree of competition for attractive assets in the credit markets. There can be no assurance that CBAM will be able to identify or successfully pursue and obtain investment opportunities in all market conditions. Among other factors, market conditions, regulations impacting liquidity and loan origination, interest rates, and competition for suitable investments from public and private funds, CLOs and other investors will reduce the availability of investment opportunities.

*Settlement Risk.* Leveraged loans are subject to settlement periods in excess of the securities standard of trade date plus two days and do not settle on a delivery versus payment basis as is common for other types of investments. Leveraged loan settlement periods can extend to trade date plus seven days or more depending upon a number of factors not in the control of CBAM. Therefore, counterparties to leveraged loan trades, including Clients, are subject to ongoing market risk to the extent that lengthy settlement periods occur. Moreover, settlement of leveraged loan trades can be a manual process, prolonging the settlement period and increasing operational risk. Further, during the

prolonged settlements, the underlying credit outlook, positive or negative, or the terms of the loan evolve in accordance with the terms of the underlying credit agreement (i.e., LIBOR resets, pre-payments, etc.) or otherwise.

*Participations Risk.* Interests in loans can be acquired indirectly by purchasing a participation interest from a selling institution, which can be a CBAM Related Party or a Client. Holders of participation interests are subject to additional risks not applicable to a holder of a direct interest in a loan. Participations in a selling institution's portion of a loan typically result in a contractual relationship only with such selling institution, not with the borrower. In the case of a participation interest, the holder 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. By holding a participation interest in a loan, the holder generally will have no right to enforce compliance by the borrower with the terms of the credit agreement, nor any rights of set off against the borrower or voting rights with respect to amendments or waivers, and do not directly benefit from the collateral supporting the loan in which it has purchased the participation. As a result, the holder will assume the credit risk of both the borrower and the institution selling the participation, which remains the legal owner of record of the applicable loan.

*Public and Private Side Risk.* Loans are negotiated, structured, administered, and as the situation arises, amended on the basis of the obligor providing its lenders with confidential information about the borrower's business and financial condition. At times, such information contains material, non-public information ("MNPI"). CBAM is prohibited from improperly disclosing or using MNPI in connection with the purchase or sale of a security for its benefit or for the benefit of itself, or any other person, including Clients. It is not uncommon for transactions to occur in the loan market on the basis of asymmetrical information (i.e., one loan participant has public information while its counterparty has MNPI) and CBAM will be trading in loans with counterparties who have access to MNPI while it does not and *vice versa*. CBAM can elect to participate on either the "public" or "private" side, however, CBAM seeks to operate primarily on the public side in order to avoid securities trading restrictions, even though access to such information would be potentially advantageous to Clients investing in loans. CBAM does not maintain internal information barrier policies. As such, the receipt by any person within CBAM of MNPI will likely be imputed to all of CBAM. Moreover, although there are some information barriers between CBAM and CBAM Related Parties, subject to CBAM's policies and procedures, there can be instances when CBAM will be subject to the same trading restrictions or Restricted List as CBAM Related Parties. Actions taken by CBAM with respect to MNPI result in CBAM abstaining from making an investment or taking action which it might have otherwise pursued, which can be to the benefit or detriment of a particular Client. For example, CBAM can determine to decline to accept MNPI with respect to an investment held by one Client account in order to avoid being restricted with respect to an investment



opportunity in other Client accounts. Conversely, CBAM can elect to accept MNPI even though doing so restricts existing positions of Clients.

*Key Person.* The success of CBAM's performance is highly dependent upon its skills and the skills of its personnel with respect to identifying, analyzing, purchasing, managing and selling Client assets. As a result, Clients are highly dependent on CBAM's experience and that of its personnel or service providers. There is no assurance that such parties will continue to be associated with CBAM. The loss of one or more key individuals or service providers could have a material adverse effect on Client performance. Moreover, management agreements with key person provisions can be terminated in the event of certain key person events or departures.

*Diverse Investor Group.* Investors in a Fund will have conflicting investment, tax and other interests with respect to each of their respective investments in a Fund. As such, conflicts of interest are expected to arise among investors with respect to, among other things, the structure and nature of the portfolio investments and the timing of purchases and sales thereof. In making investment decisions as the investment manager of Funds, CBAM considers the investment and tax objective of a Fund as a whole, and not individual investors.

*Insurance Coverage.* CBAM is covered under an affiliate's professional liability insurance policy and does not maintain separate professional liability insurance. To the extent a claim arises relating to any of the insureds during a policy period that erodes some or all of the limits under the policy, there will be less coverage, or potentially no coverage, available for the other insureds, including CBAM, under the policy for the remainder of the policy period.

*Regulatory Risk Related to Risk Retention.* As asset manager or sponsor of the CLOs, CBM expects to retain interests in the CLOs, which consist of securities issued by the CLOs, in order for CBM to comply with applicable Risk Retention Requirements (so long as required thereunder). There has been no explicit guidance regarding how entities should be structured for this purpose and therefore the regulatory environment in which the CLOs intend to operate is highly uncertain. There can be no assurance that applicable governmental authorities will agree that any of the transactions, structures or arrangements entered into by CBM, and the manner in which it expects to hold Retention Interests, will satisfy the Risk Retention Requirements. If such transactions, structures or arrangements are determined not to comply with the Risk Retention Requirements, CBM and CBAM could become subject to regulatory action that could result in adverse consequences to CBAM and CBM.

*No Independent Advice.* The terms of the Client Documentation and arrangements under which a CBAM Fund is organized and operated will be established by CBAM or an affiliated

entity that serves as general partner or managing member of such CBAM Fund, and will not be the result of arm's-length negotiations or representations of investors by separate counsel. Clients, investors and Note holders should therefore seek their own legal, tax and financial advice prior to making an investment in a CBAM Fund.

*Business and Regulatory Risks.* Legal, tax and regulatory changes in the U.S. and outside the U.S. could occur and likely will adversely affect Clients, investors and CBAM. The regulatory environment for private investment vehicles is evolving, and changes in such regulation have the potential to adversely affect the value of investments held by Clients. In addition, the financial markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. Legal, tax, and regulatory changes, as well as judicial decisions, could adversely affect the implementation of CBAM's investment strategy. Alternatively, new U.S. or non-U.S. rules or legislation regulating Clients, investors or CBAM can be adopted, and the possible scope of any rules or legislation is unknown. There can be no assurances that Clients, investors or CBAM will not in the future be subject to regulatory review or discipline. The effect of any regulatory changes or developments on Clients, investors or the financial markets will be expected to affect the manner in which CBAM performs its advisory services. The effect of any future regulatory change could be substantial and adverse and is beyond the control of CBAM.

*Political Uncertainty Risk.* The United States markets, as well as non-U.S. markets in which Clients invest in the future or to which Clients or obligors/issuers of instruments held in Client accounts are exposed, can experience political uncertainty and/or change (e.g., Brexit or other policy shifts) that subjects investments to heightened risks. These heightened risks include: greater fluctuations in currency exchange rates; increased risk of default (by both government and private issuers); greater social, economic, and political instability (including the risk of war or terrorist activity); governmental involvement in the economy; less governmental supervision and regulation of the securities markets and market participants; controls or restrictions on foreign investment, capital controls and limitations on repatriation of invested capital and on the ability to exchange currencies; inability to purchase and sell investments or otherwise settle security or derivative transactions (i.e., a market freeze); unavailability of currency hedging techniques; and slower clearance.

During times of political uncertainty, the global securities, derivatives and currency markets often become more volatile. a lower level of monitoring and regulation of markets is expected while a country is experiencing political uncertainty, and the activities of investors in such markets and enforcement of existing regulations is also expected to become more limited.

Markets experiencing political uncertainty often have substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have negative effects on such countries' economies and securities markets.

There can be no assurance that political changes or policy decisions, directly or indirectly, will not cause a Client to suffer a loss of any or all of its investments or, in the case of fixed income investments, interest thereon.

*Information Technology Security Risk.* CBAM employs information technology systems, consisting of end-user computers and devices, infrastructure, applications and communications networks to support CBAM's business operations. Systems, networks and devices can nevertheless be breached and CBAM, its Clients and investors could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow or otherwise disrupt operations, business processes or website access, functionality or cause corruption of sensitive and confidential information. Cybersecurity breaches will cause disruptions and impact CBAM's business operations potentially resulting in a financial loss to Clients due to interference with CBAM's ability to initiate or close out positions and monitor Client portfolios, violations of privacy law, regulatory fines and penalties, reputational damage or additional compliance costs. CBAM seeks to mitigate attacks on its systems; however, such measures cannot provide absolute security. CBAM will not be able to directly control the risks of third party systems to which CBAM relies upon or connects. Any breach in security of the systems that CBAM relies upon could disrupt its business and its ability to provide services to Clients and will cause Clients to suffer, among other things, financial losses, disruption of business, liability to third parties, regulatory intervention and/or reputational damage. Any of the foregoing can have a material adverse effect on CBAM, its Clients, Note holders, investors and Client portfolios.

*Potential SEC Enforcement Actions.* There can be no assurance that CBAM or CBAM Related Parties will avoid regulatory examination and possibly enforcement actions under existing laws. Recent SEC enforcement actions and settlements involving U.S.-based private fund advisers have involved a number of issues, including the undisclosed allocation of the fees, costs and expenses related to unconsummated co-investment transactions (i.e., the allocation of broken deal expenses), undisclosed legal fee arrangements affording the applicable adviser with greater discounts than those afforded to funds advised by such adviser and the undisclosed acceleration of certain special fees. If the SEC or any other governmental authority, regulatory agency or similar body takes issue with the past or future practices of the CBAM or CBAM Related Parties, they are at risk for regulatory sanction. Even if an investigation or proceeding did not result in a sanction or the sanction imposed was small in monetary amount, the adverse publicity relating to, and time spent on, the investigation, proceeding or imposition of these sanctions could harm CBAM's

reputation which are likely to adversely affect the performance of Client portfolios. There is also a material risk that governmental authorities in the United States and elsewhere could adopt burdensome new laws or regulations (including tax laws or regulations), or change existing laws or regulations, or enhance the interpretation or enforcement of existing laws and regulations. Any such events or changes could adversely affect CBAM and its ability to operate and/or pursue its management strategies on behalf of Clients. Such risks are often difficult or impossible to predict, avoid or mitigate in advance.

#### **ITEM 9. DISCIPLINARY INFORMATION**

Not Applicable

#### **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

##### *Material Relationships with Industry Participants.*

CBAM is affiliated with other entities engaged in the financial services business and, in some cases, has business arrangements with such entities that are material to its advisory business or to its Clients. These are described in more detail below and, in some cases, could cause CBAM's or a CBAM Related Person's interests to conflict with the interests of a Client.

As noted in Section 4, CBAM is wholly owned by CBAM Holdings, LLC, which is a subsidiary of CBAM Management, LLC and Eldridge. A list of certain CBAM affiliated entities is provided on Schedule D of Form ADV, Part 1 at Item 7.A. (Part 1 of our Form ADV can be accessed by following the directions provided on the cover page of this Brochure.)

Eldridge is a private investment firm that owns directly or indirectly businesses that operate within a number of industries, including the financial services industry. Currently, one of these, Security Benefit Life Insurance Company ("SBL") has material business relationships with CBAM. SBL is a Kansas insurance company that specializes in fixed, fixed indexed and variable annuities. SBL and certain of its affiliates are SMA clients of CBAM and have invested in Funds managed by CBAM. Also, SBL will provide financing to CBM and CBAM. CBAM is also affiliated through common ownership with Cain International Advisers Limited ("Cain") which is a registered investment adviser primarily engaged in making debt and equity real estate investments and Maranon Capital, L.P. ("Maranon"), a registered investment adviser specializing in middle market debt and private equity investing.

CBM, a "relying adviser" acts as collateral manager of the CLOs and is under common supervision and control with, CBAM. CBM has entered into a staffing and services agreement with CBAM to provide staffing and portfolio management, research and analysis

services to CBM for a fee. Certain employees of CBAM also serve as employees of CBM. All activities of CBM are subject to the Advisers Act and the rules thereunder, and persons acting on behalf of CBM are subject to the CBAM Code of Ethics and CBAM Compliance Manual.

### *Conflicts of Interest relating to Affiliated Industry Participants*

Eldridge and its network of direct and indirect subsidiaries, and their respective employees, officers and directors including those described above (collectively, the “CBAM Related Parties”), engage in a number of businesses with a broad array of products and services and the resulting transactions creates actual or potential conflicts of interest with Clients and CBAM’s activities on behalf of Clients. The following discussion and the discussion of certain conflicts in Item 11 briefly summarize some of these conflicts, but are not intended to be an exhaustive list of all such conflicts. Clients and investors should also review carefully the Client Documentation.

- *Transactions by CBAM Related Parties and CBAM Clients in Similar or Overlapping Investments.* Eldridge and certain of the CBAM Related Parties, including SBL and Cain, engage in investment operations that are substantially similar to and competitive with CBAM Clients, CBAM portfolios and other 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 Clients’ portfolios, and adversely affect the prices and availability of investment opportunities or transactions available to Clients. Eldridge and its management personnel and other CBAM Related Parties are under no obligation to, share any such research or opportunities with CBAM. Moreover, Eldridge, its management personnel and other CBAM Related Parties invest on behalf of themselves in such opportunities. This results in financial benefits to Eldridge and other CBAM Related Parties, and their respective personnel, which are not experienced by CBAM or its Clients. To the extent CBAM and other CBAM Related Parties have overlapping investments or similar investment strategies, CBAM Related Parties give advice or take action for their own accounts that differ from, be consistent with, potentially conflict with or be adverse to advice given or action taken by CBAM for any non-affiliated CBAM Clients. Actions or inactions of CBAM with respect to such overlapping investments can directly and indirectly benefit CBAM Related Parties.
- *Transactions in Companies in which CBAM Related Parties have Interest.* CBAM, from time to time, initiates or recommends transactions with or investments in companies in which CBAM Related Parties have controlling interests or are affiliated. In addition, in some circumstances, CBAM on behalf of its Clients invests in issuers or borrowers, or otherwise participates in transactions, in which CBAM’s

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 CBAM Related Parties. Therefore, such Client investments will be expected to directly or indirectly benefit CBAM Related Parties and are not for the exclusive benefit of CBAM Clients. CBAM or CBAM Related Parties, and their respective senior executives, also have provided loans to or received loans from, or from time to time in the future provide loans to or receive loans from, CBAM or CBAM Related Parties which could create an incentive for CBAM to favor such CBAM Related Parties. In particular, CBAM has an incentive to offer more favorable terms to, or to refrain from taking actions that might be adverse to, such borrowers or the interests of its affiliates in such borrowers. Interests of non-affiliated Clients therefore conflict with the interest of CBAM Related Parties. For a discussion of conflicts relating to interests of CBAM and CBAM Related Parties in Client transactions, see *“Participation or Interest in Client Transactions”* in Item 11. *Code of Ethics, Participation or Interests in Client Transactions and Personal Trading*.

- *Shared Personnel and Services Arrangements.* CBAM and certain CBAM Related Parties have entered into a shared staffing and services arrangement whereby CBAM Related Parties provide certain services such as treasury services to CBAM. CBAM, and not Clients, will be allocated its proportionate share of the cost of such services. Although fees incurred and paid to CBAM Related Parties for such services generally are expected to be competitive with the market, there is an incentive for CBAM to employ CBAM Related Parties rather than third parties. CBAM has not independently priced the services provided by CBAM Related Parties.
- *Loan Originating and Servicing Fees Payable to CBAM Related Parties.* CBAM Related Parties including Eldridge, Maranon and SBL, as well as other CBAM Related Parties, are 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 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. On behalf of Client portfolios under its management, and subject to Client Documentation, CBAM is not prohibited from acquiring 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. Such Clients should not expect to participate or share in such fees or compensation. Unless the Client Documentation specifically provides for an offset against management fees or other fees payable by the Client, the Client will bear



such fees directly or indirectly (*e.g.*, by the issuers of financial instruments held by the Client).

- *Fee Sharing with CBAM Related Parties.* From time to time, CBAM is expected to enter into arrangements with, or establish private investment vehicles for, some Clients, including CBAM Related Parties, pursuant to which CBAM is compensated through a sharing of fees and remuneration earned by such Clients in connection with specific investment recommendations of CBAM, subject to the terms of the applicable Client Documentation. These arrangements could result in an incentive for CBAM to favor or disfavor Clients participating in these arrangements relative to other Clients.
- *CBAM Holdings Board.* Certain persons who are members of the board of CBAM Holdings, LLC also hold positions with other CBAM Related Parties, including Eldridge. Such persons have responsibility for certain aspects of the business of these affiliates, and the overall compensation these persons receive is based, in part, upon the performance of such affiliates. Consequently, in carrying out their directorship responsibilities at CBAM Holdings LLC and duties at other CBAM Related Entities, such persons are subject to the similar potential conflicts of interest that exist between CBAM and CBAM Related Parties.
- *Retention Interest Ownership.* Retention Interests held by CBM have been and future retention interests, if any, are expected to be financed by CBAM Related Parties which creates a conflict of interest between CBAM, Clients and the CBAM Related Party lender, particularly in a default scenario. Furthermore, holding the Retention Interests if required under the Risk Retention Rules will give CBM voting rights with respect to matters as to which CLO Note holders are entitled to vote such as, any vote to direct a redemption and any vote to accelerate or not accelerate the payment of Notes. CBM and CBAM each expects to act in its own interests with respect to such votes and its interest can potentially conflict with or be contrary to the interest of other Note holders.
- *General.* In addition to the conflicts referenced above and elsewhere in this brochure, various potential and actual conflicts of interest can arise from the overall advisory, investment, capital markets and other activities of CBAM, CBAM Related Parties, its Clients and other affiliated parties. CBAM seeks to resolve conflicts that arise in a manner it deems reasonable and equitable under the prevailing facts and circumstances. CBAM's determination as to which factors are relevant and how reasonably to resolve such conflicts will be made in CBAM's sole discretion, unless otherwise required by the terms of the Client Agreements and Client Documentation. Accordingly, there can be no assurance that conflicts will be resolved in a consistent manner. Further, there is no assurance that any specific

conflict can or will be identified and/or resolved in favor of any particular Client's interest.

The potential material conflicts referred to herein that arise from the activities of CBAM, CBAM Related Parties, its Clients and other affiliated entities include, but are not be limited to, those discussed above and elsewhere in this Brochure.

### *Resolution of Conflicts of Interest with Industry Participants*

With respect to the resolution of conflicts of interest, CBAM's determination as to which factors are relevant and the resolution of such conflicts, are made using the Firm's reasonable judgment, in its sole discretion. In resolving conflicts, CBAM considers various factors, including, among others, the interests of the relevant Clients and other parties, including CBAM and CBAM Related Parties, with respect to the immediate issue, the broader relationship and/or with respect to their longer term course of dealing.

## **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### *Code of Ethics and Personal Trading*

CBAM has a Code of Ethics (the "Code") pursuant to Rule 204A-1 under the Advisers Act. The Code sets out expected standards of conduct and is designed to address conflicts of interest including those related to personal trading. A copy of CBAM's Code of Ethics is available at no cost to Clients and investors upon request made to CBAM at the contact details listed on the first page of this Brochure.

In order to mitigate potential conflicts of interest with CBAM's activities on behalf of its Clients, personal securities trading by CBAM personnel is generally prohibited except for exempt investments and accounts as to which the CBAM person has ceded influence and control or as otherwise set forth in the Code. Subject to the conditions of the CBAM Code of Ethics, CBAM and its employees are not prohibited from investing in funds and vehicles managed by CBAM or other managers which invest in assets, employ strategies or have investment objectives substantially similar to strategies and investment objectives offered by CBAM.

In addition to the Code, CBAM has other policies and procedures designed to address conflicts of interests with respect to, among others, gifts and entertainment, outside business activities and political contributions. Other CBAM policies prohibit its personnel from trading securities for Clients or themselves or recommending to others trading in securities while in possession of MNPI or disclosing MNPI to any person not entitled to receive it, in violation of applicable securities laws. By reason of its various investment



activities and those of CBAM Related Parties, CBAM will have access to MNPI or be restricted from taking actions or effecting transactions in certain investments that might have otherwise been initiated. CBAM has designed and implemented policies and procedures reasonably designed to manage those situations; however, there can be no assurance that such policies and procedures will prevent trading restrictions from occurring.

#### *Conflicts of Interest relating to Client Transactions*

#### *Allocation of Investment Opportunities*

CBAM advises multiple clients with similar investment strategies. If an investment opportunity is appropriate for more than one Client, CBAM determines, in its sole discretion, which Clients participate in the investment opportunity and to what extent. This could result in a Client receiving no allocation of a particular investment or receiving an allocation of an investment which is less than it would otherwise have received if CBAM did not have multiple Clients. CBAM has policies and procedures designed to allocate investment opportunities to Clients in a manner it deems to be fair and equitable taken as a whole (including, a complete opt out of an allocation) over time, consistent with the Client's investment strategy, guidelines and objectives. Accordingly, CBAM weighs factors it deems relevant when determining which Client portfolios receive particular investment allocations and to what extent. Such factors include, among others, investment objectives, target returns/yields, risk tolerance, investment guidelines, limitations and restrictions, market conditions, internal investment policies, expected duration of the investment, maturity constraints, cash positions or needs, existing and target issuer and industry exposures, issue size, tax gains/losses and any other factor deemed relevant by CBAM in good faith. There is no assurance that any or all of these factors will be considered when making allocation decisions. CBAM weighs any of these factors and other factors deemed relevant differently for each Client and therefore it should be expected that Client portfolios will hold differing proportional amounts of the same investment. Accordingly, it is possible that each and every Client will not receive an allocation of each and every investment opportunity. As such, CBAM's policy affords it substantial discretion in allocating investment opportunities and the exercise of such discretion will affect Client performance. It is likely that certain Clients will not participate in the gains or losses realized by other Clients with similar investment objectives and it is unlikely that all Client portfolios will hold the same positions or will perform similarly, even when Clients share the same investment strategy and/or investment objective.

In certain circumstances, when allocating orders, CBAM's focus on constructing fully invested portfolios results in: (i) certain investment preference being given to new Clients, (ii) allocating certain investments to accounts or vehicles for purposes of satisfying Risk Retention Requirements, (iii) allocating one or more investments to CLO warehouse

vehicles or other proprietary or Client accounts that maintain such investments temporarily in anticipation of contributing such investment(s) to a newly organized CLO or other pooled investment vehicle (a "Warehoused Investment"), (iv) making such investments available to certain Clients who have or are expected to have a substantial amount of cash to invest/ramp up or need to raise cash to satisfy a withdrawal request or otherwise, (v) to rebalance a portfolio or otherwise seek to optimize portfolio metrics for Clients with portfolio tests, (vi) liquidity profile, (vii) target return, and (viii) diversification. In other circumstances, additional preferential consideration is given to Clients, including CBAM Related Parties, responsible for sourcing or identifying a particular investment opportunity or group of investment opportunities. Clients that receive such consideration relative to other Clients include those where CBAM, CBAM Related Parties, existing investors, prospects, or principals and employees of CBAM, CBAM Related Parties and other affiliated parties are likely to have a financial interest, which interest could be substantial. These Clients include those whose investments have been seeded by CBAM or CBAM Related Parties, or accounts used to satisfy Risk Retention Requirements or maintain warehoused assets. Allocations to certain of such Client accounts and to those accounts with performance-based fees or compensation or higher fee rates result in an increased economic benefit to CBAM and CBAM Related Parties. To the extent that a Client does not participate in an allocation or an aggregated order, and CBAM seeks to transact separately or at a different time, such Client could receive a better or worse execution or not be able to execute at all, depending on market conditions at the time of execution.

Accordingly, *pro rata* allocation of investment opportunities should not be expected. Further, because each allocation decision is determined based on the facts and circumstances existing at the time of allocation, there can be no assurance that any particular investment opportunity will be allocated in a particular manner and further, CBAM employs allocation methodologies which differ from, or be inconsistent with, previously used methodologies. Investment opportunities that are presented to CBAM Related Parties (other than CBAM) or their officers, directors, employees or agents, do not fall within CBAM's allocation policies and procedures to the extent they are not presented directly to CBAM.

CBAM and CBAM Related Parties, from time to time, acquire, hold, or sell for their own accounts, investments which are appropriate for Clients. CBAM is not obligated to offer these investment opportunities to its Clients or share with or inform them of such opportunities before CBAM or CBAM Related Parties make such investments. Further, there is the possibility that CBAM or CBAM Related Parties will invest in opportunities that CBAM declined to recommend for Client investment. Accordingly, there are expected to be instances where all or substantially all of an investment opportunity will be allocated to CBAM or CBAM Related Parties but not to unaffiliated Clients. This can result in the potential for an increased economic benefit to CBAM or CBAM Related Parties and Clients and investors should not expect to participate in such increased economics. Where CBAM

is allocating an investment opportunity in or relating to an existing investment (“Follow On Investment”), it generally will be allocated in the same proportion as the original investment. However due to consideration of other factors or CBAM’s belief that it would otherwise not be appropriate for a Client to participate (or fully participate), then the remainder of such Follow On Investment would be allocated in a manner deemed fair and equitable over time.

#### *CBAM Interest in Client Transactions*

CBAM gives consideration to new Clients when there is a need to fully invest such new Clients in a timely manner. This objective gives rise to a conflict of interest between CBAM and its Clients to the extent that CBAM, CBAM Related Parties and their respective partners, principals, employees and their family members have contributed some or all of a new Client’s capital. Such interests in new Clients can remain substantial for an indefinite period of time.

*Fees and Other Remuneration.* Unless prohibited by Client Documentation, CBAM can make investments that result in the payment of fees or remuneration other than management or incentive compensation for its advisory services to CBAM, CBAM Related Parties or to Clients in which CBAM or a CBAM Related Party has a pecuniary interest. Such fees often arise in connection with financings, (e.g., a commitment to backstop a credit facility intended to be funded in a syndicate transaction). Such fees relate to structurings and commitments to backstop a transaction until the syndication is complete, at which time the fees are distributed. CBAM, in such instances, could allocate the commitment leg of the transaction and the syndicate leg to different Clients, in accordance with its allocation process as described herein. Subject to applicable law, disclosure and Client Documentation, CBAM or a CBAM Related Party retains some or all fees, consideration or compensation including, fees relating to arranger, syndication, agency, origination, sourcing, structuring, collateral management, advisory, commitment, facility, float or services provided arising from investments made on behalf of Clients. Except as required by Client Documentation, such fees or remuneration generally are in addition to and do not reduce or offset the fees paid in connection with CBAM’s advisory services. The receipt of such fees by CBAM or CBAM Related Parties potentially creates an incentive to make investments that give rise to additional compensation. To mitigate this conflict, CBAM generally seeks to evaluate the transaction to determine if it appears to be a favorable investment for the participating Clients, review the fairness of the fees, including considering whether fees are consistent with an arms’ length transaction, and allocate such opportunities in accordance with CBAM’s allocation policy.

*Holding Period.* To the extent that CBAM and CBAM Related Parties and their respective partners, principals officers and employees and each and any of their family members also own interests in Funds, they generally are permitted to withdraw from the Funds at more

frequent intervals than non-affiliated investors and are not obligated to provide the same notice to the Funds or other investors. In the event that affiliated investors elect to make a withdrawal, the unpaid costs and expenses of the Fund will be borne by the remaining investors, affiliated and unaffiliated.

*Cross Trades.* Pursuant to its Client Documentation and disclosures to Clients, CBAM, from time to time, effects certain cross trades between and among Client accounts, i.e., transactions directly between two different Clients. For example, CBAM might arrange for one Client which is liquidating its portfolio or a particular investment, to sell all or part of that investment or that portfolio to another Client, which Client might be ramping up its investment portfolio. In such cases, CBAM's interest conflict with those of the relevant Clients or the interests of one Client participating in the cross trade conflict with the interests of the other Client participating in that trade. CBAM has policies and procedures designed to address the conflicts which arise in the context of cross trades and to comply with the applicable requirements of the Advisers Act. Transactions between the same Clients or Clients owned directly or indirectly by the same investors are not considered to be "cross trades", as there is no change in actual or beneficial ownership.

*Principal Transactions.* CBAM engages, to the extent not prohibited by its Client Agreements and consistent with its disclosure to Clients, in principal transactions (i.e., transactions between Client accounts and those of and CBAM or CBAM Related Parties). A potential conflict of interest arises in that the CBAM or a CBAM Related Party can benefit from such a transaction with a Client. The Firm expects that principal cross transactions will arise primarily but not exclusively when an entity funded or owned by CBAM, CBM or a CBAM Related Party transfers one or more warehoused assets to a newly launched CLO or other Client managed by CBAM and/or CBM. When CBAM engages in principal transactions, it will seek to comply with the applicable requirements of the Advisers Act, including disclosure to and consent of the Client or a Client's independent review party or board of directors.

*Pricing of Cross and Principal Transactions.* CBAM endeavors to assure that assets transferred in a cross or principal transaction are assigned a price that is fair to all participating Clients. In determining pricing, CBAM will act in accordance with its relevant policies and procedures which include using the midpoint price as provided by a third party (including broker quotes and pricing services) and as approved and documented by the CBAM portfolio manager and, in the case of a principal transaction, the Client or its independent review party or board of directors.

### *Valuation*

Where consistent with Client Documentation, CBAM makes value determinations with respect to certain assets in Clients' portfolios. CBAM seeks in good faith to value

investments when a market price is not readily available or if any third party valuations are deemed by CBAM in good faith to be unavailable or unreliable. In these instances, CBAM valuations are not based on a third party, independent determination and the values assigned by CBAM to any such asset or investment do not correspond, at the time, to an amount at which an investment could be or is actually purchased or sold. The difference between the value assigned to an investment at any particular time and the ultimate price for which such investment could be sold, could be material. CBAM's role in determining the fair value to be assigned to any investment poses a conflict with the interests of its Clients because CBAM has an incentive to value investments either higher or lower, as the case may be, in order to affect Client performance or to generate increased management or performance fees.

Investments that are valued by CBAM generally will not have reliable or available market values. The fair value assigned to such investments, as determined in good faith by CBAM in accordance with its valuation policies and procedures, do not necessarily correspond to the next available and reliable market price or empirical value and, in retrospect, do not represent the price at which the investment was purchased or sold.

### *Capital Structure Conflicts*

There can be situations in which the same team of CBAM investment professionals invests Client assets in certain parts or particular issuances of an entity's capital structure at the same time that other Clients or CBAM Related Parties are investing in or holding positions in different parts of that same entity's capital structure. These situations include, for example, investments in instruments that are publicly traded and privately issued, have differing priorities (senior or subordinated), have differing levels of risk and yield, and/or have differing levels or types of rights and benefits. Under normal circumstances, investments in performing instruments that have different ranking of seniority in a capital structure do not raise conflicts of interest. However, there can be circumstances such as when there is an issuer that is stressed or distressed, in default or is seeking protection from creditors in bankruptcy or reorganization, a conflict can arise in that the action taken in furtherance of the interest of one set of holders (such as the senior bank loan holders or preferred shareholders) are to the potential detriment of other holders of the same issuer's securities or instruments (such as holders of unsecured or subordinated debt or common stock). In such situations certain conflicts arise among the interests of the Client accounts, any CBAM proprietary accounts and any CBAM Related Party accounts, including conflicts involving: (i) CBAM's determination to enforce or not enforce certain rights on behalf of its Clients which have an adverse effect on the interests of CBAM Related Parties or the CBAM proprietary account and *vice versa*, (ii) CBAM's incentive to make investment decisions which either facilitate or result in more favorable terms for a proposed investment by CBAM Related Parties in a particular entity, or (iii) CBAM's incentive to preserve or protect

the value or rights associated with an investment of a CBAM Related Party in a particular entity, which have an adverse effect on the interests of CBAM Clients.

In such situations, the interests of one group of Clients conflicts with those of other Clients with respect to investments in the same obligor. In managing such investments, CBAM considers the interests of affected Clients but also at times could pursue or enforce rights on behalf of some Clients in a manner that results in an adverse effect on other Clients with a different type of investment in the same entity. These potential conflicts of interests between CBAM's Clients become more pronounced in situations in which the entity experiences financial or operational challenges. For example, CBAM Related Parties, on behalf of themselves, or CBAM on behalf of Clients, hold senior debt investments of a particular obligor, determine to foreclose on loans, take steps to put an issuer or borrower into default or seek a liquidation of the issuer. In those circumstances, a Client holding junior debt investments or equity securities can be adversely affected by such actions. CBAM can also sponsor or support reorganization, recapitalization or similar workout arrangements for an entity in which different CBAM clients hold different investments. In such circumstances, accounts holding different types of investments will be affected according to the right associated with the type of investment in their account. These actions by CBAM could (a) require additional investments from Clients holding junior classes of securities or instruments that directly or indirectly refinance senior securities or instruments held by other Clients, or (b) in some cases, could result in a substantial or even total loss of investment for Clients holding junior securities or other financial instruments. Any of the foregoing has the potential to adversely affect the prices and availability of other securities or instruments issued by that particular entity that are held by or considered for investment for other Clients. Although certain of these conflicts cannot be mitigated, CBAM's policies and procedures could result in the use of, among other things, separate legal counsel (e.g., where the conflict involves a CBAM affiliate) or other techniques to seek to separately attend to the differing interests or rights of different sets of Clients and/or investors.

#### *Special Rights of or Relationships with Certain Investors and other Parties*

CBAM and CBAM Related Parties from time to time engage in transactions with prospective and actual investors, counterparties and service providers which will produce economic benefits to such parties. Such transactions can be entered into prior to, during the term of, or after admission as a Client or investor. The nature of such transactions is expected to be diverse and are expected to include benefits or special rights related to the Funds (including CLOs) and investments. Examples include, without limitation, the ability to co-invest and fee sharing, and can include the grant of different economic terms, co-investment rights, fees or redemption terms or additional or supplemental reporting or portfolio information. CBAM has no obligation to offer all such additional rights, terms or conditions to any other Client, Note holder or investor.



CBAM and CBAM Related Parties and their respective management teams are expected to have pre-existing and ongoing relationships with certain Clients, investors, Note holders or counterparties or have a financial interest in obligors or issuers of securities or interests held in Client portfolios. Such relationships or positions could result in a benefit to such investors or Clients which are not available to other Clients or investors. Further, subject to Client Documentation, CBAM can invest on behalf of Clients, in loans or interests of companies which are or their senior executives are also Clients, investors or Note holders. While, CBAM makes investments which it determines in its reasonable discretion to be for the benefit of participating Clients, in this case, such investments will not be for the exclusive benefit of participating Clients but will also benefit other Clients, investors or Note holders or CBAM or CBAM Related Parties.

Some Clients, investors or Note holders, and prospects, request and receive, at the sole discretion of CBAM, more specific and detailed portfolio information concerning the portfolio and strategy and specific investments in the portfolio, than is routinely provided to other Clients, investors or Note holders. When CBAM chooses to provide such information, and it does so with no obligation or commitment to update, correct inaccuracies or provide the same information to all investors or Clients. Similarly, CBAM has no obligation to provide written commentary, research or other communications or analysis provided to one or more Clients or investors, to other Clients and/or investors.

#### *CBAM Personnel Outside Activities and Allocation of Time*

Certain CBAM personnel have non-investment related outside business interests in which Clients will have no interest. Such personnel have a conflict with respect to allocating time and services between Clients and outside activities. CBAM personnel expect to devote as much time to the management of Client portfolios as CBAM deems appropriate to perform its obligations in accordance with its duties and responsibilities under Client Documentation.

In addition, CBAM and its personnel can incubate and experiment with new investment strategies, which may be funded using CBAM or CBAM Related Parties resources and/or outside third party capital. CBAM has the discretion to determine who will be able to participate in such new strategies, if/when made available, and no Client, investor or Note holder has any right, and should not expect, to participate in such an investment strategy.

#### *CBAM and CBAM Related Parties Ownership of Funds and CLOs*

CBAM and CBAM Related Parties invest in each CLO, as may be required by applicable Risk Retention Rules, and some but not all Funds and CLOs. Such ownership interests vary, perhaps significantly, among Funds and such CBAM Related Parties enjoy more favorable

terms (including, but not limited to, fees, reporting and/or liquidity) than other Clients, and non-affiliated investors in the same Funds and CLOs. Interests are acquired upon initial issuance or through secondary market transactions. Further, there is no assurance that such holdings will remain unchanged over time or that CBAM's or CBAM Related Parties' interest will remain aligned with Clients, investors or any particular class of investors or Note holders. For example, if CBAM or CBAM Related Parties own Equity Interests in a CLO, CBAM faces a conflict when making investment decisions for the portfolio between the holders of the Senior Notes on the one hand and the owners of the Equity on the other. Further, in those instances where CBAM or CBAM Related Parties have a significant financial interest in a Fund or CLO, there is a conflict of interest for CBAM when making decisions regarding the allocation of trade opportunities because there is a perceived incentive to make favorable allocations to those Funds or CLOs with CBAM or CBAM Related Party financial interest in order to benefit from such favorable allocation decisions. Further, certain holders own Notes in more than one CLO. Accordingly, CBAM has a potential incentive to favor or take into consideration CLOs with overlapping ownership when providing advisory services to Funds.

#### *Possible Future Activities*

CBAM and CBAM Related Parties are not restricted in their ability to expand the scope of their businesses and the range of services they provide which could include businesses or investment vehicles which compete with Clients and Clients should expect to receive no benefit from the fees or profits derived from the future activities or other businesses of CBAM. There are no restrictions on CBAM's ability to do so even if such activities could give rise to conflicts of interest.

#### **ITEM 12. BROKERAGE PRACTICES**

Subject to Client Documentation, CBAM has the authority and full discretion to select trading counterparties, investment amount and price when making investment decisions on behalf of its Clients and seek "best execution" in executing transactions on behalf of its Clients. In seeking best execution, CBAM is not obligated to choose the counterparty with the lowest possible execution cost, but primarily considers whether the transaction represents the best qualitative execution under the circumstances.

For CBAM's strategies which focus on credit markets, Clients generally do not pay commissions in connection with executing transactions but will typically be subject to spreads or other trading costs. Moreover, due to the nature of credit markets and, in particular, leveraged loans, there is often a limited universe of counterparties offering or making a market in these instruments. Often, there is only one counterparty offering an investment and CBAM frequently does not have multiple counterparties to select from when making a "best execution" determination. Therefore, CBAM transacts not only with



banks and broker-dealers but will also transact with other participants in the credit markets such as funds and fund managers.

On those occasions when CBAM can select from more than one counterparty, CBAM does not expect to solicit competitive bids or seek the lowest trading costs. CBAM seeks to negotiate and execute Client transactions in a reasonably efficient manner to seek the best overall qualitative execution taking into account factors it deems relevant including, among others, timing, breadth of the market, market conditions, assignment fees, price, financial condition and execution capability of counterparty, deal sourcing, access to underwritten or primary offerings or other investment opportunities, including without limitation, direct lending, underwriting or bridge commitment participations, the value of research or market color provided and financing rates, when applicable. Therefore, when selecting trading counterparties, CBAM does not focus on a single factor; rather, it often, but not always, considers the full range and quality of the services of a counterparty. Transaction price can be considered but it is not the sole factor used by CBAM to evaluate execution. There can be no assurance that brokerage arrangements will be uniform across all Clients. Certain Clients have custodial, clearing or financing arrangements (including ISDA agreements, margin or lending agreements) with counterparties that do not have similar arrangements or similar terms with other Clients.

CBAM gives consideration to placing transactions with counterparties who provide research and other services to the Client or CBAM, although CBAM does not anticipate that its activity will generate soft dollars. Research published by counterparties is often provided to and used by CBAM in providing its advisory services to Clients. Such research and information is often provided free of charge and is not available for sale. Such research includes written or verbal information about specific borrowers, or sectors, market and financial commentary, economic studies, forecasts, pricing services as well as discussions with research personnel and borrower management. Further, CBAM has an incentive to select counterparties based on a desire to continue receiving such information and services, as doing so saves CBAM the time and expense of developing such research internally or paying for such research with “hard dollars”. Such information, research, products, or services are not used to service all Clients and are not exclusive to the Clients participating in a particular trade. Some broker-dealers, banks or other counterparties selected by CBAM have (or are affiliates of entities that have) other material business relationships with or provide services to CBAM or CBAM Related Parties.

CBAM personnel are sometimes offered gifts and entertainment from counterparties with whom CBAM conducts business or private equity sponsors. This can include tickets to sporting events, meals, and other items of value. CBAM has a gift and entertainment policy designed to address the potential conflict of interest related to the receipt of gifts or entertainment from CBAM trading counterparties and other parties.

In addition, CBAM uses a variety of counterparties to execute trades, some of which refer Clients or investors to CBAM. Transacting with a counterparty that makes such referrals can create a conflict because Client or investor referrals benefit CBAM and not the Clients participating in the trade. CBAM executes Client transactions with counterparties that sponsor events, meetings or other communications between potential investors, Clients and CBAM and CBAM Related Parties. These capital introduction services are incidental to other brokerage services. CBAM and CBAM Related Parties are not compelled to engage counterparties that sponsor these capital introduction programs in order to be included in these events. However, these capital introduction events and services are typically sponsored by counterparties that provide necessary services to Clients, and they create the appearance of using the execution services or prime brokerage services of such counterparties in order to be invited to such capital introduction programs.

CBAM has discretion to, but is not obligated to, aggregate Client trades when such aggregation is reasonably expected not to be disadvantageous to any participating Client. Clients benefit from aggregated trades through favorable execution quality or lower execution costs. Aggregation opportunities for CBAM generally arise when more than one Client is capable of purchasing or selling a particular asset based on investment objectives, available cash and other factors. There is no assurance that the aggregation of orders will always decrease execution costs or result in more favorable execution relative to non-aggregated trades. Orders which are not aggregated are generally executed at prices prevailing at the time of the transaction which may be greater or less than the execution price of an aggregated trade. Further, orders which are not aggregated will not be average priced.

CBAM does not aggregate transactions or seek best execution for Clients who direct the use of a particular counterparty.

On occasion, errors can be expected to occur with respect to trades executed on behalf of Clients. CBAM endeavors to detect and correct errors promptly and in accordance with its trade error policy. The breach of any prohibitions, limits or other guidelines (numerical, percentage, ratings based or otherwise) does not constitute a trade error if the remedy for such breach is addressed in the relevant Client Documentation. When seeking to cure such breach, CBAM exercises its discretion to purchase or sell any asset or instrument (whether or not such asset or instrument caused the breach). Errors which are detected and corrected prior to settlement are not deemed to be trade errors.

In accordance with its policy, CBAM determines whether such error resulted from its gross negligence, bad faith or willful misconduct and, unless it finds this to be the case, any losses from such trade errors will be borne by the Client. Gains resulting from trade errors can be applied to offset any losses from trade errors. As a result, Clients, and not CBAM, will generally be responsible for losses from trade errors and similar human errors.

### **ITEM 13. REVIEW OF ACCOUNTS**

CBAM's investment team reviews Client portfolios to monitor performance and compliance with investment guidelines and discuss prospective investments and credit, industry and economic news and trends. Typically, such reviews are informal and undocumented in the discretion of CBAM.

CBAM delivers periodic reports and other information to Clients as negotiated and set forth in Client Documentation.

### **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

CBAM does not compensate any third parties for Client referrals; however, as noted in Item 12, some trading counterparties provide referrals without compensation. If CBAM were to compensate any person for client referrals, it will seek to comply with the applicable requirements of the Advisers Act.

### **ITEM 15. CUSTODY**

For certain Clients, CBAM is deemed to have custody of Client assets as a result of it or its affiliates serving as general partners to the Funds or otherwise having authority to instruct custodians. In such instances, CBAM will seek to comply with the applicable requirements of the Advisers Act. With respect to separate account Clients, the Client's qualified custodian produces quarterly (or more frequent) account statements.

Clients should carefully review the custodian statements and, to the extent such Clients also receive account statements from CBAM, should compare the CBAM statements with those received from the qualified custodian. Clients who fail to receive statements from the qualified custodian or who have any questions about the statements they receive should promptly contact CBAM using the contact information provided on the cover of this Brochure.

CBAM is deemed to have custody of accounts of any Fund for which CBAM or an affiliate acts as general partner or managing member of the vehicle. For Funds which are not CLOs, CBAM expects to comply with the Custody Rule through the provision, on an annual basis, of audited financial statements to Fund investors in any applicable Funds, although CBAM does not currently have any Fund Clients which are not CLOs or warehouses for CLOs and does not currently act as general partners to any active Funds. CBAM expects to manage non-CLO Funds in the future. Further for CLO Clients, CBAM does not have direct or indirect access to CLO assets which are custodied with the CLO Trustee.

Audits will be performed by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. For US domiciled Funds, audited financial statements will be prepared in accordance with U.S. Generally Accepted Accounting Principles. Investors that do not receive such financial statements timely (generally, within 120 days after the relevant Fund's fiscal year end), should promptly contact CBAM using the contact information provided on the cover of this Brochure.

#### **ITEM 16. INVESTMENT DISCRETION**

In general, CBAM has full discretion to buy and sell investments on behalf of Clients, including authority to make decisions with respect to amount, price and counterparties (pursuant to, and subject to the terms and conditions set forth in, the Client Documentation). CBAM provides investment advice to each Client and not individually to CLO Note holders, CLO Equity holders or Fund investors. CBAM also provides advice to Clients on a non-discretionary basis.

#### **ITEM 17. VOTING CLIENT SECURITIES**

CBAM has adopted proxy voting policies and procedures (the "Proxy Policies") designed to be consistent with Rule 206(4)-6 under the Advisers Act. Pursuant to these policies, CBAM votes proxies in a manner that CBAM believes serves the best economic interest of its applicable Clients over the long term as determined by CBAM in its reasonable discretion. As such, CBAM could, but is not obliged to, vote in line with management recommendations or the recommendation of a proxy voting service when it believes these recommendations serve the best economic interests of its relevant Clients. Likewise, CBAM has the authority to abstain from voting specific proxies it believes that doing so serves the best economic interests of its Clients or that a vote does not advance the economic interest of applicable Clients. Further, CBAM generally does not permit Clients or investors to direct how it will vote on specific proxies. When Clients are not eligible to vote proxies, CBAM has no obligation to vote such proxies. Where CBAM believes that the cost and time required to process a proxy vote, outweighs the benefits of voting a proxy, CBAM is not required to vote such proxies.

With respect to its credit portfolios, CBAM is asked to consent to waivers or amendments to credit agreements or make elections with respect to corporate reorganizations. When evaluating such requests, CBAM generally acts in a manner designed to serve the best economic interests of its Clients or avoid a negative impact on such Clients, as determined by CBAM in its reasonable discretion, taking into account, as relevant, the impact on the value of the Client's investments, anticipated costs and benefits, amendment fees, standard industry and business practices, and potential conflicts of interest. CBAM does not consider the Clients' receipt of amendment fees from portfolio companies as a material

conflict of interest when making decisions to consent or agree to amendments with respect to such investments. If CBAM does not believe the exercise of a consent will not have a material impact on the Client(s) or the underlying credit or that the cost and time commitment required to process the amendments outweighs the benefits of consenting to or withholding consent to a loan amendment, CBAM, in its discretion, abstains or does not respond.

In the event, CBAM uses the services of a third-party service provider to process its actions on loan amendments and other corporate actions, including proxies, such service provider's fees and expenses, if any, are expected to be borne by Clients subject to Client Documentation.

A copy of CBAM's proxy voting policy and procedures and or information regarding proxy votes is available to Clients and investors in Funds, at no cost upon request made to CBAM at the contact details listed on the first page of this Brochure.

Given its primary focus on credit instruments, it is rare that CBAM will be eligible to participate in class action litigation. Only where expressly directed by Client Documentation, CBAM will determine whether a Client will participate in a recovery achieved through a class action or opt out of the class action and separately pursue another remedy. In the absence of such express direction, CBAM does not expect to participate in class actions on behalf of Clients.

#### **ITEM 18. FINANCIAL INFORMATION**

Not Applicable.