

Item 1: Cover Page

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PART 2A OF FORM ADV: FIRM BROCHURE



**Varagon Capital Partners, L.P.**

December 11, 2024

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**This Brochure provides information about the qualifications and business practices of Varagon Capital Partners, L.P. (together with its affiliated advisory entities as the context requires, “Varagon” or the “Adviser”). If you have any questions about the contents of this Brochure, please contact 212 235 2600 and/or [compus@man.com](mailto:compus@man.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

*Varagon is registered as an investment adviser with the SEC. Registration with the SEC does not imply a certain level of skill or training and no inference to the contrary should be made.*

**Additional information about Varagon also is available on the SEC’s website at <http://www.adviserinfo.sec.gov/>**

## Item 2: Material Changes

Varagon's last update to its Brochure was September 15, 2023. Since this update, the following amendments have been made to the Brochure, which we do not deem to be material:

- Item 4. has been updated to include additional details relating to the ownership of Varagon.
- Item 10. has been updated to in relation to certain affiliates.

**Even though a concerted effort is made to keep clients/investors informed of notable changes to Varagon's business throughout the year, clients/investors are encouraged to review this update carefully, much like all of the Firm's reports and communications, 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 (each, a "Fund") that Varagon advises; or*
- *a complete discussion of the features, risks or conflicts associated with any Varagon advisory service or any Fund that Varagon advises.*

*As required by the Investment Advisers Act of 1940, as amended (the "Advisers Act"), Varagon provides this Brochure to current and prospective clients. Varagon also, in its discretion, will provide this Brochure to current or prospective investors in a separately managed account or, directly or indirectly, in a Fund that Varagon advises, together with other relevant governing or disclosure documents, such as a Fund's offering or private placement memorandum, prior to, or in connection with, such persons' investment in the separately managed account or Fund. Additionally, this Brochure is available through the SEC's Investment Adviser Public Disclosure website.*

*Persons who receive this publicly available Brochure (whether or not from Varagon) should be aware that it is designed solely to provide information about Varagon as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information provided in other relevant documents. More complete information about each separately managed account and Fund is included in the relevant separately managed account or Fund documents, certain of which will be provided to current and eligible prospective investors only by Varagon or a party authorized by Varagon. To the extent that there is any conflict between discussions herein and similar or related discussions in such documents, the relevant Fund governing or disclosure documents shall govern and control.*

*This is not an offer to sell securities of any type. No offer or solicitation for a separately managed account or Fund by us will be made before the delivery of the applicable documents to a potential*

*investor. You should read the client documents carefully and consult with tax, legal and financial advisors before making any investment decision.*

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## Item 4: Advisory Business

### General Description of Advisory Firm

Varagon Capital Partners, L.P. (“Varagon”), a Delaware limited partnership with its principal place of business in New York, New York, USA, was originally formed in October 2013. Varagon is an asset manager focused on directly originated middle market credit. Varagon primarily invests in term loans sourced through its relationships with middle market companies and middle market financial sponsors, as well as through relationships with other lenders and other market participants. Varagon seeks to provide disciplined exposure to an attractive asset class by coupling its direct origination with an institutionalized credit process and active portfolio management.

On September 6, 2023, a wholly owned subsidiary of Man Group plc acquired a controlling interest in Varagon. In connection with the transaction, certain senior members of Varagon’s existing management continue to own, in the aggregate, a controlling interest in Varagon. The general partner of Varagon is Man Times Square GP LLC and its sole limited partner is Man Times Square Holdings LLC, an indirect, majority-owned subsidiary of Man Group plc. Man Group plc is a public company listed on the London Stock Exchange and is a component of the FTSE 250 Index. Man Group plc, through its investment management subsidiaries (collectively, “Man”), is a global investment management business and provides a range of fund products and investment management services for institutional and private investors globally. As of December 31, 2023, Man had approximately \$167.5 billion of assets under management.<sup>1</sup>

### Description of Advisory Services

Varagon currently provides investment advisory services to certain wholly-owned insurance companies and certain other institutional investors under separately managed account or fund of one (such clients, collectively, the “SMA Clients”); the Senior Direct Lending Program, LLC and its wholly-owned financing subsidiaries (collectively, the “SDLP”), a joint venture; and certain pooled investment vehicles<sup>2</sup>, Varagon Capital Credit Strategies ICAV (the “ICAV”) Varagon Capital Direct Lending Fund, L.P. (collectively, with the ICAV and certain other related entities, “VCAP”) and Varagon Structured Notes Issuer I, LLC (“VSN”), each of which is described in more detail below (collectively VCAP and VSN, being referred to as “Funds”). Collectively, the SMA Clients, Funds and the SDLP are referred to herein as “Clients” of Varagon.

For each Client, Varagon manages investments in accordance with the investment objectives, strategies, restrictions, and guidelines specified in the contracts, investment advisory agreements, governing documents, and disclosure materials applicable to such Client (collectively, the “Client”).

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<sup>1</sup> Man assets under management as stated in the Man Group plc Annual Report include advisory-only assets over which Man has no decision making or trading authority and dedicated managed account platform services for which Man provides platform and risk management services but does not provide investment management services.

<sup>2</sup> Varagon Fund I, L.P. (“VF1”) was previously a pooled investment vehicle managed by Varagon. On June 2, 2022, immediately prior to Varagon Capital Corporation’s (“VCC”) election to be regulated as a business development company (“BDC”) under the Investment Company Act of 1940, as amended (the “1940 Act”), VF1 merged with and into VCC, with VCC as the surviving entity in the merger (the “Merger”). As a result of the Merger, VCC acquired all of VF1’s assets and liabilities, including VF1’s interest in SDLP. VCC Advisors, LLC, a related adviser, is adviser to VCC.

Governing Documents”). Investment decisions for the SMA Clients are made by Varagon’s Executive Credit Committee (the “ECC”), which is described in more detail in Item 13, below.

Varagon primarily invests in debt issued by privately-held middle market companies located in North America, but can provide financing to issuers outside these criteria. Varagon generally focuses on companies in a range of industries including business services; healthcare; technology, media, and telecommunications; and commercial and industrial. Varagon evaluates investments across the debt capital structure (including first-lien, unitranche, second-lien, and mezzanine debt) and invests in middle market credit through interests in term loans and through interests in securities backed by term loans. Varagon’s advice will generally be limited to these investments, but Varagon could expand its investment focus in the future. Varagon generally does not invest in publicly-traded securities.

*Senior Direct Lending Program (the “SDLP”)*

The SDLP is a joint venture between VCC and Ares Capital Corporation (“ARCC” and together with its affiliates, “Ares”). As a joint venture, control and management is shared equally between VCC and ARCC. The SDLP invests in middle market credit, primarily through investments in unitranche term loans, in accordance with the investment objectives, policies, approvals and restrictions as outlined in its governing documents (the “SDLP Agreements”).

The SDLP finances investments through the issuance of securities (the “SDLP Securities”) backed by its loan portfolio, including, in order of seniority, senior notes (the “Senior Notes”), intermediate funding notes (the “IFNs”), and subordinated certificates (the “Subordinated Certificates”). VCC and SMA Clients have invested, and could in the future invest, in such SDLP Securities (or derivatives of such securities), *provided* that such investments are permitted by the terms of the applicable Client Governing Documents and by the SDLP Agreements. The SDLP structure also includes two related Delaware statutory trust entities, formed solely for transactional convenience, through which investors invest in the Senior Notes and the IFNs. Unless otherwise noted, references herein to SDLP include the SDLP structure as a whole.

Varagon and ARCC each have agreed to refer investments in unitranche loans to borrowers with trailing annual EBITDA of at least \$25 million to the SDLP pursuant to sourcing agreements but can also elect to refer other investments. All portfolio decisions and generally all other decisions in respect of the SDLP must be approved by an investment committee of the SDLP consisting of representatives of VCC and ARCC (with approval from a representative of each required). In addition to their respective interests in SDLP Securities, both Varagon and Ares have the right, but not the obligation, to directly invest on behalf of their respective clients in a portion (the “Special Allocation”) of each term loan in which the SDLP invests.

Decisions regarding Special Allocations are made independently by Varagon and Ares on a case-by-case basis. Varagon evaluates Special Allocations as separate term loan investments and can decline a Special Allocation associated with an investment made by the SDLP. Special Allocations approved by Varagon’s ECC, to the extent permitted by Clients’ investment objectives and guidelines, can be placed in Varagon Clients’ accounts in accordance with Varagon’s allocation policies and procedures described in Item 6 – *Performance-Based Fees and Side-by-Side Management*.

Certain SMA Clients have invested in the Senior Notes. Varagon SDLP, LLC, a wholly owned subsidiary of VCC (“Varagon SDLP”), owns a portion of the Subordinated Certificates.

ARCC is a publicly traded, closed-end, non-diversified specialty finance company that has elected to be treated as a BDC under the 1940 Act. ARCC is currently managed by Ares Capital Management, LLC (“ACM”).

#### Fund Clients

Varagon has formed VCAP, a fund family that includes parallel U.S. and non-U.S. levered master-feeder fund structures that participate in the firm’s investment program on a levered basis, through investments in the ICAV and other intermediary entities. As of the date hereof, Varagon Direct Lending Fund, L.P., the onshore levered feeder Fund, Varagon Capital Direct Lending International, SCSp, the offshore levered Feeder Fund, and the ICAV, have had one or more closings.

The underlying investors in VCAP and VSN or any other Funds organized in the future (“Fund Investors”) shall not be considered Clients solely by virtue of such investment.

Varagon will not provide individualized advice to Fund Investors. Varagon’s advice to a Fund is generally not tailored to the individualized needs of any particular Fund Investor and an investment in a Fund will not, in and of itself, create an advisory relationship between the Fund Investor and Varagon. Fund Investors will be subject to the various risks described in the governing and offering documents and should determine whether such Fund meets their investment objectives and risk tolerance prior to investing.

#### Assets Under Management

Varagon had total regulatory assets under management (“RAUM”) of approximately \$13.75 billion, comprised of \$7.26 billion managed on a discretionary basis and \$6.49 billion on a non-discretionary basis as of December 31, 2023.

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

Varagon’s fees and other compensation, as well as the expenses borne by its Clients in connection with the advisory services Varagon provides, vary by Client and are described generally below. It should be noted that expenses include, without limitation, costs associated with dealing in and holding investments and are paid directly or indirectly by Clients. Please see Item 12 – *Brokerage Practices*, for a discussion of Varagon’s brokerage practices and related costs.

#### SMA Clients

Varagon receives management fees for providing investment advisory services to its separately managed account clients (“SMA Clients”). Varagon may also receive incentive fees based on performance from SMA Clients. Management fees are generally based on the aggregate amount of investments in an SMA Client account. Varagon does not receive any fees from certain SMA Clients. Varagon does not maintain a standard fee schedule.

For each investment approved by Varagon's ECC, Varagon's ECC sets a target hold size (excluding investments in SDLP Securities, which are governed separately). In the event the amount of an investment that is available to Varagon exceeds the aggregate target hold size set for its Clients, Varagon can elect to syndicate such excess amount to other lenders or offer an SMA Client the opportunity to co-invest in such investment alongside Varagon. See "*Co-investments*" in Item 11, below, for further information on co-investments.

Management fees (and, if earned, incentive fees) are generally invoiced quarterly in arrears and paid directly by the SMA Clients. Fee arrangements (including caps, minimums, and premiums with respect to particular investment opportunities including the SDLP Securities), likely will vary among SMA Clients as such arrangements are generally negotiated with each SMA Client.

In addition to management fees and incentive fees, Varagon receives certain origination, amendment and other fees from underlying obligors in connection with arranging financings and other services it provides. Such fees are paid upon the closing of a financing or over time, including as original issue discounts. SMA Clients can receive an allocation of original issue discounts, if any, and generally retain all or a portion of prepayment fees associated with a loan but, as noted above, fee arrangements are expected to vary among SMA Clients.

SMA Clients are also responsible for paying or reimbursing Varagon for certain costs and expenses described in the applicable Client Governing Documents. The costs and expenses chargeable to each SMA Client will vary depending on the specific terms negotiated by such SMA Client and included in the applicable Client Governing Documents.

The costs and expenses for which SMA Clients generally will be responsible for paying and reimbursing Varagon include informational, legal, regulatory, accounting, tax, administrative reporting or similar requests related to the structure of each SMA Client's portfolio, including, without limitation: (i) administrative expenses incurred in connection with the management of investments, including custodial, trustee, recordkeeping and other administration fees; (ii) taxes and other governmental charges levied against the portfolios; (iii) expenses incurred in connection with the winding up or liquidation of portfolios; (iv) expenses relating to defaults by SMA Clients in the payment of any funding contributions; (v) expenses incurred in connection with any restructuring of the portfolios or any amendments to the commitment agreements to accommodate tax, regulatory, administrative or other similar requirements of the SMA Client; and (vi) any expenses that the SMA Client otherwise approves as expenses with respect to the portfolios.

Each SMA Client is also generally responsible for paying or reimbursing Varagon for (i) all costs and expenses directly attributable to the investment activities of its respective portfolio (whether or not such investments are consummated), to the extent not otherwise borne by a third party, including, without limitation, expenses incurred in connection with the due diligence, evaluation (whether or not consummated), acquisition, carrying or disposition of investments (whether or not consummated), including private placement fees, sales commissions, appraisal fees, taxes, brokerage fees, underwriting commissions and discounts, loan administration, private ratings, and legal, accounting, investment banking, consulting, information services and professional fees; and (ii) all costs and expenses in connection with a default, breach of contract or restructuring by any borrower. Such expenses generally include those amounts incurred with respect to consultants,



attorneys, investment bankers and other advisors, as well as allocated expenses of internal lawyers and accountants employed by Varagon (including the allocable overhead with respect thereto).

### SDLP

Varagon has the right to receive member representative fees and expense reimbursements from SDLP to the extent permitted by the 1940 Act. Such fees will be calculated by the trustee in accordance with the SDLP Agreements and paid quarterly directly to Varagon in accordance with, and subject to, the priority of payments set forth in the SDLP Agreements.

In addition, the sourcing agreements with the SDLP allow Varagon to retain a portion of any origination, syndication, and other fees associated with investments made by the SDLP to the extent permitted by the 1940 Act.

Clients that invest into the SDLP will also bear, as investors in the SDLP, their applicable portion of the costs and expenses that are due and payable under the SDLP indenture.

Such amounts due and payable under the SDLP indenture will include, without limitation, fees, expenses, indemnities and other amounts payable to: (i) the SDLP trustee in all of its respective capacities under the SDLP indenture; (ii) the trustee for the SDLP trust entities for amounts incurred on behalf of the SDLP trust entities; (iii) the rating agency for amounts relating to the rating of the SDLP Notes and the certificates issued by the trust entities; (iv) the SDLP trust entities for certain of their respective administrative expenses; (v) the independent SDLP accountants; (vi) counsel and other advisors of the SDLP for fees and expenses incurred on behalf of the SDLP; (vii) Varagon and ARCC, for (x) non-overhead expenses incurred under the SDLP, including without limitation certain costs and expenses for legal advisors, consultants and other third party professionals retained by Varagon and ARCC and (y) expenses reasonably incurred by Varagon and ARCC in connection with the management, investment, acquisition or disposition, or proposed investment, acquisition or disposition, of any SDLP loans or the default or restructuring thereof, including brokerage commissions, research expenses, appraisal expenses, asset pricing and asset rating services, costs of environmental assessments, programming and data entry services, systems and software expenses and travel costs (airfare, meals, lodging and other transportation) and (viii) to any other person in respect of any other amounts permitted under the SDLP indenture and related SDLP documents including but not limited to, any amounts due in respect of the listing of the SDLP Notes on any stock exchange.

The fees and expenses related to the SDLP are set forth in the SDLP Agreements. Clients that are considering investing in any SDLP Securities should review the applicable SDLP disclosure documents.

### VCAP

Varagon receives management fees and performance-based compensation for providing investment advisory services to VCAP. Such performance-based compensation is described in Item 6 – *Performance-Based Fees and Side-by-Side Management*. Management fees are calculated and payable quarterly in arrears generally based on the fair market value of VCAP's underlying investment portfolio as of the last day of each fiscal quarter. Varagon reserves the right to waive,

reduce or calculate differently all or a portion of the management fees with respect to any investor in VCAP.

VCAP is also responsible for paying or reimbursing Varagon for certain costs and expenses, as described in more detail in the applicable Client Governing Documents.

Each feeder Fund generally bears its ratable share of all legal, offering and organizational expenses incurred by Varagon, its affiliates and their respective advisors in forming VCAP and any parallel investment entities up to \$2.5 million, *provided* that Organizational Expenses specifically relating to the structure of a feeder Fund may be allocated to such feeder Fund.

Additionally, VCAP generally bears all costs and expenses (other than Varagon's routine overhead expenses) of VCAP's activities, operations and administration that Varagon determines in good faith to be reasonable ("VCAP Expenses"), including, without limitation: (a) all third-party costs and expenses incurred in investigating, developing, negotiating, structuring, forming, purchasing, restructuring, originating, disposing, evaluating, trading, settling, selling, transmitting, terminating, rating and holding investments and prospective investments, whether or not consummated and third- party legal, tax, independent consultant and accounting fees and expenses relating thereto; (b) third- party appraisal and pricing services and expenses, including fees and expenses of independent valuation consultants; (c) costs and expenses associated with developing, negotiating, structuring, forming, servicing and holding permitted credit facilities and other financing arrangements, including capital payments, interest and other fees and expenses in respect thereof; (d) costs and expenses of permitted hedging activities; (e) brokerage commissions, custodian and custodial fees and expenses, including depositary fees and expenses, agent bank and other bank service fees and other similar costs; (f) third-party costs of preparing financial statements and reports for VCAP, tax returns and reports of tax information; (g) third-party costs and fees of legal counsel, tax advisors, auditors, accountants, consultants and compliance firms; (h) costs and expenses related to VCAP's compliance with applicable laws, including, Alternative Investment Fund Manager Directive ("AIFMD"); (i) insurance costs (including VCAP's pro rata share of insurance covering Varagon and/or its affiliates and members of the ICAV's directors and the boards of VCAP entities); (j) indemnification obligations of VCAP; (k) liquidation expenses of VCAP; (l) taxes, fees or government charges that may be assessed against VCAP or on its income or assets or in connection with its business or operations and preparation expenses in connection with such governmental charges (which includes the preparation and filing of any forms, schedules, filings, information or other documents necessary to avoid the imposition of withholding or other taxes pursuant to any tax information or anti-abuse regimes, any VAT payable by VCAP on or with respect to the services supplied by the Alternative Investment Fund Manager (the "AIFM") or any other service providers, but excluding any amounts that have been reimbursed to VCAP, including pursuant to the terms of the Client Governing Documents or that have been treated as distributed to VCAP's limited partners under the terms thereof); (m) fees and expenses associated with any actual or threatened tax or other audit, investigation, administrative or other proceeding, regulatory matter, litigation and threatened litigation, settlement or review of VCAP relating to the business or activities of VCAP including, without limitation, any changes to the management structure and operation of VCAP and the terms of the Client Governing Documents and any agreement with any provider of services to or in respect of VCAP as Varagon considers to be necessary or desirable arising from any material change in the legal, tax or regulatory system in which VCAP operates including, but not limited to, regulatory filings of VCAP; (n) costs and

expenses of the ICAV's directors and the board of any other VCAP entities and information meetings of the VCAP limited partners (including travel, meals, entertainment and accommodations and other similar costs, fees and expense); (o) expenses of VCAP's advisory committee and its members and observers (including accommodation, meal, event, entertainment and other similar fees, costs and expenses in connection with any meetings of such advisory committee and the fees, costs, and expenses of any legal counsel or other advisors retained by, or at the direction or for the benefit of, such advisory committee); (p) fees and expenses of any independent client representative; (q) fees, costs, and expenses of any legal counsel or other advisors retained by, or at the direction or for the benefit of, the ICAV's directors; (r) fees, costs and expenses relating to a default by any defaulting limited partner of VCAP (but only to the extent not paid or otherwise borne by such defaulting limited partner); (s) fees, costs and expenses relating to transfers of Interests (and admission of a substitute partner) or a permitted withdrawal of a partner (but only to the extent not paid or otherwise borne by the relevant transferring partners and/or the assignee or the withdrawing partner, as applicable); (t) fees, costs and expenses related to procuring, developing, implementing or maintaining information technology, data subscription and license-based services, research publications, materials, equipment and services, computer software or hardware and electronic equipment used in connection with providing services to VCAP (including reporting as described herein), in connection with identifying, investigating (and conducting diligence with respect to) or evaluating, structuring, consummating, holding, monitoring, or disposing of potential and actual investments, or in connection with obtaining or performing research related to potential or actual investments, industries, sectors, geographies or other relevant market, economic, geopolitical or similar data or trends, including risk analysis software; (u) the AIFM's Fees (as defined below); and (v) all other costs and expenses of VCAP or Varagon and their affiliates in connection with the business and operation of the Fund and its investments.

In addition to being reimbursed for expenses, the AIFM receives fees from the ICAV, and as consideration for serving as the AIFM of the offshore feeder funds and offering certain other services, the AIFM (or its affiliates) will receive fees from the offshore feeder funds at standard market rates (together, the "AIFM Fees"). The AIFM Fees will not be offset from the management fee and will be additional VCAP Expenses.

Varagon is able to also benefit from fees paid by VCAP's underlying obligors, which are generally calculated on a loan by loan basis as described in VCAP's Client Governing Documents. Varagon can, at its election, reduce or calculate differently how such fees are allocated between Varagon and investors of VCAP.

### VSN

Varagon receives management fee compensation for providing investment advisory services to VSN. Management fees are calculated and payable quarterly in arrears generally based on the daily average aggregate principal balance of VSN's underlying investment portfolio as of each fiscal quarter. Varagon reserves the right to waive all or reduce any portion of the management fees payable to Varagon with respect to VSN.

### Other Fees

Varagon is, from time to time, required to temporarily hold loans on behalf of client accounts due to client cash constraints, for seasoning, for subsequent syndication, and other reasons. In such instances, Varagon may establish one or more warehouse accounts to facilitate the temporary holding of these loans. Varagon would incur all legal and other fees associated with the establishment and ongoing maintenance of these warehouse account(s). In recognition of these costs, Varagon would retain any interest accrued on the loans during the temporary holding period, which is often brief, as a means to offset the expenses incurred. Varagon believes this approach is a reasonable and fair method to allocate the costs associated with the warehouse account(s). Clients should be aware of this practice and consider its implications when evaluating the services provided by Varagon.

### *Transaction-Related Fees*

In connection with investments made by certain Clients and as part of our advisory compensation, we and/or our affiliates often receive origination, commitment, documentation, structuring, facility, monitoring, amendment, and/or other transaction fees from debt investments in which one or more Clients invest or propose to invest. The potential for us and our affiliates to receive these economic benefits creates a conflict of interest, as we and our affiliates have an incentive to underwrite, originate and/or invest in portfolio investments that provide such benefits. These fees could be shared with certain Clients and not others. Varagon seeks to mitigate this conflict through disclosing whether a Client will share in such fees and through the application of its written allocation policy that outlines the investment factors to be considered in allocating an investment.

In some cases, we will serve a leading role with respect to a particular originated loan. While we believe that serving in a lead role provides more attractive investments to our Clients over time, this role (and the fees associated therewith, which are a part of our advisory compensation) could conflict with the short-term interests of our Clients on any particular investment. For example, when we serve in a leading role, our Clients could retain a larger-than-pro-rata portion of revolving loans or delayed draw term loans. While the fees related to retaining these portions of revolving loans or delayed draw term loans generally benefit our Clients, retaining these portions could also require our Clients to reserve a sufficient amount of liquid capital to satisfy drawdown requests with respect to these loans. As a result, there is a risk that a greater portion of a Client's capital would be held in cash or other highly liquid assets than otherwise would be held in these assets. Upon the closing of a particular transaction, the price attributed to various parts of a deal could be different than the eventual fair value of these assets. In addition, we could be required to sell a larger portion of a loan to third parties to win a mandate on a loan origination or to otherwise satisfy sponsor requests than we would otherwise prefer to sell in our capacity as investment manager to our Clients. Nonetheless, we believe that, in the long term, leading roles are integral to our efforts to secure the best investment opportunities for our Clients.

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

“Side-by-side management” refers to the simultaneous management of multiple types of Client accounts and/or investment products. In such situations there likely will be differential fee arrangements (such as performance-based fees) that can create opportunity or incentive for a manager to favor certain accounts (or types of accounts) over others (including with respect to the time and attention to investment opportunities). Similar incentives are subject to arise where a

manager or its personnel (including its officers and directors) or affiliates have different pecuniary interests (*e.g.*, personal investments) in accounts. Varagon addresses these potential conflicts of interest by providing disclosure of the conflicts to prospective investors, by providing training to Varagon personnel, and by establishing and maintaining reasonable policies and procedures designed to mitigate these potential conflicts.

The sections below describe these potential conflicts and matters in greater detail. With respect to each section below, also please see Item 10 – *Other Financial Industry Activities and Affiliations* and Item 11 – *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*, below, for a further discussion of these potential conflicts and the resolution thereof.

### *Incentive Fees*

Certain SMA Clients are required to pay an incentive fee to Varagon and the terms of such incentive fees for one SMA Client can differ from the incentive fee terms applicable for other SMA Clients (*e.g.*, no fees, different rates and/or calculation formulas). SMA Clients that pay incentive fees based on net investment income are subject to a hurdle rate and catch-up. These are calculated and charged quarterly. Incentive fees for SMA Clients likely will vary and will be subject to negotiation with each particular SMA Client.

The SDLP is not subject to an incentive fee.

VCAP is generally subject to performance compensation based on disposition proceeds and income, subject to a hurdle rate and catch up, also as further described in the applicable Client Governing Documents. In each case, Varagon is permitted to waive, reduce or calculate differently all or a portion of any such performance compensation.

Because Varagon’s incentive or performance compensation differs by the type of Client it advises, Varagon faces a potential conflict of interest when it identifies an investment opportunity that is appropriate for both a Client that is not charged a performance or incentive fee and a Client that is. This potential conflict of interest may create an incentive for Varagon to favor or dedicate more time and resources to the higher fee-paying Clients in the allocation of investment opportunities or to make investments that are riskier or more speculative than in the absence of such fees. In addition, certain performance-based fees are dependent, in part, on the unrealized value of certain investments. This could provide an incentive for Varagon to use higher valuations.

### *Equity Ownership*

Varagon, its affiliates and their respective personnel, including those individuals that serve (x) on Varagon’s board of directors, (y) on Varagon investment committees or (z) as portfolio managers to Clients, (i) invest in Clients, including those Clients that are structured as private funds, including having an interest in any such Fund’s “general partner” or “managing member” and as such could benefit from related performance-based fees or “carried interest” from such Fund or (ii) have equity ownership interests in Varagon’s sole limited partner. When Varagon personnel are responsible for managing certain Clients or Funds in which he or she has an interest and other Clients or Funds in which he or she does not have an interest, such a person has a conflict of interest. Such an individual may be incentivized to allocate the most favorable investments to the Client or Fund in which he or she is invested or otherwise entitled to share in the carried interest

rather than allocate the investment to the Client or Fund where he or she does not; or allocate the less favorable investments to the Clients or Funds in which he or she is not invested or is not otherwise entitled to share in the carried interest.

In particular, Varagon, its employees and various of its other stakeholders, can hold economic equity interests in the SDLP that entitle holders to a share of any assets remaining in SDLP following the repayment of the SDLP Notes and can also hold, separately, interests in SDLP Notes having different relative rights from an investment directly into the assets of the SDLP. Similarly, such persons are authorized to also hold interests in VCAP and other Funds formed by Varagon.

*Allocation and Side-by-Side Investment Opportunities, Time, Attention and Fiduciary Duties*

The existence of differing management and/or performance-based fees for Clients of Varagon or its affiliates investing side-by-side will create a conflict of interest for Varagon and its affiliates with respect to the allocation of investment opportunities because it may incentivize Varagon to allocate investment opportunities that may be appropriate for multiple Clients to those Clients who pay management and/or performance-based fees at higher rates (or from which Varagon or its affiliate is more likely to receive a performance-based fee). Varagon has adopted policies and procedures setting forth how opportunities among SMA Clients, the SDLP and the Funds are allocated fairly and equitably over time, thereby addressing this potential conflict of interest. In addition to observer employees, Varagon's Allocation Committee is composed of certain senior and management level employees of Varagon and is responsible for overseeing the allocation of investment opportunities in accordance with Varagon's allocation policies and procedures. Consistent with Varagon's investment allocation policy, for each investment approved by Varagon's ECC and for which an aggregate target hold size is determined, the allocation process is generally as follows:

1. First, Varagon will identify each Client for which Varagon believes the opportunity is permissible and appropriate in light of the Client's objectives, strategies, prohibitions and other factors deemed relevant by Varagon ("Participating Clients");
2. Second, for each Participating Client, Varagon will determine in its discretion an appropriate level of investment ("Target Hold"), which is initially based on the Participating Client's available capital and then takes into account a variety of Investment Factors (as defined below), such as diversification considerations, regulatory restrictions, the remaining life of any Participating Client account or reinvestment period of any Participating Client Fund, the leverage appetite of any Participating Client, the exposure of any Participating Client to the opportunity or the terms of any Participating Client, among others. The Target Hold will also account for the following:
  - a. If there will be only one Participating Client in an investment opportunity, then it will be offered the lesser of (i) its full Target Hold and (ii) the total amount available to Varagon Clients.

- b. If there will be two or more Participating Clients in an investment opportunity, and the amount of the opportunity is less than the aggregate Target Hold for the Participating Clients, then each Participating Client will be offered a *pro rata* allocation based on relative Target Hold amounts.
3. Third, if the investment opportunity exceeds the Participating Clients' aggregate Target Hold, Varagon can offer any excess (i) for co-investment by accounts established by related persons of Clients or Varagon that are not advised by Varagon and/or (ii) for syndication to third parties not advised by Varagon, *provided* that such co-investments or syndications are not inconsistent with applicable law or Varagon's fiduciary or contractual duties to Clients.

In accordance with the above, the Clients' available capital will be considered in the aggregate when determining the *pro rata* participation of each Client. Varagon will determine the allocation of investments between and amongst Clients as it deems fair and equitable over time.

Varagon will consider a variety of factors on an absolute or relative basis when determining whether an investment is appropriate for a Client and in determining the appropriate size to recommend to the Client ("Investment Factors"), as relevant to the particular circumstances. Investment Factors can include, but are not limited to:

- Client investment objectives, guidelines, policies and limitations or restrictions;
- Relevant provisions in advisory, limited partnership and other contractual agreements applicable to Clients;
- Legal or regulatory restrictions or considerations, including restrictions imposed on any fund regulated by the 1940 Act, subject to and with consideration of the terms of any Co-Investment Relief granted to such fund;
- The remaining life of a Client;
- The size, structure and minimum denominations of such investments;
- Market and/or issuer criteria and considerations related to, among other things: investment risk, liquidity profile, diversification or concentration in a Client's portfolio, current and total return requirements, and leverage appetite of the Client(s);
- Each Client's current exposure to the opportunity or similar opportunities; and
- Other pertinent factors (including, without limitation, tax, regulatory, compliance, operational or administrative factors, and considerations relating to the source of the opportunity such as syndication obligations established by a sponsor as a condition to receiving the investment opportunity) applicable to a particular investment.

However, not all factors will be relevant to every investment. Varagon shall not have any obligation to present any investment opportunity (or portion of any investment opportunity) to a Client if Varagon determines in good faith that such opportunity (or portion thereof) should not be

presented to such Client for any one or a combination of the reasons specified above, or if Varagon is otherwise restricted from presenting such investment opportunity to the Client. Varagon may give advice to (and recommend securities for) another Client that may differ from advice given to, or securities recommended or bought for, the relevant Client, even though their investment objectives may be the same as or similar to those of the relevant Client. Furthermore, Varagon manages each Client's assets in accordance with the investment strategy disclosed in each Client's governing and/or disclosure documents to help confirm that investors are aware of the investment strategy and the risks associated with such strategy. In addition, there may be conflicts in the allocation of investments among Clients, including investments made pursuant to the Exemptive Order (as described in this Item 6 – *Performance-Based Fees and Side-by-Side Management*). In certain circumstances, such as under the agreement between Varagon and ARCC as discussed above in *Item 4 – Advisory Business*, we may be contractually required to offer certain types of investment opportunities to certain Clients before such opportunities may be offered more broadly to all Clients. As a result, some Clients may not be offered certain investment opportunities we are contractually required to offer to SDLP.

As noted in Item 4, above, with respect to loans sourced for the SDLP, Varagon or ARCC can (but is not obligated to) exercise their right to the Special Allocation.

Once an investment is placed with any Client, regardless of financial incentives, (i) Varagon will devote, in all cases, the appropriate time and attention to such investment in order to maximize the value of such investment and (ii) Varagon will satisfy the fiduciary duties it has to each Client in its actions with respect to such investment.

In addition, Varagon and its affiliates have received an exemptive order from the SEC (the "Exemptive Order") that permits funds regulated under the 1940 Act, such as VCC (each, a "Regulated Fund"), to participate in negotiated co-investment transactions with certain other funds and accounts managed and controlled by Varagon or another investment adviser controlling, controlled by, or under common control with Varagon, subject to certain terms and conditions. For so long as any privately negotiated or other investment opportunity falls within the investment objectives and strategies of one or more Regulated Funds, such investment opportunity shall also be offered to such Regulated Fund(s). In the event that the aggregate targeted investment sizes of the Clients and such Regulated Fund(s) that were allocated the investment opportunity exceed the amount of such investment opportunity, allocation of such investment opportunity to each such Client and Regulated Fund(s) will be reduced proportionately as described in the Exemptive Order, which may result in allocations to certain Clients in an amount less than what they would otherwise have been if such Regulated Fund(s) did not participate in such investment opportunity. The Exemptive Order also restricts the ability of Clients from investing in any privately negotiated investment opportunity alongside a Regulated Fund except at the same time and on same terms, as described in the Exemptive Order. As a result, certain Clients may be unable to make investments in different parts of the capital structure of the same issuer in which a Regulated Fund has invested or seeks to invest, and Regulated Funds may be unable to make investments in different parts of the capital structure of the same issuer in which Clients have invested or seek to invest. The rules promulgated by the SEC under the 1940 Act, as well as any related guidance from the SEC and/or the terms of the Exemptive Order itself, are subject to change, and Varagon could undertake to amend the Exemptive Order (subject to SEC approval), obtain additional exemptive relief, or otherwise be subject to other requirements in respect of co-investments



involving certain Clients and any Regulated Funds, any of which may impact the amount of any allocation made available to Regulated Funds and thereby affect (and potentially decrease) the allocation made to certain Clients.

Moreover, with respect to Varagon's ability to allocate investment opportunities, including where such opportunities are within the common objectives and guidelines of the Client and one or more other Clients (which allocations are to be made on a basis that Varagon believes in good faith to be fair and reasonable over time), Varagon established general guidelines, which may be updated from time to time, for determining how such allocations are to be made, which, among other things, set forth principles regarding what constitute capital availability, criteria for retaining dry powder, guidance regarding allocation of certain types of investments (e.g., revolving loans or delayed draw term loans) and other matters. The application of those guidelines and conditions may result in certain Clients not participating (and/or not participating to the same extent) in certain investment opportunities in which they otherwise would have participated had the related allocations been determined without regard to such guidelines and conditions and based only on the circumstances of those particular investments.

In circumstances in which a given Client has investment objectives or guidelines that overlap with those of certain Clients, in whole or in part, Varagon generally determines the relative allocation of investment opportunities among such vehicles on a fair and reasonable basis in good faith according to guidelines and factors determined by Varagon. However, such good faith determinations could be based on expectations that may prove inaccurate. Information unavailable to Varagon, or circumstances not foreseen by Varagon at the time of allocation, may cause an investment opportunity to yield a different return than expected. Conversely, an investment that Varagon expects to be consistent with certain Clients' return objectives may fail to achieve them. Varagon makes allocation determinations based solely on its expectations at the time such investments are made, though investments and their characteristics may change and there can be no assurance that an investment would not prove to have been more suitable for another Client in hindsight.

#### *Allocation of Expenses Amongst Clients*

Varagon determines, in its sole discretion, the appropriate allocation of investment and other expenses borne by each Client. It is Varagon's policy to allocate expenses to Clients fairly and equitably and in a manner that is consistent with their Client Governing Documents. Out-of-pocket expenses associated with a completed investment in which a Client participates will generally be borne by participating Varagon Clients on a *pro rata* basis relative to the size of their investments. Expenses related more generally to an investment strategy, including broken-deal expenses, fees and expenses of consultants and costs and expenses of research relating to a strategy, will generally be allocated to Clients on what Varagon determines is a fair and equitable basis over time. Expense allocation decisions by Varagon could result in a Client bearing more or less of certain fees and expenses than other participants or potential participants in the same investments or strategies as such Client invests in.

Broken-deal expenses could include legal and due diligence expenses incurred with respect to transactions which are not consummated. Broken-deal expenses will generally be paid by the Clients who would have participated if the relevant investment proceeded. Depending on the terms

agreed to by the potential co-investor and Varagon with respect to such potential co-investment opportunities, co-investors will in many if not all cases generally not be required to share in broken-deal expenses that are paid by a Client, either with respect to a co-investment opportunity that is not consummated or with respect to other potential investments that such a Client seeks to make, notwithstanding that such co-investors would have participated in such investments alongside such a Client. Any such broken-deal expenses will be borne solely by one or more Clients depending on the expected participation in the relevant investment.

Additionally, third-party service providers will provide services to and paid for by Clients and also provide services to and paid for by Varagon. Discounts or other advantageous billing arrangements will vary among Clients depending on the service provider. From time to time, Varagon's service providers will offer discounts or other advantageous billing arrangements to Varagon for services that are exclusive to Varagon. To the extent that the Clients may benefit from such services, Varagon will allocate the expenses to the Clients, but also extend such discounts and billing arrangements associated with such services offered by the service provider. There will be times when Varagon benefits exclusively from the services, as well any discounts and billing arrangements associated with such services, due to the nature of the services and depending on the service provider.

#### *Speculative Investments*

The existence of performance-based compensation creates an incentive for Varagon to make or recommend more aggressive or speculative investments on behalf of certain Clients, and to spend more time on such investments, than would otherwise be the case in the absence of such performance-based compensation. Some Clients prefer performance-based compensation for alignment of interest with Varagon, despite this potential incentive for Varagon to make more aggressive or speculative investments. Each Client should consider the risks and rewards inherent to performance-based compensation.

Client Governing Documents contain specific investment objectives, strategies, restrictions and guidelines that impact Varagon's ability to select or recommend investments. All investments for the Funds and the SMA Clients are subject to the approval of the ECC.

The acquisition of investments on behalf of the SDLP will require either the direct unanimous approval of both Varagon SDLP (a wholly owned subsidiary of VCC) and ARCC (acting in their capacity as managing members of the SDLP) or the unanimous approval of their respective representatives on the SDLP investment committee (the "SDLP Investment Committee").

#### *Valuation*

Varagon's Valuation Committee is composed of certain senior and management level employees of Varagon and is responsible for overseeing the valuation of loans, securities and other investments on behalf of Varagon's Clients. Varagon's valuation policies are consistent with generally accepted accounting principles and Accounting Standards Codification Topic 820, requiring that Varagon assign a "fair value" to certain investments representing "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date."

With respect to Varagon's investments, there is typically no or insufficient readily available market pricing information for an investment. As such, Varagon's valuation policy requires personnel to assign a price to the investment based on various factors and inputs and taking into account a variety of relevant pricing methodologies, which include pre-determined valuation principles for certain investment types and the use of unaffiliated third party pricing services and, or third party or proprietary valuation models. The valuation methodologies used to value certain investments will involve subjective judgments and valuations and may not be accurate. Certain valuation methodologies will also involve assumptions and opinions about future events, which may or may not turn out to be correct. Ultimate realization of the value of an asset depends to a great extent on economic, market and other conditions beyond Varagon's control.

Investments that are fair valued in accordance with Varagon's valuation policies generally will not have reliable market values. The fair value assigned by Varagon to such investments, as determined in good faith by Varagon in accordance with its valuation policies and procedures, may not match the next available and reliable market price or empirical value and, in retrospect, may not have been the price at which the investment could have been purchased or sold. There is no guarantee that the fair value as determined by Varagon will represent the value that will be realized by a Client on the eventual payoff or disposition of the investment or that would, in fact, be realized upon an immediate payoff or disposition of the investment. Valuations of private investments and private companies require judgment, are inherently uncertain, could fluctuate and are frequently based on estimates and not readily observable values. Our determinations of fair value could differ materially from the values that would have been used if an active market for these investments existed.

For certain Clients, Varagon's compensation could be reduced if Varagon determines to write-down the value of a portfolio investment, creating a disincentive for Varagon to do so. As a result, to the extent that Varagon values a portfolio investment higher than its current market value (or where such market values are unreliable), Varagon could benefit by receiving a management fee or incentive allocation that is increased by the impact, if any, of such valuation discrepancy. This benefit can create a potential or actual conflict of interest for Varagon and could reduce returns to investors in Funds and to SMA Clients.

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

Varagon provides investment advisory services to SMA Clients, which are separately managed accounts. The terms, guidelines, and objectives of each of these arrangements are negotiated at the time they were entered into with the SMA Clients and are set forth in the applicable Client Governing Documents. Currently, SMA Clients are institutional investors, such as insurance companies, insurance company affiliates and pension plans.

Investments in SDLP may be sourced by either Varagon or ARCC, and ultimately must be approved by the SDLP Investment Committee. Investors in the SDLP Securities are required to meet certain investor suitability criteria as set forth in the SDLP Agreements. The SDLP structure also includes two related Delaware statutory trust entities, formed solely for transactional convenience, through which investors invest in the senior note and intermediate funding note that have been issued by the SDLP.

Certain investors in the SDLP are also Clients of Varagon, but shall not be deemed to be Clients solely by virtue of investing in the SDLP.

As discussed in Item 4, above, Varagon also provides investment advisory services to Funds, including funds of one and pooled-investor vehicles, like VCAP and VSN. Fund Investors could become Clients of Varagon, but shall not be deemed to be Clients solely by virtue of investing in a Fund.

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

Varagon primarily invests in direct middle market loans on behalf of its Clients. Loans are primarily made to middle market companies in the following industries: business services; healthcare; technology, media, and telecommunications; and commercial and industrial. Varagon generally seeks to maximize its Client portfolios' risk-adjusted returns. Varagon utilizes multiple sources of information to inform its investment advice, including, but not limited to, quantitative and qualitative factors as well as its own methods of evaluation.

For each of the above-mentioned industries, Varagon has developed parameters to adequately assess risk acceptance in approved sectors and evaluate potential borrowers, financial sponsors, and investment opportunities.

Notwithstanding Varagon's efforts to identify and mitigate risk, Varagon's investment activities involve a significant degree of risk of loss that Clients should be prepared to bear. This section contains a discussion of the primary risks associated with Varagon's investment activities. However, it is not possible to identify all of the risks associated with investing. Some of the risks applicable to a Client will depend on the nature of the Client, the investment strategy or strategies and the types of investments held.

While Varagon seeks to manage each Client's account so that 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 complete loss and there can be no guarantee that a particular level of return will be achieved.

Clients should be aware that investment mandates are generally limited to certain types of investments (*e.g.*, leveraged loans) and might not be diversified. Varagon does not provide a complete and diversified investment program for Clients and expects that the assets it manages do not represent all of the Client's or investor's assets. Clients are responsible for appropriately diversifying their assets to guard against the risk of loss.

With respect to each Client, a more complete description of risks is available in the applicable Client Governing Documents for such Clients. The discussion below should not be viewed as a substitute for careful review of the relevant and more specific applicable Client Governing Documents.

### ***General Investment Risks***

There can be no assurance that the Clients' investment objectives will be achieved or that Varagon's investment strategies will be able to avoid losses. Varagon reserves the right to utilize

investment techniques which in certain circumstances can increase the adverse impact on Clients' portfolios. Clients also bear the risk that Varagon's investment style and selection process is out of favor in the market. All securities investments risk the loss of capital. The investment techniques and strategies and the nature of the securities to be purchased and traded by Varagon can increase this risk, and there can be no assurance that a Client will not incur losses. Many unforeseeable events cause sharp market fluctuations, which could adversely affect the Clients. The extent to which a Client will be able to achieve its investment objective will depend on the ability of Varagon to evaluate and develop the information it receives into a successful investment program.

### ***General Economic Conditions***

Various sectors of the global financial markets have experienced an extended period of adverse conditions. Market uncertainty increased dramatically, particularly in the United States and Europe, and adverse market conditions expanded to other markets. Market and economic conditions during recent years have caused significant disruption in the credit markets in particular. Concerns about the availability and cost of credit, the U.S. mortgage market, declining real estate markets in the U.S., economic conditions in the United States and Europe and the systemic impact of inflation or deflation, energy costs and geopolitical issues contributed to increased market volatility and diminished expectations for the U.S. economy. Increased market uncertainty and instability in both U.S. and international capital and credit markets, combined with declines in business and consumer confidence and increased unemployment, contributed to volatility in domestic and international markets. As a result of these market conditions, the cost and availability of credit was adversely affected by illiquid credit markets and wider credit spreads.

These difficult global credit market conditions adversely affected the market values of equity, fixed-income and other securities and these circumstances can continue or even deteriorate further. The short-term and long-term impact of these events is uncertain, but could have a material effect on general economic conditions, consumer and business confidence and market liquidity.

Investments made by Varagon can be sensitive to the performance of the overall economy. A negative impact on economic fundamentals and consumer and business confidence would likely increase market volatility and reduce liquidity, both of which could have an adverse effect on the performance of Client portfolios and these or similar events can affect Varagon's ability to execute its investment strategies.

General economic conditions will affect the activities of Clients. Varagon's investment strategy and the availability of opportunities satisfying each Client's risk-adjusted return parameters relies in part on the continuation of certain trends and conditions observed in the market for originated debt as well as the larger financial markets. No assurance can be given that such conditions, trends or opportunities will arise or continue, as applicable. Trends and historical events do not imply, forecast or predict future events and, in any event, past performance is not necessarily indicative of future results. There can be no assurance that the assumptions made, or the beliefs and expectations currently held, by Varagon will prove correct and actual events and circumstances could vary significantly. While Varagon expects that the current environment will yield attractive investment opportunities for Clients, investments are expected to be sensitive to the performance of the overall economy. A negative impact on U.S. or global economic fundamentals or consumer or business confidence will likely increase market volatility and reduce liquidity, both of which

could adversely affect the overall performance of borrowers to which Clients have extended loans, and these or similar events will affect the ability to execute the investment strategy pursued by Varagon.

The value of investments could fluctuate in accordance with changes in the financial condition of underlying borrowers and other factors that affect the markets in which Clients invest. Economic, political, global health, 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. Economic slowdowns or downturns could lead to financial losses in investments. In addition, many borrowers will be similarly subject to the same economic conditions, which could adversely impact the ability to repay loans made or acquired by a Client. As a result, underlying borrowers expected to be stable could operate, or expect to operate, at a loss or have significant variations in operating results, could require substantial additional capital to support their operations or maintain their competitive position, or could otherwise have a weak financial condition or be experiencing financial distress. Market conditions, including increased competition, could also cause a Client's portfolio to be comprised of assets that differ significantly from Varagon's expectations.

### ***Economic Recessions or Downturns***

Borrowers will be susceptible to market turbulence, economic downturns or recessions. During these periods, the value of a Client's portfolio will decrease if the Client is required to write down the values of investments. Adverse economic conditions will also generally decrease the value of a Client's equity investments (if any) and the value of collateral securing loans held by Clients. Economic slowdowns or recessions will lead to financial losses in Client portfolios and a decrease in revenues, net income and assets which would be expected to harm operating results. In addition, a prolonged economic downturn or recession could extend the investment time horizon by limiting Clients' ability to achieve timely liquidity events, such as a refinancing or sale of debt investments, and could ultimately impact Clients' ability to realize anticipated investment returns.

Additionally, private equity sponsors could suffer financial distress and, if so, be unable to provide the same level of managerial, operating or financial support to their portfolio companies that have borrowed from Clients. Where an investment has been subject to a recapitalization subsequent to a borrowing, the sponsor's net investment in the borrower could be reduced and the sponsor could be less willing to provide ongoing financial or other support to the borrower. This could result in increased risk of default. Varagon's beliefs regarding the availability of investment opportunities for its Clients over the next several years are based in part on assumptions regarding the amount of financing that will be available over such time period, each Client's ability to participate in such investments and other market, economic and related assumptions, some or all of which could not materialize as expected.

### ***Interest Rate Risk***

Interest rates in the United States having been at, or near, historic lows for an extended period have begun to rise as monetary authorities have sought to address inflation. As a result, borrowing costs for portfolio companies have increased. Certain borrowers may find this contributes to difficulty

servicing their debt obligations and may lead to an increase in default rates. Changes in interest rates could have a material negative impacts on Clients, the financial condition of borrowers, the valuations for loans, unanticipated repayments of loans, and pressure to renegotiate terms on existing loans.

### ***Business, Regulatory and Market Risks***

The investments made by Clients' portfolios involve a high degree of business and financial risk that can result in substantial losses. In particular, these risks could arise from changes in the financial condition or prospects of the entity in which the investment is made, for example, as a result of unexpected litigation against any such entity; changes in the value of collateral; changes in national or international economic and market conditions including, for example, interest rates, inflation rates, industry conditions, competition, technological developments, political events and trends, changes to tax laws and innumerable other factors; and changes in laws, regulations, fiscal policies, or political conditions of countries in which investments are made, including the risks of war (and associated policy responses such as sanctions) and the effects of terrorist attacks and security operations. Inflation has been rising and may disproportionately impact certain portfolio companies and industries that are unable to pass on price increases and may see margins and ability to service debt suffer as a result. Any of the preceding factors can substantially and adversely affect the performance of Varagon and, thereby, the Clients. None of these conditions will be within the control of Varagon.

In addition, Varagon's ability to successfully implement its strategy can entail a high degree of uncertainty. The possibility of partial or total loss of capital will exist and Clients should not invest unless they can readily bear the consequences of such loss.

Changes to the laws and regulations governing Varagon's operations could cause Varagon to alter its investment strategy in order to avail itself of new or different opportunities. These changes could result in material differences to the strategies and plans described herein and could result in shifting of Varagon's investment focus.

### ***Reliance on Personnel***

Each Client's success depends upon the diligence, skill and network of business contacts of Varagon's investment professionals. They evaluate, negotiate, structure, close and monitor investments in accordance with the terms of the Client Governing Documents. There can be no assurance that Varagon's personnel will continue to be associated with Varagon throughout the life of any Client. Unforeseen business, medical, personal or other circumstances could lead any such individual to terminate his or her relationship with Varagon. Such a loss, or loss of any senior investment professionals to which Varagon has access, could have a material adverse effect on a Client's ability to achieve its investment objective as well as on its financial condition and results of operations.

Varagon personnel, and any investment professionals that Varagon could subsequently retain, identify, evaluate, negotiate, structure, close, monitor and manage Client investments. Future success will depend to a significant extent on the continued service and coordination of Varagon personnel. If Varagon does not maintain its existing relationships with sources of investment

opportunities and does not develop new relationships with other sources of investment opportunities, Varagon could not be able to grow the Client investment portfolios. Furthermore, Varagon can offer no assurance that such relationships will generate investment opportunities.

Each Client's ability to achieve its investment objective will also depend on Varagon's ability to manage and grow the investments and earnings. This will depend, in turn, on Varagon's ability to identify, invest in and monitor borrowers that meet applicable investment criteria. The achievement of a Client's investment objective depends upon Varagon's execution of its investment process, its ability to provide competent, attentive and efficient services and, to a lesser extent, access to financing on acceptable terms. Varagon's team of investment professionals will have substantial responsibilities in connection with the management of various investment funds, accounts and investment vehicles. The personnel of Varagon could be called upon to provide managerial assistance to underlying borrowers. These activities could distract them from servicing new investment opportunities for any particular Client or slow a Client's rate of investment. Any failure to manage business and future growth effectively could have a material adverse effect on a Client's business, financial condition, results of operations and cash flows.

### ***Difficulty of Locating Suitable Investments***

The success of Varagon's investments will depend, in part, on its ability to source investments or originate loans on advantageous terms. There can be no assurance that Varagon will be able to identify a sufficient number of suitable investment opportunities to enable each Client to invest all of its funding commitments in opportunities that satisfy the Client's investment objectives or that such investment opportunities will lead to completed investments by such Client. The activity of identifying, completing and realizing an investment opportunity is highly competitive, requires a substantial amount of upfront work and involves a high degree of uncertainty. There can be no assurance that Varagon will be able to locate and complete portfolio investments which satisfy a Client's investment criteria and meet its rate of return objectives or that it will be able to invest fully its available capital. It is possible that competition for appropriate investment opportunities increase, which can reduce the number of opportunities available to the Clients and/or adversely affect the terms upon which such investment can be made. Other public and private entities, including commercial banks, commercial financing companies, BDCs, insurance companies, alternative investment vehicles and other private investment funds compete with Varagon to make the types of investments that Varagon plans to make on behalf of its Clients. Certain of these competitors are substantially larger, have considerably greater financial, technical and marketing resources than Varagon will have and offer a wider array of financial services. Market disruptions can also prevent Varagon from obtaining suitable investments. If Varagon is not able to successfully source, close and service suitable financing and other opportunities, it will not be able to achieve the Clients' investment objectives.

### ***Concentration of Investments***

The Clients participate in a limited number of investments and their portfolios are not widely diversified. Moreover, in the early stages of the investment of such portfolios, such portfolios will be concentrated in fewer investments, and thus, more exposed to the particular risks of an individual issuer or borrower, industry, geographic region or market. In addition, the ability of Varagon to diversify the risks of such portfolios' investments will depend upon the size,



characteristics, types and class of investments available. Lack of diversification (or a limited degree of diversification) increases risk because the aggregate return of a portfolio can be substantially adversely affected by the unfavorable performance of even a single investment.

The investments in each portfolio are subject to liquidity, market value, credit, repricing, default, recovery, interest rate, reinvestment and certain other risks. It is anticipated that the investments pursued by Varagon generally will be subject to greater risks than investment grade corporate obligations. These risks could be exacerbated to the extent that a Client portfolio is concentrated in one or more particular types of loans.

While a limited amount of concentration of certain loans in a Client portfolio with respect to any particular borrower, region or industry is expected to exist from time to time, the disposition of an investment by Varagon and any subsequent reinvestment in other investments by Varagon can result in a greater concentration in any one borrower, region or industry, and such concentration could subject Clients to a greater degree of risk with respect to defaults by such borrower, and such concentration of the Client's portfolio in any one industry or region could subject the Client to a greater degree of risk with respect to economic downturns relating to such industry or region.

### ***Projections***

Varagon makes investments for Clients' portfolios relying upon projections developed by Varagon, a prospective issuer or borrower or other third party source concerning such company's future performance and cash flow. Projections are inherently subject to uncertainty and factors beyond the control of Varagon, the issuer or borrower or such other sources. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of an issuer or borrower to repay indebtedness or realize projected values.

### ***Fraud by an Issuer or Borrower***

Of concern in investments in loans is the possibility of material misrepresentation or omission on the part of an issuer or borrower. As a consequence of such material misrepresentation or omission, the issuer's or borrower's ability to pay principal or interest under a loan and/or the collateral value can be different from that originally anticipated. Varagon will rely upon the accuracy and completeness of representations made by issuers or borrowers to the extent reasonable when it makes investments for Clients' portfolios, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to a Client's portfolio can be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

### ***Risk of Default***

The return of principal of loans will depend in large part on the creditworthiness and financial strength of borrowers. Varagon intends to monitor, on an ongoing basis, borrower creditworthiness. If there is a default by the borrower under a loan, Varagon will in many circumstances have contractual remedies pursuant to the loan agreements, including, in many cases, the sale of collateral. However, exercising such contractual rights may involve delays or costs, and any available collateral may prove to be unsaleable or saleable only at a price less than

the loaned amount, which could result in a loss to the Client. There can be no guarantee that legal action will allow for the recovery of all outstanding loan balances due to the Client. Varagon may choose to enter into forbearance agreements or delay legal action if it believes that such action improves the opportunity for a better outcome. The pursuit or delay of legal action may significantly increase the amount of time required to collect principal balances or lead to principal losses.

### ***Credit Risks of Debt Securities***

Debt portfolios are subject to credit and interest rate risk. “Credit risk” refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, subordination, lack or inadequacy of collateral or credit enhancement for a debt instrument affect its credit risk. Credit risk changes over the life of an instrument and securities which are rated by rating agencies are often reviewed and are subject to downgrade.

“Interest rate risk” refers to the risks associated with market changes in interest rates. Interest rate changes affect the value of a debt instrument indirectly. In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive impact on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

### ***Bankruptcy Considerations***

Companies in which the Clients invest can experience bankruptcy. In the event of a Chapter 11 filing by a borrower, the Bankruptcy Code of 1978, as amended (the “Bankruptcy Code”), authorizes the borrower to use a creditor’s collateral and to obtain additional credit by grant of a priority lien on its property, senior even to liens that were first in priority prior to the filing, as long as the borrower provides what the presiding bankruptcy judge considers to be “adequate protection” which sometimes but not always consist of the grant of replacement or additional liens or the making of cash payments to the affected secured creditor. The imposition of priority liens on a Client’s collateral would adversely affect the priority of the liens and claims held by such Client and could adversely affect such Client’s recovery on the affected loans.

The bankruptcy process has a number of significant inherent risks. Many events in a bankruptcy proceeding are the product of contested matters and adversary proceedings and are beyond the control of the creditors. A bankruptcy filing by a borrower can adversely and permanently affect the borrower. If the proceeding is converted to a liquidation, the value of the borrower often does not equal the liquidation value that was believed to exist at the time of such Client’s investment. The duration of a bankruptcy proceeding is also difficult to predict, and a creditor’s return on investment can be adversely affected by delays until a plan of reorganization or liquidation ultimately becomes effective. The administrative costs in connection with a bankruptcy proceeding are frequently high and would be paid out of the borrower’s estate prior to any return to creditors. Because the standards for classification of claims under bankruptcy law are vague, a Client’s

influence with respect to the class of securities or other obligations it owns can be lost by increases in the number and amount of claims in the same class or by different classification and treatment.

The bankruptcy process can involve substantial legal, professional and administrative costs, be subject to unpredictable and lengthy delays and negatively impact the underlying collateral and a Client's return on that particular investment.

### ***Expedited Investment Decisions; Opportunistic Investments***

Investment analyses and decisions by Varagon could be required to be undertaken on an expedited basis to take advantage of investment opportunities. While Varagon will generally not make an investment decision until it has conducted sufficient due diligence to make a determination as to the acceptability of the credit quality of the investment and the underlying issuer, in such cases, the information available to Varagon at the time of making an investment decision could be limited. Therefore, no assurance can be given that Varagon will have knowledge of all circumstances that could adversely affect an investment. Similar concerns could arise to the extent that a Client makes opportunistic investments in broadly syndicated debt. The circumstances of such investments could not facilitate the type of due diligence Varagon seeks to conduct in respect of direct lending investments. In addition, Varagon could rely upon independent consultants in connection with its evaluation of proposed investments. No assurance can be given as to the accuracy or completeness of the information provided by such independent consultants, and Clients could incur liability as a result of such consultants' actions.

### ***Pledge of Fee Streams***

Varagon, as part of its day-to-day liquidity management processes, obtains revolving credit leverage within prescribed limits. This use of leverage contributes to more efficient operations that Varagon believes, among other things, also benefit Clients. For example, Varagon can advance funds on behalf of a Client on short notice to pay for a Client expense or investment until such time as the Client reimburses Varagon without interest. In connection with entering into such leverage facilities, Varagon and its affiliates pledge certain assets to the applicable lender to secure the loan, including fee income due and payable to Varagon from Clients for its investment advisory services. If Varagon defaults on paying amounts due to its lender, the lender will be entitled to divert such pledged fee income to the lender instead of Varagon. While Varagon generally would continue to provide advisory services to its Clients, the loss of its fee income from Client accounts under these circumstances could incentivize Varagon (or its affiliates) to allocate fewer resources to the management of its Client accounts.

### ***Lender Liability and Equitable Subordination***

A number of judicial decisions in the United States have upheld the right of borrowers to pursue lending institutions and others on the basis of various evolving legal theories (collectively termed "[lender liability](#)"). Generally, lender liability is founded upon the premise that a lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower that creates a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain investments Varagon makes for Clients, Varagon or such Clients could be subject to allegations of lender liability.

In addition, under common law principles in the United States that, in some cases, form the basis for lender-liability claims, if a lender (a) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (b) engages in other inequitable conduct to the detriment of such other creditors, (c) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (d) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court can elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called “equitable subordination”). Varagon does not intend to engage in, or cause the Clients to engage in, conduct that would form the basis for a successful cause of action for lender liability, including the equitable subordination doctrine; however, because of the nature of the debt obligations, Varagon and the Clients could be subject to claims from creditors of an obligor that debt obligations of such obligor which are held in Clients’ portfolios should be equitably subordinated or that Varagon or the Clients should otherwise be liable for claims of lender liability.

The preceding discussion regarding lender liability is based upon principles of U.S. federal and state laws. With respect to investments in a non-U.S. issuer, laws of certain non-U.S. jurisdictions can also impose liability upon lenders or bondholders under factual circumstances similar to those described above, with consequences that might be analogous to those described above under U.S. federal and state laws.

### ***Structural Subordination***

A borrower that a Client invests in can own some or all of its assets through subsidiaries, which can be pledged in favor of the senior lenders to such subsidiaries. Accordingly, any proceeds in case of a foreclosure by the senior lender, winding up or liquidation of such borrower’s subsidiary must first be used to cover claims of the senior lenders to such subsidiaries. Such subsidiaries at times are not special purpose bankruptcy remote entities and creditors, in addition to the senior lenders, can have claims to the assets of such subsidiaries, which can be senior to, *pari passu* with or subordinate to the claims of the related borrower and/or the applicable Clients. As a result, such Clients can therefore fail to realize any proceeds from the sale or the liquidation of any such subsidiary’s assets in the case of a foreclosure, winding up, liquidation or a similar event with respect to such subsidiary.

### ***Litigation***

Lending can be contentious and adversarial. It is by no means unusual for participants to use the threat of, as well as actual, litigation as a negotiating technique. Varagon or the Clients risk being named as defendants in civil proceedings, and the expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments can be material.

### ***Private and Middle Market Companies***

Varagon originates loans to issuers, including, but not limited to, private and middle market companies, which involve a number of particular risks that do not exist in the case of large public companies, including that:

- these companies generally have more limited access to capital and higher funding costs, can be in a weaker financial position, could need more capital to expand or compete, and are often unable to obtain financing from public capital markets or from traditional sources, such as commercial banks, which increases the risk of their defaulting on their obligations, leaving creditors, such as Clients' portfolios, dependent on any guarantees or collateral they have obtained;
- these companies frequently have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- there would not be as much information publicly available about these companies as would be available for public companies and such information likely would not be of the same quality, and the Clients will rely on the ability of Varagon's investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If they are unable to uncover all material information about these companies, Varagon risks not making an informed investment decision and losing money on the Clients' investments;
- these companies are more likely to depend on the management talents and efforts of a small group of persons; as a result, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on these companies' ability to meet their obligations;
- these companies generally have less predictable operating results, and from time to time can be parties to litigation, engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and
- the frequency and volume of the trading of these companies can be substantially less than is typical of larger companies and as such it could be more difficult for Varagon to exit the investment in the company at its then fair value.

### ***Loan Origination***

Varagon originates loans, including, but not limited to, floating and fixed-rate, long-term, middle market, unitranche, and unleveraged loans, mezzanine investments and investments in other loan markets. Varagon can subsequently offer such investments for sale to third parties; *provided* that there is no assurance that Varagon will complete the sale of such an investment. In determining the target amount to allocate to such an investment, Varagon takes into consideration the fact that it expects to sell, assign or offer participations in such investment to the third parties described above. Accordingly, if Varagon is not successful in offering such participations, this could result in Clients' portfolios being "overweighted" with respect to a particular issuer or borrower.

### ***Senior Loans Risk***

Varagon invests the assets of Clients' portfolios opportunistically in senior secured loans. Senior secured loans are usually rated below investment grade or can also be unrated. As a result, the risks associated with senior secured loans are considered by credit rating agencies to be similar to the risks of below investment grade fixed income instruments, although senior secured loans are senior and secured in contrast to other below investment grade fixed income instruments, which are often subordinated or unsecured. Investment in senior secured loans rated below investment grade is considered speculative because of the credit risk of their issuers. Such companies are more likely than investment grade issuers to default on their payments of interest and principal owed to Clients' portfolios, and such defaults could have a material adverse effect on the performance of the investments.

An economic downturn would generally lead to a higher non-payment rate, and a senior secured loan can lose significant market value before a default occurs. Moreover, to the extent a Client invests in senior secured term debt, unitranche debt and second lien secured debt, it will generally take a security interest in the available assets of the applicable borrowers, including, in certain cases, equity interests in their subsidiaries. While the Clients directly or indirectly invest in secured loans that often are over-collateralized at the time of the investment, they can nonetheless be exposed to losses resulting from default and foreclosure, and there can be no assurance that the liquidation of any such collateral would satisfy the applicable borrower's obligation in the event of non-payment of scheduled interest or principal payments with respect to such investment, or that such collateral could be readily liquidated. In addition, in the event of bankruptcy of a borrower, a Client could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing an investment. Under certain circumstances, collateral securing an investment can be released without the consent of Varagon. Moreover, a Client's investments in secured debt risk being unperfected for a variety of reasons, including the failure to make required filings by lenders, trustees or other responsible parties and, as a result, such Client might not have priority over other creditors as anticipated. The Clients can also invest in high yield securities and other unsecured investments, each of which involves a higher degree of risk than senior secured loans. A Client's right to payment and its security interest, if any, can be subordinated to the payment rights and security interests of more senior creditors. Certain of these investments can have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. In this case, a borrower's ability to repay the principal of an investment can be dependent upon a liquidity event or the long-term success of the company, the occurrence of which is uncertain. Senior secured loans are subject to a number of risks described elsewhere in this Agreement, including liquidity risk and the risk of investing in below investment grade fixed income instruments.

There is less readily available and reliable information about most senior secured loans than is the case for many other types of securities, including securities issued in transactions registered under the U.S. Securities Act of 1933, as amended, or registered under the U.S. Securities Exchange Act of 1934, as amended. As a result, Varagon will rely primarily on its own evaluation of a borrower's credit quality rather than on any available independent sources. Therefore, Clients will be particularly dependent on the analytical abilities of Varagon.

### ***Investment Liquidity Risk***

In general, the secondary trading markets for Varagon's investments are not well developed. No active trading market exists for certain investments, which makes it more difficult to value them. Illiquidity and adverse market conditions could mean that Varagon would not be able to sell investments quickly or at a fair price. To the extent that a secondary market does exist for certain investments, the market for them is subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods.

### ***Subordinated Loans or Securities***

Varagon can invest the assets of Clients' portfolios opportunistically in subordinated loans or securities or interests in pools of securities that are subordinated or could be subordinated in right of payment and ranked junior to other securities issued by, or loans made to obligors. If an obligor experiences financial difficulty, holders of its more senior securities will be entitled to payments in priority to such portfolios.

In addition, many of the obligors are highly leveraged and many of the investments made by Varagon will be in securities which are unrated or rated below investment grade. Such investments are subject to additional risks, including an increased risk of default during periods of economic downturn, the possibility that the obligor is not able to meet its debt payments and limited secondary market trading, among other risks.

During an economic downturn, a sustained period of rising interest rates, contraction of the loan market in response to regulatory changes, unconventional extreme economic conditions, deflation, inflation, an increase in commodities prices, or a period of fluctuating exchange rates (in respect of those obligors located in non-U.S. countries), such obligors are more likely to experience financial stress and fail to meet their debt obligations due to the obligors' inability to meet specific projected business forecasts or the unavailability of financing. All risks associated with such investments will be materially borne by the Clients.

### ***No Restrictions on Credit Quality***

Other than Varagon's credit review processes, there are generally no restrictions on the credit quality of the investments of its Clients. Securities or loans in which the Clients invest can be deemed by rating companies to have substantial vulnerability to default in payment of interest and/or principal. Other securities and loans might be unrated. Lower-rated and unrated securities or loans in which a Client invests have large uncertainties or major risk exposures to adverse conditions, and are considered to be predominantly speculative. Generally, such securities and loans offer a higher return potential than higher-rated securities and loans, but involve greater volatility of price and greater risk of loss of income and principal.

The market values of certain of these unrated loans and securities also tend to be more sensitive to changes in economic conditions than rated debt securities. The value of such unrated loans or securities 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.

### ***Lack of Controlling Equity Interests***

Because Varagon does not generally expect its Clients to hold controlling equity interests in underlying borrowers, the Clients will not typically be in a position to exercise control over their borrowers or to prevent decisions by management of borrowers that could decrease the value of the Clients' investments. Accordingly, the Clients are subject to the risk that a borrower makes business decisions with which Varagon disagrees, and the stockholders and management of an underlying borrower could take risks or otherwise act in ways that are adverse to a Client's interests. Due to the lack of liquidity for the debt and equity investments that Varagon typically expects a Client to hold in borrowers and transfer restrictions imposed on such investments, Varagon might not be able to dispose of a Client's investments in the event Varagon disagrees with the actions of a borrower, and could therefore suffer a decrease in the value of such Client's investments.

### ***Taking Possession of Underlying Collateral***

The Clients might take possession of collateral including, without limitation, an asset or business, through a purchase or foreclosure action. There can be no assurance that Varagon or any management team established by Varagon will be able to successfully operate, hold or maintain the collateral in accordance with the Clients' expectations, or that a Client will be able to profit from its investment in such collateral.

### ***Risks Associated with Private Debt Investments***

Any private debt investments made by the Clients are likely to be below-investment grade. Such underlying borrowers often face intense competition (including competition from companies with greater resources and capabilities), changing business and economic conditions or other developments which could adversely affect their performance. The success of such borrowers will depend on their management, among other things, and there can be no assurance that their performance will meet any Client's expectations. When a Client holds a non-controlling interest in borrowers, it might have to rely solely on contractual covenants (which at times are not available) to protect its position in such borrowers. In addition, if the private indebtedness is subordinated to senior indebtedness, the ability of a Client to influence a company's affairs, especially during periods of financial distress or following insolvency, is likely to be substantially less than that of senior creditors. There can be no assurance that a borrower will generate sufficient cash necessary to service its debt obligations, and, in any such case, such Client could suffer a partial or total loss of invested capital.

### ***Variable and Floating Rate Instruments***

The Clients invest in floating rate debt instruments ("floaters"). The interest rate on a floater is a variable rate which is tied to another interest rate, such as a money-market index or SOFR. The interest rate on a floater resets periodically, typically every three months. Because of the interest rate reset feature, floaters provide the Clients with a certain degree of protection against rises in interest rates, although the Clients will participate in any declines in interest rates as well, such as during a period of economic uncertainty such as, for example, events surrounding the COVID-19 pandemic. The Clients also can invest in inverse floaters. An inverse floating rate instrument can



exhibit greater price volatility than a fixed rate obligation of similar credit quality. In addition, some variable or floating rate instruments are structured with put features that permit holders to demand payment of the unpaid principal balance plus accrued interest from the issuers or certain financial intermediaries. Varagon is not required to hedge these risks. Therefore, such instruments risk not achieving their expected return.

### ***Loan Syndications***

The Clients invest in loans and other similar forms of debt either directly (by way of direct lending or assignment) or indirectly (by way of participation). Such forms of indebtedness are different from traditional debt securities in that debt securities are typically part of a large issue of securities to the public and loans and similar debt instruments are not expected to be securities, but represent a specific commercial loan to a borrower. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a contracting party under the loan agreement with respect to the loan; however, its rights can be more restricted than those of the assigning institution. When purchasing indebtedness, a Client assumes the credit risk associated with the corporate borrower.

### ***Potential Failure to Syndicate or Sell Down Investment Allocations***

From time to time with the consent of the applicable Clients, Varagon accepts an investment allocation from a borrower that could exceed the aggregate target hold size set for such Clients. In any such event, Varagon can elect to syndicate such excess amount to other lenders or to offer a Client the opportunity to co-invest in such investment in excess of the initial investment, if any, allocated to that Client by Varagon in accordance with Varagon's allocation policies and procedures. To the extent Varagon ultimately is unable to syndicate or otherwise sell down any such excess allocation to other lenders, another Client or other market participants, one or more Clients might hold an allocation of such investment that is greater than initially anticipated, which could increase such Clients' risk. There is no guarantee that Varagon will be able to successfully syndicate such excess investment amounts on behalf of its Clients.

### ***General Risks Arising from Purchases of Debt on a Secondary Basis***

The Clients could invest in loans and debt securities acquired on a secondary basis. The Clients are unlikely to be able to negotiate the terms of such debt as part of its acquisition and, as a result, these investments might not include some of the covenants and protections the Clients generally seek. Even if such covenants and protections are included in the investments held by a Client, the terms of the investments can provide underlying borrowers substantial flexibility in determining compliance with such covenants. In addition, the terms on which debt is traded on the secondary market tends to represent a combination of the general state of the market for such investments and either favorable or unfavorable assessments of particular investments by the sellers thereof.

### ***Risks of Mezzanine Debt***

The Clients might make or hold mezzanine debt investments, which will generally be subordinated to senior secured loans and will generally be unsecured or have a subordinated secured interest. This can result in an above average amount of risk and volatility or a loss of principal. These investments involve additional risks that could adversely affect investment returns. To the extent

interest payments associated with such debt are deferred, such debt can be subject to greater fluctuations in valuations, and such debt could subject the Clients to non-cash income. Since the Clients will not receive cash prior to the maturity of some of its mezzanine debt investments, such investments are of greater risk than cash paying loans.

### ***Private Debt Terms***

A private debt investment might have a contractual return that is not paid entirely in cash, but rather partially or wholly in-kind or as an accreting liquidation preference, thus lengthening the time before cash is received, and increasing a Client's risk exposure to the borrower. While Varagon seeks to achieve a Client's targeted returns for a given investment, including private debt, other factors, such as overall economic conditions, the competitive environment and the availability of potential purchasers of the debt, can shorten or lengthen such Client's holding period and some investments can take several additional years from the initial investment date to achieve a realization. In some cases, a Client can be prohibited by contract from selling or assigning certain loans for a period of time. If a Client is required to liquidate all or a portion of its portfolio positions quickly, then such Client can realize significantly less than the value at which such Client previously recorded those investments.

### ***Convertible Securities***

Convertible securities are bonds, debentures, notes, preferred stocks or other securities that can be converted into or exchanged for a specified amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security can be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a Client is called for redemption, such Client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on a Client's ability to achieve its investment objective.

### ***Equity Investments***

A Client can make selected equity investments in connection with its debt-related investment strategy. In addition, when a Client invests in mezzanine debt or senior secured loans, such Client can acquire warrants to purchase equity investments from time to time. Varagon will generally seek to ultimately dispose of these equity investments and realize gains upon the disposition of such interests. However, the equity investments a Client receives might not appreciate in value and, in fact, can decline in value. Accordingly, such Client might not be able to realize gains from its equity investments, and any gains that such Client does realize on the disposition of any equity investments might not be sufficient to offset any other losses it experiences.

### ***Non-U.S. Investments***

Investing in companies outside of the United States involves certain considerations not usually associated with investing in the United States, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of assets and general social, political and economic instability; the evolving and unsophisticated laws and regulations applicable to secured lending in certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that can restrict a Client's investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, a Client could be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It could also be difficult to enforce a Client's rights in such markets. For example, certain protections accorded to a Client under U.S. laws and regulations are unavailable for transactions with certain non-U.S. counterparties.

### ***Multiple Layers of the Capital Structure***

Varagon has the ability to invest in multiple layers of the capital structure of the same issuer, including senior debt, subordinated or junior debt or equity, and holders of such tranches can have diverging economic interests. In the case of a non-performing issuer, this could create a variety of conflicts to be resolved by the ECC, on behalf of the Clients or the SDLP Investment Committee, on behalf of the SDLP.

Furthermore, different Clients of Varagon could be invested in different layers of the capital structure of the same issuer, which could again create various conflicts and as such Varagon can vote or take other actions differently with respect to each Client's interest depending on what part or parts of such issuer's capital structure Varagon has invested into on behalf of a particular Client.

Where appropriate, the ECC or SDLP Investment Committee, as applicable, will use independent directors and/or third party advisors (including an advisory board) to help resolve such conflicts.

See Item 11 – *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*, below.

### ***Use of Leverage***

Varagon can utilize leverage as a part of a Client's investment strategy. Although the use of leverage can enhance returns and increase the number of investments that can be made, it also substantially increases the risk of loss. Amounts borrowed by a Client will be subject to interest costs, which will be an expense of such Client, and, to the extent not covered by income attributable to the assets acquired, will adversely affect the operating results of such Client. If a Client defaults on a borrowing, the lender will be entitled to liquidate the assets pledged to secure the loan on such terms as the lender determines.

Furthermore, any debt facility into which a Client enters could impose financial and operating covenants that restrict business activities, ability to call capital, remedies on default and similar matters as discussed in more detail below. In connection with borrowings, lenders could also require a Client to pledge assets, capital commitments and/or the proceeds of capital calls. Debt facilities into which a Client enters could be subject to periodic renewal by lenders, and there can be no guarantee that lenders will continue to extend credit to any Client. Also, a Client could be unable to obtain its desired leverage, which would, in turn, affect its return on capital, resulting in reduced rates of return relative to projections.

### ***Leveraged Nature of Underlying Borrowers***

The companies in which the Clients invest could employ considerable leverage, a significant portion of which can be at floating interest rates. The leveraged capital structure of the borrowers will increase the sensitivity of the Clients' investments to any deterioration in a company's revenues, condition or industry, competitive pressures, an adverse economic environment or rising interest rates. In the event any such borrower cannot generate adequate cash flow to meet debt service, the Clients might suffer a partial or total loss of capital invested in the borrower, which, given the size of the Clients' investments, could adversely affect the investment returns of the Clients.

### ***Exposure to Financial Institutions***

Varagon has the ability to invest in financial instruments issued by financial institutions, such as investment and commercial banks, insurance companies, savings and loan associations, mortgage originators and other companies engaged in the financial services industry (collectively, "financial institutions"). In addition, financial institutions will act as counterparties to Varagon's Clients in connection with such Client's investment activities and can provide certain services to such Client. Clients can also gain exposure to these entities through derivative transactions, including, without limitation, options, credit default swaps and credit linked notes, and through long and short strategies. In the course of conducting their business operations, financial institutions are exposed to a variety of risks that are inherent to the financial services industry. Significant risks that could affect the financial condition and results of operations of financial institutions include, but are not

limited to, fluctuations in interest rates, exchange rates, equity and commodity prices and credit spreads caused by global and local market and economic conditions; credit-related losses that can occur as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations; the potential inability to repay short-term borrowings with new borrowings or assets that can be quickly converted into cash while meeting other obligations; operational failures or unfavorable external events; potential changes to the established rules and policies of various U.S. and non-U.S. legislative bodies and regulatory and exchange authorities, such as federal and state securities, bank regulators and industry participants; risks associated with litigation, investigations and/or proceedings by private claimants and governmental and self-regulatory agencies arising in connection with a financial institution's activities; and its continuing ability to compete effectively in the market.

### ***Financial Institution Risk; Distress Events***

An investment in our Clients (including that of our Clients portfolio companies) is subject to the risk that one of the Clients' financial institutions fail to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty (similar to that experienced by Silicon Valley Bank and Signature Bank in March 2023) (each, a "Distress Event"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a financial institution experiences a Distress Event, Varagon, the Clients and/or their portfolio companies may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. Although assets held by regulated financial institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation, in the case of banks, or the Securities Investor Protection Corporation, in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of loss, and any non-U.S. financial institutions that are not subject to similar regimes pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on our ability to manage the Funds and their investments, and on the ability of Varagon, any Client and/or portfolio companies to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Such losses have the potential to include a Client having to pay fees and expenses in the event the Client is not able to close a transaction (whether due to the inability to draw capital on a credit line provided by a financial institution experiencing a Distress Event, the inability of investors to make capital contributions or otherwise), as well the inability of a Client to acquire or dispose of investments at prices that the relevant general partner believes reflect the fair value of such investments and/or the inability of portfolio companies to make payroll, fulfill obligations and maintain operations. Although we expect to exercise contractual remedies under the agreements with financial institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays.

Many financial institutions require, as a condition to using their services or otherwise, that Varagon and/or the relevant Clients maintain all or a set amount or percentage of their respective accounts

or assets with a qualified custodian, which heightens the risks associated with a Distress Event with respect to such custodians. Although we seek to do business with custodians that we believe are creditworthy and capable of fulfilling their respective obligations to the Funds, we are under no obligation to use a minimum number of custodians with respect to any Fund, or to maintain account balances at or below the relevant insured amounts.

### ***State Licensing Requirements***

Varagon could be required to obtain various state licenses in respect of a Client in order to, among other things, originate or acquire commercial loans, and could also be required to obtain similar licenses from other authorities, including outside the United States in connection with one or more investments. Applying for and obtaining required licenses can be costly and take several months. There is no assurance that Varagon will obtain all of the licenses that it needs on a timely basis. Furthermore, a Client will be subject to various information and other requirements in order to obtain and maintain these licenses, and there is no assurance that such Client will satisfy those requirements. The failure to obtain or maintain licenses might restrict investment options and have other adverse consequences.

### ***Follow-On Investments***

Varagon at times receives the opportunity to provide follow-on funding for an investment or to increase the Clients' original investment. There can be no assurance that Varagon will wish to make follow-on investments or that the Clients will have sufficient funds to do so. Any decision by Varagon not to make follow-on investments or its inability to make them can have a substantial negative impact on an investment or diminish Varagon's ability to influence the borrower's future development. Follow-on investments can create certain conflicts of interest, as described in Item 11 – *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*, below.

### ***Co-Investments***

Varagon provides co-investment opportunities to Clients, strategic relationships, service providers and related persons, and in allocating co-investment opportunities, Varagon can consider any factors it deems relevant, including, without limitation, the sophistication, transaction speed, tenure as a client, commitment to making co-investment funds available, commitment to invest in future Varagon products, or strategic expertise of the prospective co-investor. Co-investment arrangements will vary for each co-investor and will be negotiated by Varagon and such co-investor in the applicable governing documents for the co-investment. Co-investment opportunities could serve to induce additional investments from existing clients or attract new clients or investors to Varagon.

Any expenses associated with any proposed investment that is ultimately not consummated (including any portion of expenses that would have been allocable to co-investors had such proposed investment been consummated) will generally be borne by Clients to the extent allocable to such Clients. In addition, vehicles established to make co-investments will generally not bear certain fees and expenses that are borne by Clients, such as fees and expenses of third-party data feeds, subscriptions and reports, but such co-investment vehicles will generally indirectly receive the benefit of such services.

### ***Asset or Investment Valuation***

A significant portion of the assets in which Varagon invests are not readily marketable securities for which prices are available from third parties. Independent quotations for such positions will not necessarily be available, and, where available, will not necessarily provide a reliable indication of current value. Such quotations will not assure that the asset is as liquid as investments in the secondary market for more traditional investments, such as stocks and bonds.

As a result, if the Clients are forced to sell any such asset prematurely, they might not be able to realize the potential underlying value of such investment, and, in some cases, have to sell such investment at a loss. Assets that do not constitute liquid assets will generally be priced for trading purposes at market value as determined in good faith by Varagon, in accordance with its then-current valuation policies and procedures. In the absence of bad faith or manifest error, the value determinations of Varagon will be conclusive and binding on the Clients.

Because valuation of private securities and private companies is inherently uncertain, will fluctuate over short periods of time, and is often based to a large extent on estimates, comparisons and qualitative evaluations of private information, Varagon's determinations of fair value can differ materially from the values that would have been determined if a ready market for these securities existed. This could make it more difficult for the Client to value accurately the investments and could lead to undervaluation or overvaluation of investments.

There can be no assurance that the value assigned to an investment at a certain time will equal the value that the Clients are ultimately able to realize. See Item 6 – *Performance-Based Fees and Side-by-Side Management*, above.

### ***Legal, Regulatory and Tax Risks***

Legal, regulatory and tax changes have occurred and could occur in the future that adversely affect the Clients. For example, Varagon could make investments for Clients' portfolios in a number of different industries, some of which are or may become subject to regulation by one or more U.S. federal agencies and by various agencies of the states, localities and counties in which they operate. New and existing regulations, changing regulatory schemes and the burdens of regulatory compliance all can have a material negative impact on the performance of issuers that operate in these industries. For example, tax reforms passed in 2017 imposed additional limitations on the deductibility or the disallowance of interest deductions for debt, which could lead to reduced appetite for financing by privately-held middle market companies in which Varagon typically makes investments for Clients' portfolios.

Varagon cannot predict whether further new legislation or regulation governing those industries or the U.S. tax code will be enacted by legislative bodies or governmental agencies, nor can it predict what effect any such legislation or regulation might have, directly or indirectly, on the issuers of investments typically made by Varagon, the Clients' investments or the availability of investment opportunities in the middle market. There can be no assurance that new legislation or regulation, including changes to existing laws and regulations, will not have a material negative impact on the value of investments typically made by Varagon, the Clients' investment performance or any related investment opportunities. Furthermore, outcomes from any litigation

can be unpredictable, particularly for certain areas of law involving equitable remedies. As a result, Varagon will be unable to predict or fully mitigate against all potential impacts of litigation.

### ***Political, Social and Economic Uncertainty Risk***

Social, political, economic and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts and social unrest) will occur that create uncertainty and have significant impacts on issuers, industries, governments and other systems, including the financial markets, to which clients, borrowers or other investee companies are exposed. The business and operating results of our Clients' portfolio companies may be impacted by worldwide economic conditions, such as the economic impact that high inflation, central bank efforts to curb inflation, the COVID-19 pandemic and the Russian invasion of Ukraine have imposed, and may continue to impose, on the U.S. and worldwide economy. As global systems, economies and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region or financial market will, more frequently, adversely impact issuers in other countries, regions or markets, including in established markets such as the United States. These impacts can be exacerbated by failures of governments and societies to adequately respond to an emerging event or threat. Some of the products of our Clients' portfolio companies are developed, manufactured, assembled, tested or marketed outside the United States. Any conflict or uncertainty in these countries, including due to natural disasters, public health concerns (including the global COVID-19 pandemic), political unrest or safety concerns, could harm their business, financial condition and results of operations. In addition, if the government of any country in which their products are developed, manufactured or sold sets technical or regulatory standards for products developed or manufactured in or imported into their country that are not widely shared, it may lead some of their customers to suspend imports of their products into that country, require manufacturers or developers in that country to manufacture or develop products with different technical or regulatory standards and disrupt cross-border manufacturing, marketing or business relationships which, in each case, could harm their businesses.

Uncertainty can result in or coincide with: increased volatility in the global securities, derivatives and currency markets; a decrease in the reliability of market prices and difficulty in valuing assets; greater fluctuations in currency exchange rates; increased risk of default (by both government and private issuers); further social, economic, and political instability; nationalization of private enterprise; greater governmental involvement in the economy or in social factors that impact the economy; less, more or significantly different frameworks for governmental regulation and supervision of the securities markets and market participants and decreased or increased monitoring of the markets by governments or self-regulatory organizations and decreased or different enforcement of regulations; limited, or limitations on, the activities of investors in such markets; controls or restrictions on foreign investment, capital controls and limitations on repatriation of invested capital; inability to purchase and sell investments or otherwise settle security or derivative transactions (i.e., a market freeze); unavailability of currency hedging techniques; substantial, and in some periods extremely high, rates of inflation, which can last many years and have substantial negative effects on credit and securities markets as well as the economy as a whole; recessions; and difficulties in obtaining and/or enforcing legal judgments.



Client investments could also directly be affected by *force majeure* events (*i.e.*, events beyond the control of the company, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism and labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies and social instability). Any prolonged occurrence of infectious disease, or other adverse public health developments or natural disasters in the U.S. and any other country in which a Client invests or to which its underlying borrowers are otherwise exposed could have a material adverse effect on the macro economy and/or the business operations of borrowers. Some *force majeure* events could adversely affect the ability of any such companies to meet their obligations until they are able to remedy the *force majeure* event. These risks could, among other effects, adversely impact the cash flows available from a borrower, cause personal injury or loss of life, damage property, or instigate disruption of service. In addition, the cost to a borrower of repairing or replacing damaged assets resulting from such *force majeure* event could be considerable. *Force majeure* events that are incapable of or are too costly to cure could have a permanent adverse effect on a borrower. Certain *force majeure* events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which Clients invest or are exposed to through their investments. Additionally, a major governmental intervention into an industry, including the nationalization of an industry or the assertion of control over one or more borrowers or their assets, could result in a loss to Clients, including if an investment in such borrowers are canceled, unwound or acquired (which could be without what Varagon considers adequate compensation). Any of the foregoing could therefore adversely affect the performance of Clients and their portfolio investments.

Although it is impossible to predict the precise nature and consequences of these events, or of any political or policy decisions and regulatory changes occasioned by emerging events or uncertainty on applicable laws or regulations that impact the firm, its clients and their investments, it is clear that these types of events, will have a significant impact. The middle market companies in which clients invest could be significantly impacted by emerging events and uncertainty of this type and Clients will be negatively impacted if the value of their portfolio holdings decreases as a result of such events and the uncertainty they cause. There can be no assurance that emerging events will not cause a client to suffer a loss of any or all of its investments or interest thereon. Clients will also be negatively affected if the operations and effectiveness of the firm, its affiliates, any obligors, or borrowers, or their respective key service providers, are compromised or if necessary or beneficial systems and processes are disrupted.

### ***Availability of Insurance***

Certain losses of a catastrophic nature that could potentially impact all or any investments of Clients, such as wars, natural disasters, pandemics, terrorist attacks or other similar events, could be either uninsurable or insurable at such high rates that to maintain such coverage would cause an adverse impact on such investments. Client Funds generally do not maintain insurance for underlying borrowers and investments (over and above any insurance maintained by the borrowers or their private equity sponsors) to protect against certain risks, such as business interruption insurance that is intended to offset loss of revenues of a borrower during an operational

interruption. If a major, uninsured loss in respect of a borrower occurs, Clients could lose both invested capital in and anticipated profits from the affected investments.

In general, losses related to terrorism are becoming harder and more expensive to insure against. Most insurers are excluding terrorism coverage from their all-risk policies. In some cases, insurers are offering significantly limited coverage against terrorist acts for additional premiums which can greatly increase the total costs of casualty insurance for a property. As a result, not all investments can be insured against terrorism. If a major, uninsured loss occurs, an affected Client could lose both invested capital in and anticipated profits from the affected investments.

### ***LIBOR Discontinuation Risk***

The Alternative Reference Rates that have replaced LIBOR in Varagon's credit arrangements and other financial instruments may not yield the same or similar economic results as LIBOR over the life of such transactions. LIBOR is an index rate that historically was widely used in lending transactions and was a common reference rate for setting the floating interest rate on private loans. LIBOR was typically the reference rate used in floating-rate loans extended to Varagon's portfolio companies. The ICE Benchmark Administration ("IBA") (the entity that is responsible for calculating LIBOR) ceased providing overnight, one, three, six and twelve months USD LIBOR tenors on June 30, 2023. In addition, the United Kingdom's Financial Conduct Authority ("FCA"), which oversees the IBA, now prohibits entities supervised by the FCA from using LIBOR, including USD LIBOR, except in very limited circumstances.

In the United States, the Secured Overnight Financing Rate ("SOFR") is the preferred alternative rate for LIBOR. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, and is based on directly observable U.S. Treasury-backed repurchase transactions. SOFR is published by the Federal Reserve Bank of New York each U.S. Government Securities Business Day, for transactions made on the immediately preceding U.S. Government Securities Business Day. Alternative reference rates that may replace LIBOR, including SOFR for USD transactions, may not yield the same or similar economic results as LIBOR over the lives of such transactions.

Varagon's loans that referenced LIBOR have been amended to reference the forward-looking term rate published by CME Group Benchmark Administration Limited based on the secured overnight financing rate ("CME Term SOFR"). CME Term SOFR rates are forward-looking rates that are derived by compounding projected overnight SOFR rates over one, three, and six months taking into account the values of multiple consecutive, executed, one-month and three-month CME Group traded SOFR futures contracts and, in some cases, over-the-counter SOFR Overnight Indexed Swaps as an indicator of CME Term SOFR reference rate values. CME Term SOFR and the inputs on which it is based are derived from SOFR. Because CME Term SOFR is a relatively new market rate, there will likely be no established trading market for credit agreements or other financial instruments when they are issued, and an established market may never develop or may not be liquid. Market terms for instruments referencing CME Term SOFR rates may be different than those of later-issued CME Term SOFR indexed instruments. Similarly, if CME Term SOFR does not prove to be widely used, the trading price of instruments referencing CME Term SOFR may be lower than those of instruments indexed to indices that are more widely used.

### ***Information Technology and Cybersecurity Risks***

Varagon is heavily reliant on its information technology infrastructure, processes and procedures, and it has devoted significant resources to achieving competitive informational technology systems. Like other companies, Varagon, runs the risk of not being able to stay ahead of the rapid changes in information technology. Moreover, the occurrence of a disaster, such as a cyber-attack against Varagon or against a third party that has access to Varagon's data or networks, a natural catastrophe, an industrial accident, failure of Varagon's disaster recovery systems, or consequential employee or vendor error, could have an adverse effect on Varagon's ability to communicate or conduct business, negatively impacting Varagon's operations and financial condition. This adverse effect can become particularly acute if those events affect Varagon's electronic data processing, transmission, storage and retrieval systems or impact the availability, integrity or confidentiality of Varagon's data.

Varagon depends heavily upon computer systems to perform necessary business functions. Despite Varagon's implementation of a variety of security measures, Varagon's computer systems, networks, and data, like those of other companies, could be subject to cyber-attacks and unauthorized access, use, alteration, or destruction, such as from physical and electronic break-ins or unauthorized tampering. If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary and other information processed, stored in and transmitted through Varagon's computer systems and networks. Such an attack could cause, among other adverse effects, interruptions or malfunctions in Varagon's operations, misstated or unreliable financial data, misappropriation of assets or liability for stolen information, any of which could result in financial losses, litigation, regulatory penalties, client dissatisfaction or loss, reputational damage and increased costs associated with mitigation of damages and remediation.

Third parties with which Varagon does business (including vendors that provide Varagon with services) could also be sources of cybersecurity or other technological risk. Varagon outsources certain functions and these relationships allow for the storage and processing of Varagon's information as well as client, counterparty, employee and borrower information. While Varagon engages in actions to reduce its exposure resulting from outsourcing, ongoing threats could result in unauthorized access, loss, exposure or destruction, or other cybersecurity incident that affects Varagon's data, resulting in increased costs and other consequences, as described above. Varagon and its affiliates have implemented processes, procedures and internal controls to help mitigate cybersecurity risks and cyber intrusions, but these measures, as well as Varagon's increased awareness of the nature and extent of a risk of a cyber incident, could be ineffective and do not guarantee that a cyber incident will not occur or that Varagon's operations or confidential information will not be negatively impacted by a cybersecurity or cyber intrusion incident.

### ***Epidemics/Pandemics***

Certain countries may be susceptible to epidemics or pandemics, such as what we witnessed with COVID-19. The outbreak of such epidemics or pandemics, together with any resulting restrictions on travel or quarantines imposed, has had and will continue to have a negative impact on the worldwide economy, global markets and business activity globally (particularly with respect to economies of nations where the novel coronavirus has arisen including in the countries in which Clients invest), and thereby is expected to adversely affect the performance of Clients'

investments. Furthermore, the rapid development of epidemics or pandemics could preclude prediction as to their ultimate adverse impact on global economic and market conditions, including volatility in or disruption of the credit markets, and, as a result, presents material uncertainty and risk with respect to the Clients and the performance of their investments or operations, and could have a material adverse impact on the ability of Varagon and its Clients to make and sell investments, and the ability of Clients to achieve investment objectives.

### ***Relationships with Private Equity Sponsors***

Varagon could source investments through middle market companies directly but relies primarily on relationships with private equity sponsors. If the private equity sponsors with whom Varagon has relationships find new sources of debt financing that are more advantageous, or if Varagon suffers reputational harm that causes sponsors not to want to work with Varagon, Varagon might be unable to source sufficient investments of suitable quality. Moreover, Varagon could take actions to improve or preserve a relationship with a private equity sponsor that might not be in the Clients' short or long term best interest.

Additionally, private equity sponsors can suffer financial distress and, if so, be unable to provide the same level of managerial, operating or financial support to their portfolio companies that have borrowed from Varagon. Where an investment has been subject to a recapitalization subsequent to a borrowing, the sponsor's net investment in the borrower can be reduced and the sponsor might be less willing to provide ongoing financial or other support to the borrower. This could result in increased risk of default.

### ***Indirect Interests***

The SDLP issues various types of SDLP securities. Each SDLP security has different rights and features. The SDLP Notes (see Item 4 above) have different return priorities and the Subordinated Certificates, which will be held in part by Varagon SDLP, are subordinated to the SDLP Notes. Each Client considering investing into the SDLP should carefully review the SDLP indenture, return priorities (commonly referred to as the waterfall) and related documentation for each type of investment.

The risk return profile of an investment in the SDLP differs greatly from that of a direct investment in the assets owned directly by the SDLP.

### ***Investment in the Healthcare Sector***

A material proportion of Client investments are in underlying borrowers involved in the health care sector. Investment in these companies involve substantial risks, including, but not limited to, risks of the following, which could have adverse consequences for such investments and Clients: rapidly changing technologies and the obsolescence of products; changes in government policies and governmental investigations; potential litigation alleging negligence, products liability torts, breaches of warranty, intellectual property infringement and other legal theories; extensive and evolving government regulation; disappointing results from preclinical testing; indications of safety concerns; insufficient clinical trial data to support the safety or efficacy of a potential product; difficulty in obtaining all necessary regulatory product and/or manufacturing approvals in each proposed jurisdiction; inability to manufacture sufficient quantities of a product for

development or commercialization in a timely or cost-effective manner; and the fact that, even after regulatory approval has been obtained, a product and its manufacturer are subject to continual regulatory review, and any discovery of previously unknown problems with the product or the manufacturer could result in restrictions or recalls. Companies in this sector can often operate at a loss, or with substantial variations in operating results over time and can at various stages need significant additional capital to support additional research and development activities. Such companies may face intense competition in the healthcare industry from companies with greater financial resources, more extensive research and development capabilities and a larger number of qualified managerial and technical personnel. In addition, companies in which the Fund invests or the significant customers or counterparties of such companies may only have one product under development, and investments that focus on advancing a single asset through one or more clinical trials or regulatory approvals are somewhat binary in nature. If a company is dependent on that one product, the adverse consequences of such failure could be significant for such company and could negatively affect the performance of the Fund's investment in such company.

#### **Item 9: Disciplinary Information**

There are no legal or disciplinary events relating to Varagon that are material to a Client's or prospective client's evaluation of Varagon's advisory business or the integrity of Varagon's management. Other Financial Industry Activities and Affiliations

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

##### *Broker-Dealer Registration Status*

Neither Varagon nor its management persons, is registered as a broker-dealer and Varagon does not have any application pending to register with the SEC as a broker-dealer. Varagon utilizes the sales team of its affiliate, Man Investments Inc. ("MII"), to assist in the marketing of its investment services. MII is a limited purpose broker-dealer registered with the SEC and a member of Financial Industry Regulatory Authority, Inc. ("FINRA"). MII acts as solicitor, selling agent and/or investor servicing agent for certain Varagon Clients and Funds for which it may be compensated as agreed between Varagon and MII.

##### *Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status*

Varagon is not a commodity pool operator.

##### *Material Relationships or Arrangements with Industry Participants*

Varagon is affiliated and under common ownership with VCC Advisors LLC, an investment adviser registered with the SEC, whose sole client is a business development company, VCC. Varagon and VCC Advisors LLC share office space in New York.

Varagon is affiliated and under common ownership with the following New York-based entities: GLG LLC, an investment adviser registered with the SEC and a commodity pool operator registered with the CFTC and a member of the NFA; Man Solutions LLC, an investment adviser registered with the SEC and a commodity pool operator and commodity trading advisor registered

with the CFTC and a member of the NFA; Silvermine Capital Management LLC, an investment adviser registered with the SEC; and Man Investments Inc., a limited purpose broker-dealer registered with the SEC and member of FINRA which provides marketing and placement agent services to certain of the Firm's Funds, as well as marketing and sales services to the Firm and its affiliated entities.

In addition, Varagon is affiliated and under common ownership with Man Global Private Markets (USA) Inc., an investment adviser registered with the SEC based in Charlotte, NC with an office in New York, NY and Numeric Investors LLC, based in Boston, MA with an office in New York, NY, which is an investment adviser registered with the SEC, a commodity pool operator registered with the CFTC and a member of the NFA.

Varagon does not share office space in New York with any of the aforementioned affiliated investment advisers. Varagon shares office space with Man Investments Inc.

Varagon is also affiliated and under common ownership with the following London-based entities which are authorized and regulated by the Financial Conduct Authority: Man Global Private Markets UK Ltd, which is an investment adviser registered with the SEC and exempt commodity pool operator; GLG Partners LP, an investment adviser registered with the SEC, a commodity pool operator registered with the CFTC and a member of the NFA; AHL Partners LLP, an investment adviser registered with the SEC, a commodity pool operator and commodity trading advisor registered with the CFTC and a member of the NFA; and Man Solutions Limited, an investment adviser registered with the SEC, a commodity pool operator registered with the CFTC and a member of the NFA.

Furthermore, Varagon is affiliated and under common ownership with Man Investments Australia Limited an investment adviser registered with the SEC and licensed by the Australian Securities and Investments Commission based in Australia.

Varagon's investment management and operations functions and those of Man are generally autonomous and operate separately from each other. This arrangement is intended to limit the dissemination of material non-public information and to permit the investment management, trading and operations functions of each firm to operate without regard to or interference from the other. If we share information with, or receive information from, Man in connection with prospective or existing investments in the private market, appropriate controls are implemented with respect to the exchange of such information in order to limit potential conflicts of interest and to ensure that the sharing of such information does not violate our internal information barrier policy or contravene applicable law or regulation. We have adopted policies and procedures with respect to the containment and the use of confidential information within Varagon.

Varagon Capital Partners Agent, LLC ("Varagon Agent"), an affiliate of Varagon, acts as master servicer for certain senior loans held by loan syndicates in which both Clients and non-client lenders participate, in accordance with the credit agreements governing the loan and the loan syndicate (the "Loan Documents"). Servicing involves collecting and distributing loan proceeds or payments between borrowers and lenders, including Varagon Clients (each such loan, a "Client Loan" and any related funds, "Client funds"). With respect to each Client Loan, Varagon Agent retains a sub-servicer that is not affiliated with Varagon to perform, on a day-to-day basis, this and

traditional services pursuant to the Loan Documents. In performing these functions, the sub-servicer is obligated to abide by the requirements set forth in the Loan Documents as well as negotiated guidelines regarding the movement of funds. The sub-servicer maintains practices and procedures regarding servicing activities reasonably designed to assure proper receipt and distribution of funds to and from borrowers and syndicate members, including Clients. To facilitate this, a bank account is maintained (each such account, an “Agency Account”), which receives and holds Client funds as well as funds contributed by or due to other syndicate participants or borrowers and from which funds are distributed as set forth in the Loan Documents. The bank will not be affiliated with Varagon but could be affiliated with, or act as, a sub-servicer. No loans or securities are held in any Agency Account and neither Varagon nor Varagon Agent is identified as an owner of, or granted authority to withdraw funds from, any Agency Account – rather the account is in the name of the sub-servicer or the bank. Moreover, to the extent funds are received into the Agency Account by Varagon Agent or the sub-servicer, they are received solely in an agency capacity for the benefit of the loan syndicate participants. In the event that Varagon Agent terminates the sub-servicer, Varagon Agent, the bank and the sub-servicer will cooperate on a transition plan to a new bank but it is not expected that this will result in Varagon Agent assuming control over Client funds. In light of these arrangements, Varagon Agent does not control the Agency Account nor can Varagon Agent, Varagon or their respective personnel withdraw Client funds from the Agency Account. Varagon Agent is compensated by the borrower for these activities and is obligated to compensate the sub-servicer. Varagon, therefore, has an incentive to select Varagon Agent as servicer for Client Loans. While Varagon Agent currently uses the same sub-servicer for all its Agency Accounts, Varagon Agent could have an incentive to select other sub-servicers whose rates are lower such that Varagon Agent would retain relatively more of the servicing fees paid by the borrower.

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

### *Code of Ethics*

Varagon operates under a code of ethics (in accordance with Rule 204A-1 under the Advisers Act) and a set of written policies and procedures (in accordance with Rule 206(4)-7 under the Advisers Act).

Varagon’s policies and procedures, including its code of ethics, personal trading policies and procedures and insider trading policies, have been reasonably designed to address potential conflicts of interests that arise in connection with Varagon’s business. Among other things, the code of ethics requires that employees adhere to the highest standards of professional and ethical conduct, act with integrity, place the interests of Clients above their own, avoid actual and potential conflicts of interest and comply with applicable provisions of the federal securities laws.

### *Personal Investments*

While Varagon permits its employees to engage in personal securities transactions, its code of ethics is designed to address potential conflicts of interest that such transactions may present. Certain Varagon personnel, including investment personnel, are permitted to invest in reportable securities or other financial instruments in accounts in which they have direct or indirect beneficial

ownership or control, provided they obtain pre-approval from the chief compliance officer, or any designee of the chief compliance officer (“CCO”) in accordance with Varagon’s policies and procedures. Such personnel are also required to obtain pre-approval from the CCO to acquire, directly or indirectly, any beneficial ownership in any limited offering (*i.e.*, a private placement) or initial public offering and to make or sell personal investments in private companies unaffiliated with Varagon. In addition, to further help identify and avoid potential conflicts of interest involving personal trades, Varagon’s investment professionals are required periodically to report certain securities holdings.

Varagon expects that personnel who are called upon to make a decision with respect to a company in which they have a direct or indirect financial interest will inform the CCO of the conflict and take steps such as recusal of conflicted personnel from the decision. Varagon believes that this culture of compliance and the restrictions on personal trading and extensive pre-approval and reporting requirements included in its code of ethics will generally be sufficient to mitigate such conflicts and preserve Varagon’s ability to discharge the fiduciary duties it owes to its Clients in the Clients’ best interests.

Nevertheless, there is a possibility that Varagon could recommend to Clients the purchase or sale of securities of issuers in which Varagon personnel have a financial interest. This is generally not expected as Varagon’s loans are generally extended to private companies where there are no public holders of equity or debt; however, it could arise, for example, if a borrower subsequently goes public (and Varagon personnel purchase stock in such company with the approval of the CCO) or is acquired by a public company in which Varagon personnel have an interest or if a loan is extended to a public company. Circumstances also might arise in which certain Varagon personnel are offered opportunities to co-invest in the equity of a private company to which Clients extend a loan or the ECC has turned down a potential opportunity to extend a loan. Under these limited circumstances, the investments of Varagon personnel could differ from, or be contrary to, those taken by Varagon on behalf of Clients. Additionally, Varagon’s relationships with sponsors could be affected by personal co-investments in equity of private companies made in the circumstances described above. If a loan were to be extended to a company in which a Varagon employee or equity owner has a position or other interest, additional approvals and controls, including CCO review, would be required.

Should a potential conflict of interest arise that is not directly addressed by the code or other relevant policies and procedures or if a Varagon employee believes that a violation of the code or other relevant policies may have occurred, Varagon personnel are expected to consult with the CCO.

A copy of Varagon’s code of ethics will be provided to any Client or prospective Client, as well as to actual or prospective Fund Investors, upon request of such Client or prospective Client. Varagon’s contact information appears on the cover page of this Brochure.

### *Outside Activities*

Prior approval of Compliance must be received before accepting a position on the Board of Directors. Varagon, its affiliates, and their respective employees, officers and directors engage in other business activities, including personal, family and proprietary investments, which might be



similar to or different from businesses and investments engaged in by Varagon and its Clients. Such persons from time to time serve as officers, directors, or paid advisors or perform comparable management functions for companies in which Clients invest, and receive compensation in connection therewith, unless inconsistent with applicable law, Varagon's policies and procedures or the terms of relevant contractual arrangements.

When acting in such a capacity, such persons will be required to make decisions that consider the best interests of the party for whom they are acting (which could include a borrower). In situations involving bankruptcy or near-insolvency, the interests of a borrower can diverge from a Client's interest.

In accordance with Varagon's code of ethics, employees are required to obtain pre-approval from the CCO prior to accepting positions in which employees may obtain material non-public information or which may create a conflict of interest. Where such a person encounters a potential conflict of interest, such person is required to inform Varagon's CCO, who will determine how the conflict should be resolved.

#### Employee Funds

Varagon provides discretionary investment management services to one or more investment vehicles open primarily to employees of Varagon (each, an "Employee Fund"), each of which, pursuant to its investment strategy, can invest in certain Clients and certain other investments. An Employee Fund's investment in a Client is generally not subject to any management fees or carried interest distributions. Additionally, Varagon personnel will have access to certain information not available to the other investors, and such information could affect such individuals' investment decisions with respect to any Employee Fund. Such an arrangement may present a conflict of interest since investments by Varagon Clients may benefit Varagon and its affiliates, officers and employees by potentially increasing the value of their investments. Any investment by Varagon on behalf of its Clients will be consistent with applicable law, its fiduciary obligations to act in the best interests of our Clients, and such Clients' investment objectives.

#### Conflicts Related to Varagon's Ownership Structure, Products, Clients and Affiliates Principal and Cross Trades

Cross trades are generally private transactions, executed off market and without a specific open market reference for pricing. Cross trades can enable Varagon to purchase and sell a block of securities or other assets at a set price, as determined in a manner consistent with Varagon's valuation and principal and cross transaction policies. These policies require, among other things, a determination that such transactions are in the best interest of all Clients involved and that the investments are otherwise suitable and appropriate for the Client(s) acquiring or disposing of the investments or loans.

Such transactions can be beneficial to Clients. For example, a cross trade can result in a more favorable purchase or sale price than could be obtained on the open market, or avoid an unfavorable price movement created through entrance into the market with such purchase or sell orders. However, Varagon faces an inherent conflict of interest when coordinating cross transactions since two Client accounts represent both sides of the trade. Such transactions create

conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Client may not receive the best price otherwise possible, or Varagon or its affiliates might have an incentive to improve the performance of one Client by selling underperforming assets to another Client in order, for example, to earn fees. Additionally, in connection with such transactions, Varagon and its affiliates will from time to time have significant investments, or intentions to invest, in the Client that is selling and/or purchasing an investment or otherwise have a direct or indirect interest in the investment. Varagon and its affiliates generally receive management or other fees in connection with its management of the relevant Clients involved in such a transaction, and generally are entitled to share in the investment profits of the relevant Clients.

Varagon can cause Clients to enter into cross trades and Varagon affiliates can act as an agent or counterparty in connection with a Client transaction. Where a Client that is, or is affiliated with, one of Varagon's owners, or Varagon itself or an affiliate, is party to a cross trade, such transaction constitutes a principal trade. Similarly, where Varagon or an affiliate acts as agent for compensation in connection with a Client transaction, such transaction constitutes an agency cross trade. Principal trades require the consent of participating Clients in accordance with Section 206(3) of the Advisers Act. Other cross trades also create conflicts of interest but do not require such consent. Certain Clients can negotiate certain direct consent and other rights with respect to certain cross and principal trades that Varagon effectuates as discussed more fully in their respective Client Governing Documents. For example, in respect of VCAP, Varagon may rely on the consent of the ICAV's board of directors. In certain other circumstances, a cross trade or a principal trade may be approved by an independent client representative, a board of directors or other party. The determination of whether a transaction or a series of transactions constitutes a cross trade or a principal trade is subject to Varagon's applicable policies and procedures and will be made in its sole judgment. The acquisition of any asset by the SDLP requires either the direct unanimous approval of both Varagon SDLP (a wholly owned subsidiary of VCC) and ARCC (acting in their capacity as managing members of the SDLP) or the unanimous approval of their respective representatives on the SDLP Investment Committee. Moreover, Varagon will follow all required steps under the Advisers Act, and relevant contractual requirements, with respect to the sale of investments by any Clients to the SDLP.

With respect to VSN and other such structured credit vehicles managed by Varagon from time to time, investors will invest in securities such Clients at different levels of the issuer's capital structure or otherwise in different classes of the issuer's securities. Such investments may inherently give rise to conflicts of interest or perceived conflicts of interest between or among the various classes of securities that may be held by such investors. Such conflicts will be more difficult if investors hold significant or controlling interests in competing or different tranches of such issuer's capital structure. The equity holders and debt holders of such structured credit vehicles have different (and often competing) motives, incentives, liquidity goals and other interests with respect to the issuer. There can be no assurance that any conflict will be resolved in favor of an investor.

### Trade Errors

Consistent with its fiduciary duties, Varagon is committed to using the utmost care during the investment process. On occasion, however, an error may occur. Varagon attempts to minimize trade errors by, among other things, promptly reconciling confirmations and other documentation

relating to completed investments with trade tickets or other relevant documentation and reviewing documentation generated in the investment process on a regular basis. In addition, Varagon's Allocation Committee takes into account the investment guidelines and other investment parameters of each client in making allocations.

Any gain associated with any trade error will generally be retained by the affected Client(s), except for losses caused by Varagon's gross negligence or willful misconduct. If a trade error occurs, it must be reported to the CCO promptly. The CCO has discretion in determining the steps to resolving a particular trade error, and the CCO will coordinate with the ECC to resolve any trade error.

#### *Varagon Has a Variety of Advisory & Governance Roles with its Clients*

The SDLP Investment Committee will make decisions with respect to all of the SDLP's investments in a manner that is consistent with its duties to the SDLP as a whole.

Pursuant to the terms of the SDLP's governing documents, certain conflicts of interest related to the SDLP require the approval of the holders of a majority of interests in the SDLP, including the SMA Clients that are investors in the SDLP. In some cases, independent third-party review of SDLP conflict situations will be sought.

Similarly, entities within VCAP, including, without limitation, the ICAV and feeder Funds, will also have differing incentives creating potential conflicts of interest for Varagon given its role as adviser, authorized representative, recipient of economic interests and as an indirect owner of certain VCAP entities.

See "*Resolving Conflicts*", below, for a discussion of Varagon's fiduciary duties and how Varagon seeks to resolve conflicts related thereto.

#### *Allocation of Opportunities*

The SDLP invests in loans pursuant to sourcing agreements (the "SDLP Sourcing Agreements") entered into with each of Varagon and ARCC. Under the terms of the SDLP's Sourcing Agreement with Varagon, Varagon will offer the SDLP the opportunity to invest in loans originated by Varagon that meet certain investment criteria. In addition, Varagon can, but is not obligated to, offer to the SDLP the opportunity to invest in loans originated by Varagon that do not meet such investment criteria.

Varagon can decide to retain a portion of interests (or interests in other loans declined, in whole or part, by the SDLP or in loans not required to be shared with the SDLP) because of economic or other benefit to Varagon or any other reason, to the extent permitted by the 1940 Act. For example, with respect to loans sourced for the SDLP, Varagon and ARCC can (but is not obligated to) exercise their right to the Special Allocation as described in Item 4 above.

Similarly, Varagon can elect to structure a loan as a non-unitranche loan or unitranche loan for any reason, including market demand, Varagon's own economic preferences or the demands of any borrower. See also Item 12 – *Brokerage Practices*, below.

Varagon can establish new Clients that receive a priority interest in available opportunities of a specific or general nature, just as the SDLP has a contractual right to a portion of investments in unitranche loans to borrowers with trailing annual EBITDA of at least \$25 million sourced by Varagon and ARCC. The establishment of such Clients would potentially reduce opportunities for other Clients existing at such time. However, the increased scale can have a net benefit as the absolute dollar amount of opportunities available to all Clients increases. For example, by aggregating the demand of all Clients, Varagon likely could attract larger investment opportunities, greater investment volume, and more attractive investment terms.

Certain conflicts arising from overlapping opportunities are partially mitigated through structural limitations on the ability of a Client to invest in certain opportunities or requirements to obtain the approval of a Client for such investments. Nonetheless, investment opportunities are frequently appropriate for more than one Client. Such investment opportunities will be allocated among Clients as described in Item 6 – *Performance-Based Fees and Side-by-Side Management*, above.

#### *Side Letters with Favorable Terms*

In respect of certain Clients, Varagon has the right, without the approval of any other investors, to enter into side letters or other similar agreements to or with certain investors. Such side letters could have the effect of establishing rights under, or altering or supplementing the terms of, the Client Governing Documents with respect to such investors in a manner more favorable to such investors than those applicable to other investors. Any rights established, or any terms of the Client Governing Documents supplemented in a side letter or other similar agreement will govern solely with respect to such investors notwithstanding any other provision of the Client Governing Documents. Such rights or terms in any such side letter or other similar agreement can include, without limitation: (a) excuse rights applicable to particular investments, categories of investments or jurisdictions in which investments are made (which could increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, such investments, or prevent an applicable Client from making such investments); (b) waiver of certain confidentiality obligations; (c) consent of Varagon to certain transfers by such investors; (d) the right to appoint a representative to serve as a member of an advisory committee; or (e) rights or terms necessary in light of particular legal, tax, regulatory or public policy characteristics of such investors.

#### *Overlapping Investments in the Same Issuer*

Overlapping opportunities include situations where multiple Clients invest in a common issuer (i) in the same or similar classes of loans or securities and loans or securities that have similar terms or (ii) in different loans or securities including loans and securities which have different terms (including seniority). Such investments might be made at the same or different times and/or prices, and such investments might not have been coordinated. Varagon can invest in a manner that causes its various Clients to hold overlapping investments.

Particularly when they own different layers of the capital structure, Clients will not always have the same economic interests or investment objectives with respect to the issuer, including with respect to views on the operations or activities of the issuer, the targeted returns for the investment,

the timeframe for, and method of, exiting the investment, and the exercise of voting or similar rights, or the exercise of remedies following any default of the issuer.

Co-investments made available to Clients by Varagon will also create situations that involve overlapping investments that are potentially adverse to one another. Such overlapping investments would include investments in the equity of an existing obligor of a Client, which can result in Clients with opposing interests in respect of such obligor's operations and management. Furthermore, Varagon might provide such potentially adverse co-investment opportunities to one or more Clients, including employees and partners of Varagon, among others, which will create potential conflicts of interest for Varagon. Please see "*Resolving Conflicts*", below.

### *Inconsistent Timing*

Conflicts can arise when a position is established or disposed of for one Client ahead of, or contemporaneously with, similar portfolio decisions or strategies for another Client. Market impact, liquidity constraints, or other factors could result in one or more Clients receiving less favorable trading results, the costs of implementing such portfolio decisions or strategies could be increased, such Clients could be diluted, the values, prices or investment strategies of another Client could be impaired or such Clients could otherwise be disadvantaged.

For example, one Client sells an investment and other Clients maintain or even add to their position in the same investment or a different investment in the same issuer. The initial sale could result in a decrease in the price of the investment that the other Clients continue to hold, and, as a result, the value of an investment by such other Clients could decrease, depending on the market impact of such sale.

Subsequent investments by Clients in a common issuer (*e.g.*, when a Client that did not previously hold an interest in an issuer invests in an issuer, but Clients that were existing holders lack sufficient assets to make a related follow on investment) can harm Clients that are existing holders through diluting or otherwise disadvantaging the value of investments held by existing holders or impacting the cost to existing holders of implementing portfolio decisions or strategies.

In other cases, a subsequent investment might have the effect of increasing the value of the existing holders' interests in the issuer but, in hindsight, have provided little or no benefit to new holders. Although subsequent investments can improve the prospects of the issuer (or even be necessary to prevent the issuer from failing), in determining to make an investment or in negotiating the terms and conditions of any such investment, or subsequent amendments or waivers, or in voting proxies or exercising rights with respect to such investments, Varagon might find that its own interests, the interests of a Client, and/or the interests of one or more other Clients, could conflict.

In cases where an issuer in which multiple Clients hold interests acquired at different points in time or in different positions within the issuer's capital structure experiences financial distress, decisions over the terms of any workout will raise conflicts of interest (including, for example, conflicts over proposed waivers and amendments to debt covenants). For example, the holder of a more senior position in an issuer could be better served by the liquidation of the issuer in which it is paid in full whereas holders of more junior positions might prefer a reorganization that holds the potential to create or preserve value for equity holders. Please see "*Resolving Conflicts*", below.

### Resolving Conflicts

Varagon owes independent fiduciary duties to each of its Clients. Depending on the nature of the opportunity or investments, and of the potential actions that Varagon takes in connection therewith, Varagon, acting in a fiduciary capacity, could take an investment position or action for certain Clients that is different from, or inconsistent with, an action or position taken for other Clients having different investment objectives or different circumstances, or investments and actions could overlap or compete with other Clients.

Because conflicts vary based on the particular circumstances that exist at the time the conflict arises and must be resolved, it is anticipated that most conflicts will be resolved on a case-by-case basis pursuant to general fiduciary principles, under which Varagon will seek to resolve potential conflicts associated with overlapping opportunities (including those described herein) in the best interests of each Client without consideration of Varagon's own interests, or the interests of other Clients.

However, even if a particular Client is situated similarly to a different Client with respect to a particular investment, Varagon reserves the right to take different voting or other actions with respect to each similarly situated Client if Varagon determines it is in the overall best interest of such Client.

In resolving conflicts, Varagon will utilize, to varying degrees as appropriate, inside and outside counsel, independent directors, third party experts and outside accounting firms.

See also "*Allocation of Opportunities*", above, for a further discussion on this topic.

### Co-investments

Varagon can provide co-investment opportunities to any persons, including some or all of the Clients, investors in other Clients, strategic relationships, lenders and related persons and in allocating co-investment opportunities can consider any factors it deems relevant, including, without limitation, the sophistication, transaction speed, tenure as a Client, commitment to making co-investment funds available, commitment to invest in future Varagon products, or strategic expertise of the prospective co-investor. Varagon takes on commitments, from time to time, to provide specific levels of co-investment opportunities to various Clients.

Co-investment arrangements will vary for each Client and will be negotiated by Varagon and such Client in the applicable Client Governing Documents, including in respect of the scope and applicability of certain fees payable to Varagon with respect to such co-investment arrangements.

Absent agreements to the contrary (including those described herein), no person (including any Client or any investor in a Client) is guaranteed access to any (or any particular) co-investment opportunities. Moreover, no Client or any other person should have any expectation of receiving a co-investment opportunity or to be owed any duty or obligation in connection therewith. Subject to any specific agreements otherwise, Varagon can use co-investment opportunities to benefit the growth of its franchise or for its own account.

### Material Non-Public Information and Participation on Committees and Boards

By reason of their responsibilities in connection with Varagon's investment activities, affiliation with Man or otherwise, and notwithstanding procedural safeguards including, but not limited to, information barriers and restricted securities lists, Varagon personnel might acquire confidential or material non-public information that would limit Varagon's ability to buy and sell certain of its or its Clients' investments. Varagon and its personnel can receive such material non-public information in connection with Varagon's lending and advisory activities with respect to borrowers or others.

From time to time, certain of Varagon's employees, officers and directors may serve on various creditor committees or as directors of privately held or publicly traded companies, including those in which Varagon originates or manages loans on behalf of its Clients. Service on these committees or boards also can result in the receipt of material non-public information. Additionally, there can be no assurance that any such representative would be successful in obtaining results most favorable to Varagon's Clients in such proceedings, although the representative could incur significant legal fees and other expenses in attempting to do so. As a result of participation by the representative on such committees, the representative could be deemed to have duties to other creditors represented by the committees, which might thereby expose the Clients to liability to such other creditors who disagree with the representative's actions.

When Varagon is in possession of material non-public information about an issuer, it can be precluded from effecting discretionary transactions on its own behalf or on behalf of its Clients in certain securities of these issuers, or advising Clients as to such transactions, when it otherwise might take or advise action, absent its possession of material non-public information.

#### *Additional Conflicts*

Investors also should be aware that Varagon and its affiliates could encounter potential conflicts of interest in connection with a Client's activities and its diversified investor base. For example, investors could include taxable and tax-exempt entities and could include persons or entities organized in various jurisdictions. As a result, the investors could have conflicting investment, tax and other interests with respect to their investments in the same Client. The conflicting interests of individual investors could relate to or arise from, among other things, the nature of investments made by a Client, the structuring or acquisition of investments, the timing of disposition of investments or any other decisions made by Varagon that could be more beneficial for one type of investor than for another, including investors affiliated with Varagon. In selecting investments appropriate for a Fund, Varagon considers the investment objectives of the Fund as a whole, not the investment objectives of any investor individually. Other conflicts not discussed above could arise in connection with the management and operation of Clients. Varagon cannot provide assurances that all conflicts of interest will be identified and, if identified, resolved in favor of any Client or Fund Investor.

#### **Item 12: Brokerage Practices**

As a firm that is focused on investing in and acquiring, originating, and structuring corporate debt, loans and other financial instruments related primarily to private companies, Varagon's typical acquisition of an investment involves a privately negotiated transaction and does not ordinarily involve the services of a broker or dealer. For such private transactions, Varagon seeks to negotiate

and execute the transaction in an efficient manner and consistent with the fiduciary duties it owes to its Clients.

To the extent that Varagon is called upon to dispose of a security that becomes publicly traded (or, in the future event that Varagon were to purchase a security that is publicly traded), Varagon will select broker-dealers in a manner consistent with its duty to seek best execution. In many cases, however, Varagon expects that frequently there will be only one broker-dealer (or, in some cases, a limited number of broker-dealers) capable of executing such a transaction. In such cases, Varagon will attempt to negotiate the best possible rates under the circumstances. When Varagon considers a broker to provide services to a Client, Varagon's determination to select such broker generally will take into account past, present and future services by such broker for such Client.

Varagon considers various factors when there are multiple broker-dealers capable of executing a Client's portfolio transaction with the ultimate aim being to execute the transaction in such a manner that the Client's total costs or proceeds in each transaction, as well as the quality of the service provided by the broker-dealer, is optimized. The determinative factor for this is whether the transaction appears to represent the best qualitative execution and not just whether transaction costs are lowest.

As such, Varagon will consider the full range and quality of the broker-dealer's service, including the ability to execute large or specialized transactions. As such, a Client will not always pay the lowest commission rate or spread that might be available. Varagon might also consider research and brokerage services provided to Varagon. However, Varagon does not enter into formal "soft dollars" arrangements in its formal allocation decisions.

Where Varagon has determined that more than one broker-dealer is capable of providing best execution for a particular transaction, it could select a broker-dealer that has, or whose affiliates or registered representatives have, referred or recommended investors to Varagon or which are or are affiliated with a Client or an investor in a Client. Varagon does not recommend, request or require that a Client direct Varagon to execute transactions through a specified broker-dealer.

#### Aggregation and Allocation Policy

As noted in Item 6 above, when an investment is appropriate for multiple Clients, Varagon can cause such Clients to invest in an aggregate transaction and Varagon's Allocation Committee will allocate the opportunity in accordance with Varagon's Allocation Policy, as described in Item 6 - *Performance-Based Fees and Side-by-Side Management*, above.

See Item 11 – *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*, above.

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

#### SMA Clients and Fund Clients

The ECC bears the primary responsibility for confirming that Varagon advises the SMA Clients and the Funds in accordance with the investment objectives and guidelines set forth in the applicable Client Governing Documents.



All investments are required to be carefully reviewed and approved by the ECC prior to the effectuation on any such investment. Once approved, the allocation process described in Item 6 is followed.

The ECC also performs quarterly portfolio reviews of the investments in Client accounts and performs written reporting consistent with industry standards for similar Client accounts. Client investments are subject to Varagon's quarterly valuation process, which is governed by Varagon's valuation policy and procedures.

Fund Investors in VCAP and VSN receive (i) annually, annual audited financial statements prepared in accordance with U.S. generally accepted accounting principles, and (ii) tax information necessary for the completion of tax returns, in such detail as Varagon will determine.

### *SDLP*

The SDLP has adopted investment guidelines governing the type of investments that the SDLP desires to acquire. Prior to the acquisition of any investment by the SDLP, the SDLP Investment Committee is responsible for confirming that such investment comports with the SDLP investment guidelines.

All SDLP investments require the direct unanimous approval of both Varagon SDLP and ARCC via their respective representatives on the SDLP Investment Committee. The SDLP investment guidelines can be changed by mutual agreement of all representatives on the SDLP Investment Committee.

The independent trustee will be required under the SDLP indenture to deliver detailed written reports on a monthly basis. These monthly indenture written reports contain detail on each investment owned by the SDLP, as well as other details with respect to the performance of the SDLP, the SDLP Notes and other securities. All investors in the SDLP, including each of the certain SMA Clients that are invested in the SDLP, will have access to these monthly indenture written reports.

The ECC also performs quarterly portfolio reviews of the investments in the SDLP and performs written reporting consistent with industry standards for similar Client accounts.

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

As discussed in Item 5 above, agreements with certain Clients will entitle Varagon to receive or retain certain amounts related to its lending activities. Additionally, as discussed in Item 10 above, Varagon or an affiliate receives compensation from borrowers for serving as an agent and overseeing the activities of the sub-servicer as a master servicer for certain loans.

Any such other compensation will not generally impact the management and other fees that Varagon will earn with respect to the management of Client accounts. However, the terms governing the fees and other compensation earned by Varagon with respect to a Client account will vary and will depend on the precise terms negotiated between Varagon and such Client.

In certain circumstances, Varagon might, pursuant to a written agreement and in accordance with applicable law, pay cash consideration to a third party for soliciting investors in a Fund managed by Varagon.

Man Investment, Inc. (“MII”), an affiliate of Varagon, acts as a solicitor for managed accounts and the selling agent and/or investor servicing agent for certain Funds. Varagon may pay a portion of its fees to MII for its services. MII may receive a percentage of a Fund’s management fee to act as selling agent and or investor servicing agent. In addition, MII may enter into agreements with other broker-dealers and certain financial advisers to solicit interests in Funds and/or to provide ongoing investor services and account maintenance services to investors. Each such broker-dealer and financial adviser would generally receive compensation based on the aggregate value of outstanding interests held by investors that receive services from such persons, fixed amounts or other agreed upon compensation. Such compensation would generally be paid by MII from the fees that it receives from a Fund or Varagon.

In addition, the Varagon has entered into an agreement with its affiliate, Man Investments AG (“MIAG”), an entity based in Switzerland that is registered with the Swiss Financial Market Supervisory Authority, to market the Varagon’s services in jurisdictions outside of the U.S and Canada. Certain Funds may also enter into a distribution agreement directly with MIAG to sell Fund interests to non-U.S. persons. MIAG may contract with other affiliates to market the Varagon’s services and sell Fund interests in jurisdictions outside of the U.S and Canada.

## **Item 15: Custody**

To the extent required by Rule 206(4)-2 under the Advisers Act (the “Custody Rule”), Client funds (*i.e.*, cash) and securities will be held by qualified custodians (*e.g.*, banks or broker-dealers).

While Varagon generally will not have physical custody of Client assets (except with respect to certain privately offered securities), Varagon is deemed to have custody of Clients’ accounts for purposes of the Custody Rule for certain Clients. Such Clients will receive quarterly account statements from their qualified custodian(s).

Clients should carefully review the custodian statements and, to the extent such Clients also receive account statements from Varagon, should compare the Varagon 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 Varagon using the contact information provided on the cover of this Brochure.

Varagon is deemed to have custody of the accounts of any Fund for which Varagon or an affiliate acts as the Fund’s general partner or managing member. For Funds, Varagon will comply with the Custody Rule through the provision, on an annual basis, of audited financial statements to Fund Investors in any applicable Funds and by maintaining the Funds’ cash and securities with a qualified custodian.

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. 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 Varagon using the contact information provided on the cover of this Brochure.

#### **Item 16: Investment Discretion**

Investments on behalf of Client accounts are made pursuant to each Client's Governing Documents. These Client Governing Documents confer investment authority and often limit the scope of such authority, including by imposing investment objectives, guidelines and restrictions that limit Varagon's freedom of action with respect to investments as well as requiring consultation or agreement with a co- advisor or other party prior to Varagon making or disposing of an investment.

It is often the case that Varagon's advice would not be implemented without the approval of another party and/or such advice requires the approval of a committee where Varagon does not constitute all or a sufficient number of the members to control the effectuation of such approval. These limitations restrict Varagon's investment discretion on behalf of such Client accounts and thus could have an adverse impact on the performance of Varagon with respect to such Client accounts.

##### *SMA Clients*

Varagon's authority in respect of each SMA Client is set forth in the relevant SMA Client's Client Governing Documents. For its SMA Clients, Varagon could be granted full discretionary authority or accept a mandate that is non-discretionary or involves shared discretion. In each case, Varagon's advice is subject to any investment objectives, restrictions or limitations in the Client Governing Documents or as otherwise agreed with the SMA Client.

As detailed in Item 13, above, the ECC is the Varagon special committee that is required to approve all investments purchased on behalf of all SMA Clients as to which Varagon exercises discretionary authority.

##### *SDLP*

The respective SDLP Sourcing Agreements that each of Varagon and ARCC has entered into with the SDLP govern the independent investment sourcing activity undertaken by each of Varagon and ARCC on behalf of SDLP. However, the acquisition of investments on behalf of the SDLP will require the direct unanimous approval of both Varagon SDLP and ARCC via their respective representatives on the SDLP Investment Committee.

VCC (through Varagon SDLP) and ARCC each have appointed two members to the SDLP Investment Committee. The SDLP Investment Committee will meet as needed to discuss new investment prospects, structuring and execution of investments under consideration, monitoring current investments and other management decisions. If the SDLP Investment Committee is unable to agree on a decision or course of action with respect to certain discrete matters (principally related to portfolio management matters), then such matters can be referred to an independent third party for resolution.

### Funds

Varagon has discretionary authority as to each Fund's investments pursuant to an investment management agreement or other delegated authority.<sup>3</sup> The affiliated general partner of VCAP, and Varagon as investment manager of VSN, have ultimate responsibility for the investment advisory activities of such Funds. As stated above, such investment discretion is subject to the investment objectives, guidelines and restrictions set forth in each Fund's Client Governing Documents. It is expected that any future Funds will be similarly structured with respect to Varagon's discretionary authority.

### **Item 17: Voting Client Securities**

Varagon invests almost exclusively in private, U.S. middle market companies, which typically do not issue proxies. However, from time to time, Varagon receives proxies in connection with a publicly listed company and Varagon is asked to exercise consent rights in connection with a publicly listed company loan or other debt instrument.

Varagon has adopted policies and procedures reasonably designed to ensure that decisions with respect to Client proxies and consents are made in its Clients' best interests consistent with its fiduciary duties, taking into account all relevant factors, including without limitation, acting in a manner that will maximize the economic benefits to the Client and in compliance with Rule 206(4)-6 under the Advisers Act. Decisions with respect to consents and proxies can give rise to a potential conflict of interest. Varagon's policies and procedures are designed to reduce the likelihood of any such conflict, and to resolve any such conflict in its Clients' interest by ensuring that Varagon votes the equity proxies of its Clients in each such Client's best overall interests.

Pursuant to Varagon's policies and procedures, copies of proxy voting materials received by Varagon shall be forwarded to Varagon's Finance and Operations team to ensure that proxies are voted and submitted in a timely manner and in accordance with these policies and procedures.

Finance and Operations will maintain a record as to the name of the company to which the proxy materials relate, the date the proxy materials are received and the date by which the proxy needs to be voted. Finance and Operations will review the list of Clients and compare the record date of the proxies with a security holdings list for the security or company soliciting the proxy vote.

Upon completion of a reconciliation process, Finance and Operations forward the proxy materials to the ECC for voting. The ECC shall vote all proxies in the best interests of Varagon's Clients pursuant to and in accordance with the investment strategy of each Client. For any Client who has provided specific voting instructions, that Client's proxy shall be voted in accordance with the client's written instructions.

Prior to exercising voting authority on any other matter, the ECC shall review the proxy materials and undertake a reasonable investigation to determine whether any of the matters to be

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<sup>3</sup> In case of the VIVA Fund, two accounts were established where the Client retains some discretion on one of the accounts. (See also, ADV Part 1A miscellaneous comments.)

voted on present a material conflict of interest between Varagon and the interests of its Clients. Where the ECC determines that no material conflict of interest exists, the matter shall be analyzed based on its specific facts and circumstances and the ECC shall vote on the matter in the best interests of its Clients.

Where the ECC determines that a material conflict of interest exists, it shall take reasonable steps to vote a proxy in a manner that is in the best interests of its Clients. These steps can include, but are not limited to any one or a combination of the following: (i) consulting with Varagon's outside counsel to determine how to vote in a manner that will be in the best interests of its Clients; and (ii) erecting information barriers around conflicted personnel to ensure that they do not influence the voting decision.

The ECC shall make and maintain a record describing any steps taken to prevent a potential material conflict of interest from causing a proxy to be voted in a manner that is not in the best economic interest of its Clients.

Where the ECC determines that no material conflict of interest exists, the matter shall be analyzed based on its specific facts and circumstances and the ECC shall vote on the matter in the best interests of its Clients.

Clients and Fund Investors may contact Varagon using the contact information provided on the cover of this Brochure for a copy of the policy or information with respect to a specific proxy or consent.

Under the terms of the SDLP, any exercise of consent rights or proxy votes will be undertaken by the SDLP Investment Committee and the SDLP Investment Committee will take those actions which they determine are in the overall best interest of the SDLP. Varagon SDLP, with respect to the voting rights it is entitled to through its representation on the SDLP Investment Committee, will use the policies and procedures described above in this Item 17 in determining what proxy or consent actions that it will vote to take on behalf of the SDLP.

#### **Item 18: Financial Information**

Varagon is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.