

**Item 1  
COVER PAGE**

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**PART 2A OF FORM ADV**

**THE BROCHURE**

**JEFFERIES FINANCE LLC**

**February 2024**

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*This brochure (this “**Brochure**”) provides information about the qualifications and business practices of Jefferies Finance LLC (the “**Registrant**,” “**Investment Adviser**,” “**Firm**,” “**we**,” “**our**” or “**us**,” including its relying advisers). If you have any questions about the contents of this Brochure, please contact us at (212) 284-3474. 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. This Brochure is strictly a disclosure document and is not an offer to buy or sell securities.*

*Jefferies Finance LLC is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

*Additional information about Jefferies Finance LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

**Item 2**  
**MATERIAL CHANGES**

There are no material changes to this Brochure since the filing of our Annual Updating Amendment in February 2023.

This Brochure dated February 2024 updates our Brochure filed in February 2023. While this Annual Updating Amendment to our Brochure contains changes and updates to certain information, we do not believe these changes and updates constitute material changes to our Brochure. This Brochure should be reviewed in its entirety as some changes may be considered material to some readers and immaterial to others.

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## Item 4 ADVISORY BUSINESS

### A. Description of the Investment Adviser

The Investment Adviser, **Jefferies Finance LLC**, a U.S.-based firm, was formed under the laws of the State of Delaware on October 7, 2004, and is wholly-owned by JFIN Parent LLC (“**JFIN Parent**”), a U.S. entity formed under the laws of the State of Delaware on July 15, 2021. JFIN Parent is a joint venture between (i) Jefferies Financial Group Inc. (“**JFG**”), a publicly traded company and the parent of Jefferies LLC (“**Jefferies LLC**”), a global securities and investment banking firm, and (ii) Massachusetts Mutual Life Insurance Company, a mutual life insurance company organized under the laws of the Commonwealth of Massachusetts (“**MassMutual**” and, together with JFG, the “**JF Investors**”). Each JF Investor owns, indirectly, 50% of the equity in the Investment Adviser. MassMutual and JFG each contributes significant resources and infrastructure support to the Investment Adviser. The Investment Adviser markets its broader multi-strategy asset management business under the name Jefferies Credit Partners.

The Investment Adviser is a leading commercial finance company that arranges, manages and invests in leveraged commercial loans to corporate borrowers. The Investment Adviser may also acquire commercial loans in the secondary market. The commercial loans originated or acquired by the Investment Adviser may include revolving credit loans and term loans, first lien or second lien loans, and asset-based loans and cash flow loans. A small portion of the Investment Adviser’s portfolio may also include bonds or other debt instruments and, in limited cases, equity instruments. The Investment Adviser will either hold or generally seek to sell a portion of the positions it originates or holds to other lenders, including Advisory Clients (as defined below). The Investment Adviser may act as an arranger and syndication agent for credit facilities and may also act as the administrative agent or collateral agent for credit facilities. The Investment Adviser or an affiliate may own some or all of the income notes of Issuers (as defined below), which represents the economic equity in Issuers. The Investment Adviser owns certain other special purpose subsidiaries, some of which have entered into warehouse credit facilities with third-party lenders to finance their purchase of loans and other investments from the Investment Adviser. The Investment Adviser may own the equity of an issuer under CLOs (as defined below).

The Investment Adviser provides a range of investment strategies that seek to deliver attractive performance to our Advisory Clients, which include various pooled investment vehicles, private investment funds, funds of one (collectively, “**Private Funds**”) and certain separately managed accounts (“**Separate Accounts**”).

In addition, the Investment Adviser acts as the collateral manager to several issuers (each an “**Issuer**” collectively, the “**Issuers**”, and together with Private Funds and Separate Accounts, “**Advisory Clients**”) that have issued rated notes and non-rated “income” notes to qualified purchasers and non-U.S. persons under collateralized loan obligation transactions (each a “**CLO**”) and other structured investment vehicles. These notes are secured by a portfolio of senior secured loans and second lien loans, and a small amount of other debt investments, managed by the Investment Adviser. The terms of each CLO are set out in an

indenture (collectively, the “**Indentures**”) among the applicable Issuer and trustee (the “**Trustee**”). For each CLO, the Investment Adviser and the related Issuer are parties to a collateral management agreement (collectively, the “**Collateral Management Agreements**”); the Investment Adviser, the related Issuer and Trustee are parties to a collateral administration agreement (collectively, the “**Collateral Administration Agreements**”). The terms of each CLO, including summaries of certain terms of the Indentures, the Collateral Management Agreements, the Collateral Administration Agreements and other transaction documents, are described in the Offering Circular (as defined below) of the applicable Issuer.

From time to time, subject to the availability of investment opportunities and investment allocation considerations, the Investment Adviser may offer opportunities for co-investments. While the Investment Adviser is under no obligation to offer co-investment opportunities, if offered, such opportunities are offered to: (i) Advisory Clients or (ii) investors in any Private Fund (together with their affiliates, collectively, “Co-Investors”). The Investment Adviser may offer a co-investment opportunity to an Advisory Client and/or a Co-Investor. The Investment Adviser may charge management fees and other fees to, and receive carried interest or other incentive compensation and expense reimbursements from, such Co-Investors or co-investment vehicles.

The Investment Adviser may also serve as the investment manager, managing member or general partner to special purpose vehicles through which Advisory Clients may invest. These vehicles are generally formed for tax, regulatory, economic or other purposes, including applicable investment restrictions.

#### B. Description of the Advisory Services

The Investment Adviser provides investment management services as the adviser or sub-adviser to the Private Funds and Separate Accounts.

Advisory Clients have investment objectives and restrictions that are particular to each Private Fund, Issuer or Separate Account, such as prohibitions on investing in certain types of assets (e.g., equity securities), restrictions on issuer domiciles, restrictions on price or rating of investments, and limitations on the percentage a particular type of security or instrument can comprise an Advisory Client’s investment portfolio.

The Investment Adviser also acts as collateral manager to certain Issuers pursuant to the Collateral Management Agreements and may act as collateral manager or investment adviser to additional Issuers in the future. In its capacity as collateral manager, the Investment Adviser (i) determines which commercial loans or other debt investments each Issuer may acquire (and whether such loans or other debt investments comply with the eligibility requirements and concentration limits under the Indentures), (ii) monitors and administers, on an ongoing basis, any loans or other investments that are acquired by each Issuer, and (iii) monitors Issuers’ compliance with the terms of the Indentures. In connection with these services, the Investment Adviser prepares periodic reports on behalf of Issuers, with assistance of the Trustee pursuant to the Collateral Administration Agreements. These reports are distributed to the noteholders.

Current and prospective Advisory Clients should refer to the applicable confidential private placement memorandum, offering circular or similar disclosure document (each, an “*Offering Circular*”), limited partnership agreement, limited liability company agreement, certificate or articles of incorporation, investment management agreement, subscription documents and other governing agreements (collectively with Offering Circulars, the “*Governing Documents*”) for complete information on the investment objectives, restrictions and risks. Prior performance, when requested and/or provided, while illustrative of the Investment Adviser’s investment experience, is not indicative of future performance and there is no assurance that any investment objectives will be achieved.

C. Relying Advisers

The Investment Adviser, or an affiliated entity of the Investment Adviser, serves as general partner, managing member, investment adviser, investment manager, collateral manager, sub-adviser or manager of each of its Advisory Clients. References to the Investment Adviser in this Brochure include, as the context requires, subsidiaries and affiliates of Jefferies Finance LLC, through which the Investment Adviser provides investment advisory services or act in any capacity referenced in the previous sentence, including its relying advisers, *Jefferies Credit Partners LLC* (“*JCP*”), *Apex Credit Partners LLC* (“*Apex*”), and *Apex Credit Holdings LLC* (“*ACH*”, each an “*Adviser*,” and collectively, the “*Firm*”). JCP and Apex are wholly-owned subsidiaries and ACH is an affiliate of Jefferies Finance LLC, and each relying adviser is subject to the supervision and control by the Investment Adviser. Jefferies Finance LLC is the sole and managing member of JCP, which serves as the sole and managing member of Apex. Each relying adviser’s facilities and personnel are provided by Jefferies Finance LLC.

D. Availability of Customized Services

The Firm provides tailored investment advisory services to our Advisory Clients in accordance with each Advisory Client’s investment objectives, strategies, and restrictions as set forth in the applicable Governing Documents. Other than for funds of one and Separate Accounts, we do not tailor our advice to the individualized needs of any particular investor in a Private Fund or Issuer. Prior to investing, each investor in a Private Fund or Issuer must consider whether that vehicle meets such investor’s investment objectives and risk tolerances.

The Firm may enter into “side letters” or similar agreements pursuant to which certain investors are granted specific rights, benefits, or privileges that are not generally made available to other investors of the particular Issuer or Private Fund. Such benefits may include, among others, the waiver or reduction of management fees, incentive fees, the provision of additional information or reports, and more favorable transfer rights or liquidity rights.

E. Wrap Fee Programs

The Firm does not participate in wrap fee programs.

F. Assets Under Management

As of December 31, 2022, the Firm managed \$15,676,940,767 on a discretionary basis and \$680,912,828 on a non-discretionary basis. The Regulatory Assets Under Management for the Firm at that time was \$16,357,853,595.

**Item 5**  
**FEES AND COMPENSATION**

A. Advisory Fees and Compensation

The Firm may charge carried interest, incentive fees, performance compensation, management fees, advisory fees and other fees to its Advisory Clients. Advisory Clients should review the Governing Documents of the respective Private Fund, Issuer or Separate Account for complete information on all fees and compensation. With respect to any Advisory Clients of the Firm in which all investors are “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “*Investment Company Act*”), information regarding the fees and compensation payable by such investors is not required to be provided herein. In certain circumstances, the advisory fees payable to the Firm by Separate Account or Private Fund investors may be negotiable. The fees as set forth in the Collateral Management Agreements are non-negotiable.

With respect to Separate Accounts, as such accounts are structured for a single investor or a group of investors, the fees and compensation to be received by the Firm may contain more customized calculations than those for Issuers or Private Funds. The calculation method for the services provided to Separate Accounts and Private Funds are disclosed in the applicable Governing Documents.

B. Payment of Fees; Timing of Payments; Termination

For many of our Advisory Clients, we are authorized under the Private Fund’s or Separate Account’s Governing Documents to charge and deduct advisory fees directly from the assets of the applicable Private Fund or Separate Account, at the times and in the amounts set forth in the Governing Documents. For funds of one and Separate Accounts, our ability to deduct advisory fees may be negotiable.

Base advisory fees for many of our Advisory Clients, including many of the Private Funds, are payable in arrears, generally on a quarterly or semi-annual basis. Because such advisory fees are payable in arrears, they are not paid until after services have been rendered. With respect to certain Private Funds and other Advisory Clients, the base advisory fees are payable in advance, generally on a quarterly basis. Please refer to the applicable Governing Documents for complete information on the timing of advisory fee payments.

Advisory Clients have the right to terminate the advisory or investment management agreements in accordance with the terms of such agreements. Our policy is to repay advisory fees paid in advance in excess of the pro rata portion earned (based on the number of days during the period) through the termination date.

With respect to Issuers, the management fees (and if applicable, any incentive fees) are paid on a quarterly basis. Fees are determined by the Trustee in conjunction with the other payments that are required to be made on each payment date, based on the collections received by each Issuer during the quarterly period preceding such payment date. Pursuant to each Issuer's Governing Documents, such fees and other payments are set forth in a report that is prepared by the Trustee, reviewed and approved by the Firm and distributed to the noteholders prior to the applicable payment date. Payment of fees is made by the Trustee on behalf of Issuers on the applicable payment date. Fees with respect to Issuers are not otherwise invoiced.

The payment method for fees, and calculation thereof, to be received by the Firm in connection with services provided to Private Funds and Separate Accounts are disclosed in the applicable Governing Documents.

C. Additional Payments of Interest and Principal as Noteholder

Generally, the Firm may own income notes of an Issuer and may also own a portion of other notes of an Issuer at the same time, and therefore will receive payments of interest and principal in respect of these notes on a pro rata basis with other noteholders to the extent provided under the applicable Indentures.

D. Additional Fees and Expenses

In addition to the fees payable to the Firm, subject to each Advisory Client's Governing Documents, Advisory Clients may pay or otherwise bear all applicable fees, costs, expenses and other liabilities arising in connection with the establishment and operation thereof (collectively, "***Account Expenses***"), including (but not limited to) fees, costs, and expenses related or attributable to:

- any sales or other taxes, fees, or government charges that may be assessed against an Advisory Client;
- commissions, brokerage fees, and similar charges incurred in connection with the purchase or sale of securities and other assets (including any fees payable to third parties and whether or not any such purchase or sale is consummated);
- due diligence, development, negotiation, structuring, settlement, monitoring and holding portfolio investments (whether or not consummated), including legal, tax, accounting and other expenses therewith;
- market data costs and research-related expenses, including, without limitation, news and quotation equipment, software, and services;
- meetings or conferences with Advisory Clients and investors therein;
- any investigation, administrative proceeding or regulatory matter, litigation and threatened litigation involving an Advisory Client;
- indemnification obligations and expenses;



- normal and extraordinary investment banking, commercial banking, accounting, auditing, appraisal, tax advisory, tax preparation, audit, legal, external consulting, custodial and registration services;
- premiums related to risk management services and insurance;
- dissolution of investment vehicles and liquidation of assets;
- appraisal and valuation of assets;
- organizational expenses, including costs and expenses pertaining to the offering and sale of interests, documentation, filing, related legal and other organizational payments;
- services provided by any third-party service provider (such as an administrator, depository, custodian, tax, legal, audit and compliance professionals, independent directors or other service providers);
- fees, costs, and expenses associated with compliance by an Advisory Client, the Investment Adviser or their respective affiliates that are involved in the management of an Advisory Client, or an account with all applicable laws, rules, and regulations, including certain expenses related to regulatory filings;
- certain administrative expenses in respect of the foregoing, as applicable, including allocated costs of services that were performed by the Investment Adviser or an affiliate, such as an in-house lawyer, accountant, tax advisor or other professional; and
- travel-related expenses (including costs of private travel, lodging and entertainment) in respect of the foregoing, as applicable.

The Firm may from time to time incur Account Expenses on behalf of more than one Advisory Client. To the extent such Account Expenses are incurred for the account or benefit of more than one Advisory Client, each such Advisory Client will typically bear an allocable portion of any Account Expenses in proportion to the size of its investment (or proposed investment) in the activity or entity to which such Account Expense relates (subject to the terms of each Advisory Client's Governing Documents) or in such other manner as the Firm considers fair and equitable under the circumstances. While the Firm endeavors to allocate such Account Expenses in a fair and equitable basis in accordance with its expense allocation policies and procedures, such allocation determinations may involve assumptions, estimates, projections, and the subjective judgment of the Firm in assessing actual or potential benefits received by each Advisory Client. Please refer to the Governing Documents of the applicable Advisory Client for complete information on the Account Expenses payable or borne by such Advisory Client.

Sourcing and diligence expenses incurred with respect to the pursuit of particular investments that are never actually consummated are referred to as "broken deal" expenses. Examples of such "broken deal" expenses include fees and expenses of any legal, investigative, financial, accounting, consulting or other advisors or lenders, investment banks and other financing sources in connection with arranging financing for transactions that are not consummated; any travel and accommodation expenses; and any deposits or down payments that are forfeited in connection with, or amounts paid as a penalty for, unconsummated

transactions. These types of broken-deal expenses are generally borne by the applicable Advisory Clients and any co-investment vehicles that may participate in the relevant investment strategy. The proportions of such expenses are generally allocated pro-rata and in accordance with the applicable Governing Documents.

## **Item 6**

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

The Firm accepts performance-based compensation (whether in the form of incentive fee or carried interest) from Advisory Clients if so provided for in the Governing Documents of each Advisory Client.

Performance-based fee arrangements create an incentive for the Firm (i) to recommend investments that may be riskier or more speculative than those that it may recommend under a different fee arrangement and (ii) to dispose of investments at a time and in a sequence that could generate the most performance-based compensation. To help mitigate such potential conflicts of interest, the Firm has investment committees as well as policies and procedures in place to ensure that investment decisions are made in accordance with its fiduciary duties without consideration of the Firm's (or any of its personnel's) pecuniary, investment or other financial interests.

When the Firm determines the fair value of any assets, the Firm is incentivized to have higher valuations because the calculation of performance-based fee will be based on such valuations. To address this conflict of interest, the Firm generally hires a third party valuation agent to provide the fair value of Advisory Client's assets.

In the allocation of investment opportunities, performance-based compensation arrangements may also create an incentive for the Firm to favor Advisory Clients with higher performance-based compensation arrangements over those that are charged lower performance-based compensation arrangements or are not charged performance-based compensation at all. To address this potential conflicts of interest, the Firm has adopted an investment allocation policy that governs the allocation of investment opportunities across multiple Advisory Clients. This policy requires the Firm to treat each of its Advisory Clients in a manner consistent with its fiduciary obligations and prohibits the Firm from favoring any particular Advisory Client.

The Firm manages a broad asset management platform encompassing existing and future Advisory Clients and other investment vehicles sponsored, managed, sub-managed, advised or sub-advised by the Firm (including, without limitation, JCP, Apex and ACH), including, but not limited to, certain other existing and proposed private funds, issuers, investment vehicles and separately managed accounts (individually or collectively, "**JCP Clients**"), some of which have or may have investment mandates that directly or indirectly overlap with potential investments to be made by other JCP Clients and circumstances and situations may arise in which potential investment opportunities satisfy the investment objectives one or more of such JCP Clients.

If and to the extent such situations arise, the Firm's allocation policy seeks to ensure that it allocates investment opportunities across JCP Clients fairly and equitably based upon the Firm's policies and procedures. Any such allocation shall follow JCP's allocation policies and procedures and shall take into account, among other things, the following:

- whether the risk-return profile of the proposed investment is consistent with each eligible JCP Client's objectives;
- the potential for the proposed investment to create an imbalance in an eligible JCP Client's portfolio;
- the liquidity requirements of an eligible JCP Client;
- potentially adverse tax consequences;
- legal, contractual or regulatory restrictions that would or could limit an eligible JCP Client's ability to participate in a proposed investment;
- the need to re-size risk in an eligible JCP Client's portfolio; and
- minimum or maximum investment size requirements.

In addition, when JCP is ramping up the investment or trading operations for an eligible JCP Client, such JCP Client may receive larger allocations of certain securities than the other eligible JCP Clients in order to obtain its desired risk and portfolio size.

The Firm will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any eligible JCP Client solely because the Firm purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to any other eligible JCP Client if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the eligible JCP Client.

## **Item 7 TYPES OF CLIENTS**

As described in Item 4 above, the Firm's Advisory Clients include Private Funds, Issuers and Separate Accounts. The terms and conditions of the advisory arrangements with the particular type of Private Fund, Issuer or Separate Account vary depending upon the type of services provided or the type of Private Fund, Issuer or Separate Account, and these terms and conditions may vary among Advisory Clients.

The minimum account size necessary to open and maintain a Separate Account with the Firm varies by the type of Advisory Client and the relevant strategy. In general, the Firm has set a minimum investment amount, but may require a different amount, or waive the minimum investment amount, depending on a variety of factors, such as a particular Advisory Client's circumstances or investment strategies.

The Firm may advise additional Advisory Clients in the future (including additional Issuers under new CLOs, as well as new Private Funds, Separate Accounts, and Business Development Companies).

## **Item 8**

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

#### **A. Methods of Analysis and Investment Strategies**

The descriptions set forth in this Brochure of specific advisory services that the Firm offers to Advisory Clients, the investment strategies pursued, and investments made by the Firm on behalf of Advisory Clients, should not be understood to limit in any way the Firm's investment activities. The Firm may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Firm considers appropriate, subject to each Advisory Client's investment objectives and guidelines. The investment strategies the Firm pursues are speculative and entail substantial risks. Advisory Clients should be prepared to bear all or a substantial loss of capital. There can be no assurance that the investment objectives of any Private Fund or other Advisory Clients will be achieved.

The Firm's investment strategies generally focus on (i) determining which commercial loans, other debt investments and other securities or assets Advisory Clients should acquire (and whether such loans or other investments comply with the eligibility requirements and concentration limits under the applicable Governing Documents), (ii) monitoring and administering, on an ongoing basis, any loans or other investments that are acquired by the Advisory Client accounts, and (iii) in the case of Issuers, monitoring compliance with the terms of the Indentures.

#### **B. Material, Significant, or Unusual Risks Relating to Investment Strategies**

*The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in Advisory Clients advised by the Firm. These risk factors include only those risks the Firm believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Firm. A more detailed explanation of risk factors can be found in each Issuer's, Private Fund's or Separate Account's Governing Documents.*

**CLO Market Risk.** Among the sectors that have been particularly challenged by a downturn in the global credit markets are the CLO and leveraged finance markets. CLOs and certain assets held by Advisory Clients are subject to credit, liquidity, interest rate, and other risks. The risks of CLOs depend largely on the type of the underlying loans and the tranche of CLOs in which the investment is made. In addition, CLOs and certain assets held by Advisory Clients carry risks including interest rate risk, credit risk, default risk and currency risk. Certain CLOs and Advisory Clients may not hold loans directly, but rather, use derivatives such as swaps to create "synthetic" exposure to the collateral pool of loans. The CLO market in which our Advisory Clients invest has experienced and, in the future, will experience an increase in downgrades, defaults, and declines in market value and defaults in respect of leveraged loans in their collateral. Many CLOs have failed in the past or may in the future fail one or more of their

“overcollateralization” tests. The failure of one or more of these “overcollateralization” tests may result in reduced cash flows that may have otherwise been available for distribution. This would reduce the value of an investment in a CLO. There can be no assurance that market conditions giving rise to these types of consequences will not once again occur, subsist or become more acute in the future.

*Default Risk.* Issuers of non-investment grade debt are more likely to default on their payments of interest and principal, and defaults could have a materially adverse effect on the performance of Advisory Clients. An economic downturn would generally lead to a higher non-payment rate, and an asset may lose significant market value before a default occurs. There can be no assurance as to the levels of defaults and/or recoveries that may be experienced.

*Market Condition Risk on Reinvestment.* The ability of Issuers to obtain collateral or to enter into forward commitments for the purchase of collateral, and the interest rates and terms on which such collateral can be obtained, as well as the interest rates and other terms in connection with the investment of funds in eligible investments, may affect the timing and amount of payments to the holders of the notes. Disposing of certain portfolio investments and purchasing certain portfolio investments, subject to meeting the investment criteria, will expose Issuers to the market conditions prevailing at the time of such sale and reinvestment and may result in changes in the characteristics and quality of the collateral included in the portfolio investments. The impact, including any adverse impact, of such reinvestment (or lack thereof) and of the yields on such substitute portfolio investments on the holders of the certain notes would be magnified by the leveraged nature of Issuers’ capital structure.

*Outbreaks of Infectious or Contagious Diseases.* Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as COVID-19 have and are resulting in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity, all of which may result in significant losses to an Advisory Client. Financial markets, including credit markets generally and the leveraged loan market specifically, have and may in the future experience significant declines, high volatility and reductions in liquidity as a result of such pandemics. In addition, the Federal Reserve and other central banks have and may in the future make rare or unprecedented interventions in the financial markets intended to limit the economic impact of a pandemic and to ensure that financial markets continue to function during any period of significant stress. Actions by U.S. federal, state and foreign governments to address a pandemic, including travel bans and school, business and entertainment venue closures, may have a significant adverse effect on the markets in which the obligors conduct their businesses, adversely affecting their performance and ability to repay their debt, and could adversely impact Advisory Client portfolios. All of these conditions may continue or worsen, even after the COVID-19 pandemic has subsided (and there may be one or more additional waves of the COVID-19 pandemic), and may adversely affect the value of investments, the value and liquidity of Issuer securities, the ability of obligors to make timely payments on the investments or the performance of Advisory Clients generally.

*Liquidity Risk.* Particular investments may be difficult to purchase or sell. During periods of market turbulence or low trading activity, in order to meet Advisory Client

withdrawals, it may be necessary for the Firm to sell securities at prices that are less advantageous. Additionally, the market for certain investments may become illiquid independent of any specific adverse changes in the conditions of a particular Issuer. Smaller portfolios may have increased exposure to liquidity risk.

*Illiquidity of Collateral Debt Securities.* Much of the portfolio investments purchased by Issuers will have no, or only a limited, trading market. Issuers' investment in illiquid portfolio investments may restrict its ability to dispose of investments in a timely fashion and for a fair price as well as its ability to take advantage of market opportunities, although Issuers are generally prohibited by the Indentures from selling portfolio investments except under certain limited circumstances. Illiquid portfolio investments may trade at a discount from comparable, more liquid investments. In addition, Issuers may invest in privately placed portfolio investments that may or may not be freely transferable under the laws of the applicable jurisdiction or due to contractual restrictions on resale. Even if such privately placed portfolio investments are transferable, the prices realized from their sale could be less than those originally paid by Issuers or less than what may be considered the fair value of such debt obligations.

*Concentration Risk.* A limited amount of concentration with respect to any particular obligor, region or industry is expected to exist. However, redemptions of portfolio investments and reinvestment may result in a greater concentration in any one obligor, region or industry and such concentration would subject the notes to a greater degree of risk with respect to defaults by such obligor, and such concentration of the portfolio in any one industry or region would subject the notes to a greater degree of risk with respect to economic downturns relating to such industry or region.

*Credit Risk.* 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 likely will affect its credit risk. Credit risk typically changes over the life of an instrument and securities which are rated by rating agencies are often reviewed and are subject to downgrade

*Credit Ratings of Debt Obligations.* Credit ratings of debt obligations represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the security of principal and interest payments and do not evaluate the risks of fluctuations in market value, therefore, they may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an obligor's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of the issuers will be used by the Firm only as a preliminary indicator of investment quality. Investments in non-investment grade and comparable unrated obligations will be more dependent on the Firm's credit analysis than would be the case with investments in investment-grade debt obligations.

*Participation on Creditors' Committees.* The Firm, for and on behalf of Advisory Clients, may participate on committees formed by creditors to negotiate the management of financially troubled companies that may or may not be in bankruptcy or the Firm may seek to negotiate directly with the debtors with respect to restructuring issues. If the Firm does join a creditors' committee, the participants of the committee would be interested in obtaining an

outcome that is in their respective individual best interests and there can be no assurance of obtaining results most favorable to Advisory Clients in such proceedings. By participating on such committees, the Firm may be deemed to have duties to other creditors represented by the committees, which might expose Advisory Clients to liability to such other creditors who disagree with the Firm's actions.

The Firm may also be provided with material non-public information that may restrict its ability to trade in a company's securities. While the Firm intends to comply with all applicable securities laws and to make judgments concerning restrictions on trading in good faith, the Firm may cause an Advisory Client to trade in the company's securities while engaged in the company's restructuring activities. Such trading creates a risk of litigation and liability that may cause the holders of such securities, including the applicable Advisory Clients, to incur significant legal fees and potential losses.

*Legal and Regulatory Risk.* The Firm is subject to regulation by laws at local and national levels and in multiple jurisdictions, including foreign countries. Specific and general regulations addressing capital markets, including tax laws and regulations, whether in the United States or abroad, could increase the cost of acquiring, holding, or divesting portfolio investments, the profitability of investments, and the costs of operating the Private Funds, Issuers and Separate Accounts. Additional regulation could also increase the risk of third-party litigation.

The Firm may also indirectly be affected by regulation of banks and other financial services firms with which the Firm does business, obtains financing or provides other services, or seeks to sell interests in loan securitizations. The regulatory regimes applicable to financial services firms with which the Firm does business may increase borrowing costs or limit the terms or availability of credit, affect the terms or pricing of loan securitizations, affect the collectability of loans, or have other indirect effects.

The regulation of leveraged finance transactions and funds that engage in such transactions, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulatory initiatives in the European Union, is an evolving area of law and is subject to modification by government and judicial actions. There has been an increase in government, as well as self-regulatory, scrutiny of the alternative investment industry in general, and the Advisory Clients may be subject to new or additional regulatory constraints in the future. The regulatory environment for private funds is evolving, and changes in the regulation of private funds and their trading activities may adversely affect the ability of the Advisory Clients to pursue their investment strategies and the value of investments held by the Advisory Clients.

These regulations and regulatory powers may reduce returns to investors in loan portfolios as a result of, among other things, additional compliance and administrative expenses, failure to obtain full repayment on portfolio loans, administrative enforcement actions and fines by state or federal regulators and civil litigation against holders of loans, and a reduction in the availability of appropriate loans for investment. Similarly, violations of law or regulation by the originators or servicers of loans held directly or indirectly by investors could result in the originators or servicers being subject to administrative fines or penalties, borrower restitution obligations, or other consequences that could negatively impact investors in such loans.

*Risks of Investments in Subordinated Debt.* Certain Advisory Client investments consist of loans or securities, or interests in pools of securities, that are subordinated or may 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 Advisory Clients. Some of Advisory Clients' asset-backed investments also may have structural features that divert payments of interest and/or principal to more senior classes of loans or securities backed by the same assets when loss rates or delinquency exceeds certain levels. This may interrupt the income Advisory Clients receive from such investments, which may lead to Advisory Clients having less income to distribute to their investors. If the obligors are highly leveraged or Advisory Clients invest in securities that 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 may not be able to meet its debt payments, and limited secondary market support, among other risks.

*Risks Involved with Loans to Private Companies.* Loans to private companies involve a number of particular risks, including risks related to the fact that:

- these companies may have limited financial resources and limited access to additional financing, which may increase the risk of their defaulting on their obligations, leaving creditors, such as Advisory Clients, dependent on any guarantees or collateral they may have obtained;
- these companies may 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 may not be as much information publicly available about these companies as would be available for public companies and such information may not be of the same quality; and
- 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' abilities to meet their obligations.

*Structured finance obligations.* Investing in structured finance obligations such as CLOs entails a variety of risks, including but not limited to: prepayment risk, credit risk, leverage risk, liquidity risk, market risk, legal risk, interest rate risk as well as risks associated with derivatives markets, including the risk of counterparty default. Structured finance obligations generally involve securities that are considered "re-packaged." The performance of structured finance obligations will be affected by a variety of factors, including the level and timing of payments and recoveries on and the characteristics of the underlying re-packaged securities, remoteness of those assets from the originator or transferor, extent of subordination to other securities issued by the Issuer of such structured finance obligation and the adequacy of and ability to realize upon any related collateral.



*Leverage Risk.* To the extent that income derived from investments purchased with borrowed funds is greater than the cost of borrowing, overall net income will be greater than if borrowing had not been used. Conversely, if the income from investments purchased with borrowed funds is not sufficient to cover the cost of borrowing, the overall net income will be less than if borrowing had not been used. The extent to which the gains and losses associated with leveraged investing are increased will generally depend on the degree of leverage employed. Leverage may also be limited with respect to specific securities held in a portfolio due to margin rule considerations.

*Business Continuity Risk:* The Firm has developed a Business Continuity Program (the BC Program) that is designed to minimize the impact of adverse events that affect its ability to carry on normal business operations. Such adverse events include, but are not limited to, natural disasters, outbreaks of pandemic and epidemic diseases (such as the current COVID-19 pandemic), terrorism, acts of governments, any act of declared or undeclared war, power shortages or failures, utility or communication failure or delays, labor disputes, strikes, shortages, supply shortages, and system failures or malfunctions. While the Firm believes the BC Program should allow it to resume normal business operations in a timely manner following an adverse event, there are inherent limitations in such programs, including the possibility that the BC Program does not anticipate all contingencies or procedures or work as intended. Vendors and service providers to the Firm and its affiliates may also be affected by adverse events and are subject to the same risks that their respective business continuity plans do not cover all contingencies. In the event the BC Program at the Firm or similar programs at vendors and service providers do not adequately address all contingencies, Advisory Client portfolios may be negatively affected as there may be an inability to process transactions, calculate net asset values, value client investments, or disruptions to trading in client accounts. An Advisory Client's ability to recover any losses or expenses it incurs as a result of a disruption of business operations may be limited by the liability, standard of care, and related provisions in its contractual agreements with the Firm and other service providers.

*Cyber-Security Risk.* The increasing reliance on internet-based programs and applications to conduct transactions and store data creates growing operational and security risks. Targeted cyber-attacks, or accidental events, can lead to a breach in computer and data systems' security and subsequent unauthorized access to sensitive transactional and personal information. Data taken in breaches may be used by criminals in identity theft, obtaining loans or payments under false identities, and other crimes that could affect the value of assets in which Advisory Clients invest. Cyber-security breaches at the Firm or its vendors and service providers may also lead to theft, data corruption, or overall disruption in operational systems. These threats may also indirectly affect Advisory Clients through cyber incidents with third party service providers or counterparties. These risks can disrupt the ability to engage in transactional business, cause direct financial loss and reputational damage, or lead to violations of applicable laws related to data and privacy protection and consumer protection. Cyber-security risks also result in ongoing prevention and compliance costs.

*Non-U.S. Securities Risk.* Investments in the securities of non-U.S. issuers are subject to the risks associated with non-U.S. markets in which those non-U.S. issuers are organized and operate, including but not limited to, risks related to foreign currency, limited

liquidity, less government regulation, privatization, and the possibility of substantial volatility due to adverse political, economic, geographic events, or other developments, differences in accounting, auditing and financial reporting standards, the possibility of repatriation, expropriation or confiscatory taxation, adverse changes in investment or exchange controls or other regulations and potential restrictions on the flow of international capital. These risks are often heightened for investments in smaller capital markets, emerging markets, developing markets or frontier markets.

*Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence can be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises, virus or disease epidemics or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty could be expected to reduce the availability of potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn would likely have an adverse effect on the economy generally and on the ability of Private Funds and their investments to execute their respective strategies and to receive attractive multiple of earnings from the purchase and disposition of investments. This could change the rate of future investments by Private Funds and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have adverse effects upon the Private Funds' investments.

#### C. Risks Associated With Particular Types of Securities

*Nature of Collateral.* The portfolio of Advisory Client accounts will consist primarily of non-investment grade loans or interests in non-investment grade loans.

The assets are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks.

In addition, there can be no assurance that the Firm will correctly evaluate the nature and magnitude of the various factors that could affect the value and return of the collateral and purchase collateral that can generate high returns for its Advisory Clients. It is anticipated that the portfolio investments generally will be subject to greater risks than investment grade corporate obligations. These risks could be exacerbated to the extent that the portfolio is concentrated in one or more particular types of investments.

Prices of the investments may be volatile and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including but not limited to changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic and international economic or political events, developments or trends in any particular industry, and the financial condition of the obligors. Loans and interests in loans have significant liquidity and market value risks since they are not generally traded in organized exchange markets but are traded by banks and other institutional investors engaged in loan

syndications. Because loans are privately syndicated and loan agreements are privately negotiated and customized, loans are not purchased or sold as easily as publicly traded securities.

A non-investment grade loan or an interest in a non-investment grade loan is generally considered speculative in nature and may become a “defaulted security” for a variety of reasons. A defaulted security may become subject to either substantial workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such defaulted security. In addition, such negotiations or restructuring may be quite extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such defaulted security. The liquidity for defaulted securities may be limited, and to the extent that defaulted securities are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon. Furthermore, there can be no assurance that the ultimate recovery on any defaulted security will be at least equal to the minimum recovery rate used in connection with any analysis of the notes that may have been prepared for or at the direction of holders of any notes.

Leveraged loans have historically experienced greater default rates than has been the case for investment grade securities. There can be no assurance as to the levels of defaults and/or recoveries that may be experienced on portfolio investments.

Issuers and certain other Advisory Clients will observe certain limitations on its ability to purchase loans and other debt obligations to ensure that it is not treated as a “dealer in securities” or otherwise treated as engaged in a trade or business within the United States for U.S. federal income tax purposes.

*Risks Generally Associated with Fixed Income Securities.* Fixed income securities are subject to credit risk. Credit risk refers to the risk of loss of principal or interest resulting from a borrower’s failure to repay a loan or otherwise meet a contractual obligation. Fixed income securities are subject to interest rate risk and may decrease in value when interest rates rise. When interest rates rise, the prices of fixed rate bonds and loans fall. Generally, the longer the maturity of a bond or fixed rate loan, the more sensitive it is to this risk. These risks are greater during periods of inflation. Falling interest rates also create the potential for a decline in a portfolio’s income.

*Middle Market Obligors.* A substantial portion of the underlying issuers are expected to be “middle market companies”. “Middle market loans” are typically defined as debt issued as part of a loan facility with an original first lien loan size less than \$250,000,000 that is not broadly syndicated to institutional investors. They share many of the same characteristics as more broadly syndicated loans, including, in some cases, a senior secured position in the company’s capital structure and floating rate interest payments. Middle market loans tend to be privately held, and are often not publicly rated. The risks of “middle market loans” include (among others): (i) limited liquidity and secondary market support, (ii) the possibility that earnings of the obligor may be insufficient to meet its debt service, (iii) the declining creditworthiness and potential for insolvency of the borrower of such loan during periods of economic downturn, (iv) the obligor is often a small or mid-size company representing only local

or regional interests, (v) spread compression over the reference interest rate available for reinvestment during any period in which prepayments are received and (vi) if subordinated, subordination to the prior claims of other loans or senior lenders. Middle market loans are generally subject to market value volatility that may not be apparent from historical volatility studies and that could be significant at times. An economic downturn could severely disrupt the market for “middle market loans” and adversely affect the value of outstanding loans and the ability of the borrowers thereof to repay principal and interest. Moreover, the default history for “middle market loans” is limited, actual defaults may be greater than indicated by historical data and the timing of defaults may vary significantly from historical observations.

*Sale of Collateral Upon Default on the Notes.* The market value of portfolio investments will generally fluctuate with, among other things, general economic conditions, world political events, developments or trends in any particular industry, the conditions of financial markets and the financial condition of the obligors of such collateral. Therefore, if an event of default occurs with respect to the notes, there can be no assurance that the proceeds of any sale of the portfolio investments will be sufficient to pay in full any amounts to various parties.

*Structured Finance Obligations and Finance Leases.* A portion of the portfolio investments may consist of structured finance obligations and finance leases. Structured finance obligations and finance leases may present risks similar to those of the other types of collateral in which Issuers may invest and, in fact, the risks may be of greater significance in the case of structured finance obligations and finance leases. Moreover, investing in structured finance obligations and finance leases may entail a variety of unique risks. Among other risks, structured finance obligations and finance leases may be subject to prepayment risk, credit risk, liquidity risk, market risk, structural risk, legal risk and interest rate risk (which may be exacerbated if the interest rate payable on such obligation changes based on multiples of changes in interest rates or inversely to changes in interest rates). In addition, certain structured finance obligations (particularly subordinated collateralized debt obligations) may provide that non-payment of interest is not an event of default in certain circumstances and the holders of the securities will therefore not have available to them any associated default remedies. During the period of non-payment, unpaid interest will generally be capitalized and added to the outstanding principal balance of the related security. Furthermore, the performance of a structured finance obligation or finance lease will be affected by a variety of factors, including its priority in the capital structure of its Issuer, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans, or other assets that are being securitized, bankruptcy remoteness of those assets from the originator or transferor, the adequacy of and ability to realize on any related collateral, and the skill of the manager of such obligation in managing securitized assets. The price of a structured finance obligation or finance lease, if required to be sold, may be subject to certain market and liquidity risks for securities of its type at the time of sale. In addition, structured finance obligations and finance leases may involve initial and ongoing expenses above the costs associated with the related direct investments.

*Synthetic Securities.* A portion of the collateral may consist of synthetic securities, the reference obligations of which must satisfy the definition of collateral in the relevant Governing Documents (“*Synthetic Securities*”), and may be non-investment grade loans or

interests in non-investment grade loans and high-yield debt securities or similar securities. Investments in such types of assets through the purchase of Synthetic Securities present risks in addition to those resulting from direct purchases of such collateral. With respect to each Synthetic Security, Issuers will usually have a contractual relationship only with the counterparty of such Synthetic Security, and not the reference obligor. Issuers generally will have no right directly to enforce compliance by the reference obligor with the terms of the reference obligation nor any rights of set-off against the reference obligor, may be subject to set-off rights exercised by the reference obligor against the counterparty or another person or entity, and generally will not have any voting or other contractual rights of ownership with respect to the reference obligation. Issuers will not directly benefit from any collateral supporting the reference obligation and will not have the benefit of the remedies that would normally be available to a holder of such reference obligation. The counterparty from which Issuers purchases a Synthetic Security may not own the reference obligation or any other obligation of the reference obligor and thus may not have any rights with respect to the reference obligation or the reference obligor. In addition, in the event of the insolvency of the counterparty, Issuers will be treated as a general creditor of such counterparty, and will not have any claim with respect to the reference obligation. Consequently, Issuers will be subject to the credit risk of the counterparty as well as that of the reference obligor. As a result, concentrations of Synthetic Securities entered into with any one counterparty will subject the notes to an additional degree of risk with respect to defaults by such counterparty as well as by the reference obligor. A rating agency may downgrade one or more classes of notes if a counterparty to a material portion of the Synthetic Securities held by Issuers has been downgraded by a rating agency. Generally, Issuer's Governing Documents require notice to, or rating confirmation from, the applicable rating agency before any Synthetic Security may be purchased.

*International Investing.* Portfolio investments may consist of obligations of obligors organized or incorporated under the laws of a country other than the United States or a state thereof. Investments in the obligations of non-U.S. obligors involve certain special risks related to regional economic conditions and sovereign risks which are not normally associated with investments in the securities of sovereign and corporate obligors located in the United States. These risks may include risks associated with political and economic uncertainty, fluctuations of currency exchange rates, lower levels of disclosure and regulation in foreign securities markets, confiscatory taxation, taxation of income earned in foreign nations or other taxes or restrictions imposed with respect to investments in foreign nations, foreign exchange controls (which may include suspension of the ability to transfer currency from a given country and repatriation of investments) and uncertainties as to the status, interpretation and application of laws. In addition, there is often less publicly available information about non-U.S. obligors than about sovereign and corporate obligors in the United States. Sovereign and corporate obligors in countries other than the United States may not be subject to uniform accounting, auditing and financial reporting standards, and auditing practices and requirements for both foreign public and private obligors may not be comparable to those applicable to U.S. companies. It also may be difficult to obtain and enforce a judgment relating to loans issued by a non-U.S. obligor in a court outside the United States.

Also, the economies of individual non-U.S. countries may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rates of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resource

self-sufficiency and balance of payments position. Moreover, the economies of certain foreign countries are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be adversely affected by economic conditions in the countries with which they trade. In addition, many of such securities and obligations have lower ratings than comparable U.S. securities and obligations, reflecting a greater possibility that adverse changes in the financial condition of an obligor or in general economic conditions or both may impair the ability of the obligor to make payments of principal and interest which may, in turn, have an adverse effect on payments on the notes.

*Insolvency Considerations with Respect to Issuers of Securities.* Various laws enacted for the protection of creditors may apply to the portfolio investments. The information in this and the following paragraph is applicable with respect to U.S. obligors. Insolvency considerations will differ with respect to non-U.S. obligors. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an obligor of a collateral, such as a trustee in bankruptcy, were to find that the obligor did not receive fair consideration or reasonably equivalent value for incurring the indebtedness constituting such collateral and, after giving effect to such indebtedness, the obligor (i) was insolvent, (ii) was engaged in a business for which the remaining assets of such obligor constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could determine to invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, to subordinate such indebtedness to existing or future creditors of the obligor or to recover amounts previously paid by the obligor in satisfaction of such indebtedness. The measure of insolvency for purposes of the foregoing will vary. Generally, an obligor would be considered insolvent at a particular time if the sum of its debts were at such time greater than all of its property at a fair valuation or if the present fair saleable value of its assets were at such time less than the amount that would be required to pay its probable liabilities on its existing debts as they became absolute and matured. There can be no assurance as to what standard a court would apply in order to determine whether the obligor was “insolvent” after giving effect to the incurrence of the indebtedness constituting the collateral or that, regardless of the method of valuation, a court would not determine that the obligor was “insolvent” upon giving effect to such incurrence. In addition, in the event of the insolvency of an obligor of collateral, payments made on such collateral could be subject to avoidance as a “preference” if made within a certain period of time (which may be as long as one year under U.S. federal bankruptcy law or even longer under U.S. state laws) before insolvency.

In general, if payments on portfolio assets are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as Issuers and other Advisory Clients) or from subsequent transferees of such payments (such as the holders of the notes). For example, to the extent that any such payments are recaptured from Issuers, the resulting loss will be borne by the holders of the notes. However, a court in a bankruptcy or insolvency proceeding would be able to direct the recapture of any such payment from a holder of notes only to the extent that such court has jurisdiction over such holder or its assets. Moreover, it is likely that avoidable payments could not be recaptured directly from a holder that has given value in exchange for its note, in good faith and without

knowledge that the payments were avoidable. Nevertheless, since there is no judicial precedent relating to a structured transaction such as the notes, there can be no assurance that a holder of notes will be able to avoid recapture on this or any other basis.

*Interest Rate Risk.* Although portfolio investments will generally bear interest at floating rates and the rated notes of Issuers will bear interest at floating rates, there will be mismatches between the floating rates applicable to the collateral of Issuers and the LIBOR rate applicable to the rated notes, as well as timing mismatches based on different reset dates for such floating rates. Moreover, it is expected that there will be mismatches between the aggregate outstanding amount of the rated notes and the aggregate principal balance of the collateral. In addition, the interest rates applicable to eligible investments may be fixed or floating and are generally expected to be lower than the interest rates on the collateral. Accordingly, changes in the level of LIBOR or any other applicable floating rate index could adversely affect the ability of the Issuer to make payments on the notes. Advisory Clients may, from time to time, enter into one or more hedge agreements to hedge interest rate risk. However, there can be no assurance that Advisory Clients will enter into any hedge agreement or that, despite any such hedge agreement, the collateral of Issuers and the eligible investments will in all circumstances generate sufficient interest proceeds to make timely payments of interest on the rated notes.

*Market Transition Away from LIBOR.* Certain financial instruments (such as debt instruments and derivatives) use the London Interbank Offered Rate (LIBOR) as a ‘reference’ or ‘benchmark’ rate. LIBOR is the average offered rate for various maturities of short-term loans between certain major international banks. On July 27, 2017, the head of the United Kingdom’s (“UK”) Financial Conduct Authority announced a desire to phase out the use of LIBOR by the end of 2021. On November 30, 2020, the administrator of LIBOR announced a delay in the phase out of a majority of the U.S. dollar LIBOR publications until June 30, 2023, with the remainder of LIBOR publications ending at the end of 2021.

Regulators and market participants are working together to identify or develop a replacement rate. For instance, the U.S. Federal Reserve, based on the recommendations of the New York Federal Reserve’s Alternative Reference Rate Committee (comprised of major derivative market participants and their regulators), has begun publishing a Secured Overnight Funding Rate (“SOFR”) that is intended to replace U.S. dollar LIBOR. There remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate. As such, the potential effect of a transition away from LIBOR on an Advisory Client or the debt securities or other instruments in which an Advisory Client invests cannot yet be determined. The transition process might lead to increased volatility and illiquidity in markets that currently rely on LIBOR to determine interest rates . It could lead to volatility in the interest rate on investments and the expense of CLO Notes and leverage facilities financing those investments, which could negatively impact Advisory Clients. Additionally, while some existing LIBOR-based instruments may contemplate a scenario where LIBOR is no longer available by providing for an alternative or “fallback” rate-setting methodology, there may be significant uncertainty regarding the effectiveness of any such alternative methodologies such as SOFR to replicate LIBOR. Not all existing LIBOR-based instruments have such fallback provisions, and many that do, do not contemplate the permanent cessation of LIBOR. While it is expected that market participants will amend legacy financial instruments referencing LIBOR to include fallback provisions to alternative reference rates such as SOFR, there remains uncertainty regarding the

willingness and ability of parties to add or amend such fallback provisions in legacy instruments maturing after the end of 2021, particularly with respect to legacy cash products. . Any such effects of the transition away from LIBOR and the adoption of alternative reference rates, as well as other unforeseen effects, could result in losses to an investor.

*Responsible Investing and ESG Risks:* Advisory Clients utilizing responsible investing strategies and environment, social responsibility and corporate governance (ESG) factors may underperform strategies which do not utilize responsible investing and ESG considerations. Responsible investing and ESG strategies may operate by either excluding the investments of certain issuers or by selecting investments based on their compliance with factors such as ESG. These strategies may exclude certain sectors or industries from an Advisory Client's portfolio, potentially negatively affecting the Advisory Client's investment performance if the excluded sector or industry outperforms. Responsible investing and ESG are subjective by nature, and the Firm may rely on analysis and 'scores' provided by third parties in determining whether an issuer meets the Firm's standards for inclusion or exclusion. An Advisory Client's perception may differ from the Firm's or a third party's on how to judge an issuers adherence to responsible investing principles.

## **Item 9**

### **DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to an Advisory Client's or prospective Advisory Client's evaluation of the Firm's advisory business or the integrity of the Firm's management.

## **Item 10**

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

#### **A. Broker-Dealer Registration Status**

The Firm and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer. The Firm has entered into and in the future may enter into placement agent arrangements with third parties and affiliates, including Jefferies LLC. Such arrangements may result in commitment-based fees being paid to such third parties and affiliates, as applicable.

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

The Firm and its management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.



C. Material Relationships or Arrangements with Industry Participants

The JF Investors (as described in Item 4) are large and complex organizations with many affiliates involved in the financial industry. JFG provides clients with capital markets and financial advisory, institutional brokerage, securities research, and asset management services. JFG also provides trade execution in equity, high-yield and international securities for institutional investors and high net worth investors.

MassMutual provides financial products such as life insurance, disability income insurance, long term care insurance, retirement/401(k) plan services, and annuities. Major affiliates include Barings LLC, and Haven Life Insurance Agency.

Each of Apex and ACH provides portfolio management services to certain Issuers, and has discretion over Issuers each manages. Issuers are parties to their respective investment management agreements with Apex or ACH. Apex and ACH receives fees from Issuers for its services. Each Apex and ACH is subject to supervision and control by the Investment Adviser and is a Relying Adviser in reliance upon the SEC's staff's no-action letter to the American Bar Association dated January 18, 2012, which was subsequently confirmed in the SEC's Investment Advisers Act Release IA-4509.

JCP also provides portfolio management services to certain Private Funds and Separate Accounts. JCP has discretion over any Private Funds or Separate Accounts it manages and is party to investment management agreements with each applicable Private Fund and Separate Account. JCP receives fees for its services from the Private Funds and Separate Accounts that it manages. JCP is subject to supervision and control by the Investment Adviser and is a Relying Adviser in reliance upon the SEC's staff's no-action letter to the American Bar Association dated January 18, 2012, which was subsequently confirmed in the SEC's Investment Advisers Act Release IA-4509.

The Investment Adviser or its affiliates may act as an adviser or sub-adviser, including as a restructuring advisor or financial advisor, to companies whose securities or loans are acquired by Advisory Clients, or to other interested parties, such as bondholders, equityholders, creditors committees and potential purchasers. As a result, officers, directors, employees, representatives, agents or affiliates of the Investment Adviser (including JFIN Parent and the JF Investors) may possess information relating to client assets that is not known to the individuals at the Investment Adviser responsible for monitoring the assets and performing the other obligations under the applicable Governing Documents. Additionally, in order to avoid restrictions on the trading capabilities for certain of its funds and accounts, the Investment Adviser may actively avoid exposure to certain material, non-public information regarding certain of the issuers of loans and securities that the Investment Adviser would, as agent of the client, otherwise be entitled to receive.

Additional potential conflicts of interest with respect to JFIN Parent and the JF Investors are detailed in the applicable Governing Documents.

**Item 11**  
**CODE OF ETHICS, PARTICIPATION OR**  
**INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

**A.     Code of Ethics**

The Firm has adopted a Code of Ethics (the “*Code*”) pursuant to 17 C.F.R. § 275.204A-1

The Firm’s employees are subject to JFG’s Code of Ethics. The purpose of the Code is to identify and specify the ethical and legal framework in which Firm’s personnel are required to operate and to highlight some of the guiding principles and mechanisms for upholding the Firm’s standard of business conduct. Persons subject to the Code are subject to, among other things, various restrictions relating to their acquisition and disposition of personal securities transactions. These restrictions include preauthorization and disclosure requirements, restrictions on short term trading, and general prohibitions on transactions in securities in certain circumstances, including: when in possession of inside information; transactions in securities of issuers on the Firm’s restricted list or during specified blackout periods; transactions in securities at a time when the employee intends, or knows of another employee’s intention, to purchase or sell that security or an equivalent security on behalf of Advisory Clients; and acquisition of securities in initial public offerings. There are also restrictions on the acquisition by persons subject to the Code in private placements, which investments require the prior approval and the satisfaction of certain conditions. The Code also addresses the fiduciary duties expected of the persons subject to the Code, including confidentiality obligations, gift and corporate opportunity policies, and restrictions on outside business activities.

The Code is based on a few basic principles: (i) the interests of Advisory Clients come before the interests of the Firm and its respective personnel; (ii) the professional activities and personal investment activities of the Firm’s respective personnel must be consistent with the Code and avoid any actual or potential conflicts of interest; (iii) the activities of the Firm’s respective personnel must be conducted in a way that avoids any abuse of any such person’s position of trust with and responsibility to the Firm and its respective Advisory Clients; and (iv) employees may not engage in any act, practice or course of conduct that would violate the provisions of the federal securities laws.

A copy of the Code can be provided to Advisory Clients and prospective Advisory Clients upon request.

**B.     Securities in Which the Firm or a Related Person Has a Material Financial Interest**

As further described below, the Firm may effect client cross-transactions where the Firm causes a transaction to be effected between an Issuer and another Issuer that issues debt or equity advised by the Firm. The Firm may engage in a client cross-transaction involving an Issuer any time that the Firm believes such transaction is fair to an Issuer and another Issuer and consistent with the Firm’s fiduciary duties. Per the applicable Governing Documents, by purchasing a note of an Issuer or interest in a Fund, an investor is deemed to have consented to

each such cross-transactions from time to time between an Advisory Client and another Advisory Client of the Firm or one of its affiliates.

As further described below, the Firm may effect principal transactions where an Advisory Client may invest in securities or other financial instruments of issuers in which the Firm has a debt, equity or participation interest, in each case in accordance with applicable law (including, without limitation, the Advisers Act), which may include the Firm obtaining the consent and approval of a Private Fund's Advisory Committee (as defined below) prior to engaging in any such principal transaction between the particular Private Fund or Separate Account and the Firm. Per the applicable Governing Documents, by purchasing a note of an Issuer or interest in a Private Fund, an investor is deemed to have consented to such procedures relating to principal transactions between the Fund or Separate Account and the Firm.

Many Advisory Clients have an advisory committee (the "***Advisory Committee***") with the power, subject to the terms of the Governing Documents, (i) to approve the purchase of any asset by the Advisory Client (A) with respect to which the Firm originated, structured, acted as an underwriter or a placement agent or (B) from the related issuer of which the Firm received any compensation and (ii) to consent to the purchase or sale of any asset by the Advisory Client in a transaction that requires notice to the Issuer and the consent of the Advisory Client pursuant to Section 206(3) of the Advisers Act. The members of the Advisory Committee are typically affiliated with investors and in some cases are independent sophisticated and experienced investors, but may not be affiliated with the Firm.

To date, loans or investments originated by the Firm or previously acquired by the Firm have comprised a significant percentage of the assets of each Advisory Client's account. Proceeds from the transfer of such assets from the Firm to Advisory Clients thus can be viewed as an important source of operating capital and profits for the Firm's loan origination business. Internal policies and procedures have been adopted in an effort to mitigate the impact of conflicts inherent in those relationships. These involve maintenance of an investment management business unit dedicated to supporting Private Funds and Separate Accounts that is, in substantial part, separately staffed from the loan origination business (though overlap of duties across business units exists on the part of certain senior officers) and a process whereby such loans or investments will be approved by an Advisory Client's third-party Advisory Committee prior to purchase by an Advisory Client. Policies and procedures also provide that assets that meet the investment criteria for a Private Fund or Separate Account generally will be offered to the Private Fund or Separate Account (as opposed to being retained on the books of the Firm); when an asset is deemed suitable to more than one Private Fund or Separate Account, it generally is offered to each such Private Fund or Separate Account on a pro rata basis, subject to various considerations in accordance with the Firm's investment allocation policy.

Notwithstanding the foregoing, from time to time certain assets may only be offered, in whole or in part, to one or more Private Funds or Separate Accounts for which such assets may be suitable. Additionally, a single Private Fund or Separate Account originating a particular asset may retain such asset, in whole or in part, provided that such asset is suitable for the Private Fund or Separate Account.

JFG is an investor in the parent of the Investment Adviser and is also the parent company of Jefferies LLC. The loans and investments originated or acquired by the Firm, and that may be assigned to an Advisory Client, may be sourced from Jefferies LLC or may be made in connection with capital financing being arranged by Jefferies LLC. If required under the terms described above, the purchase by the Advisory Client will be approved by the applicable Advisory Committee or investor (or group of investors). In addition, the Firm conducts its own underwriting and approval and has separate management from Jefferies LLC. All personnel of Jefferies Finance LLC are employees of Jefferies LLC who are formally dedicated to the Firm.

The Firm has entered into a placement agent arrangement with Jefferies LLC and may in the future enter into similar arrangements, including with affiliates and third parties. Such arrangements may result in Jefferies LLC or such other affiliates or third parties, as applicable, receiving certain commitment-based fees for introducing investors to the Private Funds and Separate Accounts. Such arrangements may create a conflict of interest between the Firm, Jefferies LLC, and/or third-party placement agents.

C. Investing in Securities That the Firm or a Related Person Recommends to Advisory Clients

The Firm (including the JF Investors and JFIN Parent) and their respective advisory clients may invest in obligations that would be appropriate as investments for the Firm's Advisory Clients. Such investments may be different from those made on behalf of an Advisory Client. The Firm may have ongoing relationships with, render services to or engage in transactions with other Advisory Clients, including other Issuers of CLOs and collateralized debt obligations, who invest in assets of a similar nature to those of an Advisory Client, and with companies whose securities or loans are acquired by a Private Fund or Separate Account and may own equity or debt securities issued by obligors of Advisory Client account assets.

D. Conflicts of Interest Created by Allocating Investment Opportunities

The Firm manages investments on behalf of a number of Advisory Clients. Certain Advisory Clients have investment programs that are similar to or overlap and may, therefore, participate with each other in investments.

The Firm seeks to allocate investment opportunities to Advisory Clients on a fair and equitable basis, to the extent practical and in accordance with the Advisory Clients' applicable investment strategies and restrictions. Investment opportunities will generally be allocated among those Advisory Clients for which participation in the respective opportunity is considered appropriate, taking into account, among other considerations: (i) whether the risk-return profile of the proposed investment is consistent with an Advisory Client's objectives; (ii) the potential for the proposed investment to create an imbalance in an Advisory Client's portfolio; (iii) the liquidity requirements of an Issuer; (iv) potentially adverse tax consequences; (v) legal, contractual or regulatory restrictions that would or could limit an Advisory Client's ability to participate in a proposed investment; (vi) the need to re-size risk in an Advisory Client's portfolio; and (vii) minimum or maximum investment size requirements.

When the Firm is ramping up the investment or trading operations for an Advisory Client, such Advisory Client may receive larger allocations of certain securities than the other Advisory Client in order to obtain its desired risk and portfolio size.

The Firm will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any Advisory Client solely because the Firm purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to any Advisory Client if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the Advisory Client.

E. Other Potential Conflicts of Interest.

From time to time, subject to the applicable Governing Documents, a Private Fund or Separate Account may engage in cross trades with one or more other Private Funds or Separate Accounts, typically for purposes of rebalancing its portfolios, in order to further such participating Private Fund's or Separate Account's investment programs, or for other reasons consistent with the investment and operating guidelines of such participating Private Funds and Separate Accounts. Neither the Firm nor our affiliates will receive commission or similar fees in connection with such cross trade. Generally, the value of any positions that are cross-traded in this manner will be determined in a manner that is consistent with applicable policies.

While neither the Firm nor its affiliates will receive commissions from Advisory Clients, the Firm and its affiliates may receive fees and other remuneration (including underwriting fees and fees from borrowing) in connection with the origination of assets to be initially held by the Firm or its affiliates and pursuant to certain "warehousing" transactions. Additionally, under certain circumstances, Advisory Clients may pay commissions to un-affiliated third parties in connection with transactions effectuated by, at or through those un-affiliated third parties.

In addition, the Firm and its related persons may, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to certain Private Funds or Separate Accounts in connection with certain "warehousing" transactions, provided that the sale is consistent with the Firm's fiduciary obligations to such Private Funds or other Advisory Clients. Such transactions will be fully disclosed in writing, and the written consent of the appropriate Private Fund (which, in certain circumstances, may be provided by a Fund's Advisory Committee) or Advisory Clients, as applicable, will be obtained prior to the consummation of any such transactions in accordance with Section 206(3) of the Investment Advisers Act and all other applicable state and federal securities laws.

We may make investments on our own behalf and on behalf of our affiliates in securities we recommend to a Private Fund or other Advisory Client accounts. In addition, the Firm and its principals may co-invest with certain Private Funds or other Advisory Clients, as permissible in the applicable Governing Documents. Any such co-investments or related transactions may raise potential conflicts of interest, particularly if a Private Funds or Advisory Clients invests in different classes or types of securities of the same portfolio company. In such cases, the interest of one Private Fund may not always be aligned with the other Private Fund or

Advisory Client account and may pose an actual or potential conflict of interest, as a Private Fund may pursue or enforce rights with respect to an investment, and those activities may have an adverse effect on the Private Fund or Advisory Client accounts as prices, liquidity, terms of the investments, and levels of risk may be negatively impacted by such actions.

## **Item 12 BROKERAGE PRACTICES**

### **A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions**

The Firm will use commercially reasonable efforts to obtain the best prices and execution for all orders placed with respect to each transaction, considering all relevant circumstances. Subject to the objective of obtaining best prices and execution by taking into account factors including but not limited to available prices, rates of brokerage commissions and size and difficulty of the order, the nature of the market for such security, the time constraints of the transaction, execution capabilities, reliability (based on total trading rather than individual trading), integrity, stability and financial condition of the broker in general, execution and operational capabilities of competing brokers and/or dealers, and the value of the ongoing relationship with such brokers and/or dealers, the Firm may, in the allocation of business, select brokers and/or dealers with whom to effect trades on behalf of an Advisory Client and open cash trading accounts with such brokers and dealers (provided that none of the securities or other assets may be credited to, held in or subject to the lien of, the broker or dealer with respect to any such account).

#### **1. Research and Other Soft Dollar Benefits.**

The Firm does not currently utilize soft dollar benefits.

#### **2. Brokerage for Client Referrals.**

Neither the Firm nor any related person receives client referrals from any broker-dealer or third party.

#### **3. Directed Brokerage.**

The Firm does not recommend, request or require that an Advisory Client direct the Firm to execute transactions through a specified broker-dealer.

### **B. Order Aggregation**

The Firm may aggregate sales and purchase orders of securities placed with respect to the securities with similar orders being made simultaneously for other Advisory Client accounts managed by the Firm or with accounts of the affiliates of the Firm, if in the Firm's reasonable judgment such aggregation will result in an overall economic benefit to Advisory Clients, taking into consideration the advantageous selling or purchase price, brokerage commission or other expenses, as well as the availability of such securities on any other basis.

When a transaction occurs as part of any aggregate sales or purchase orders, the objective of the Firm (and any of its affiliates involved in such transactions) will be to allocate the executions among Advisory Client accounts in an equitable manner.

C. Trade Error

Advisory Client account transactions are effected on occasion in a manner that differs from what was intended for the account. The Firm reviews any trade errors that it discovers, on a case-by-case basis, and decides what corrective steps to take if any, after reviewing the error. In general, an Advisory Client retains any gain from an error and the Firm bears any loss from an error.

**Item 13**  
**REVIEW OF ACCOUNTS**

A. Frequency and Nature of Review of Client Accounts or Financial Plans

The Firm performs various ongoing and periodic reviews of Advisory Clients' portfolios. Such reviews are conducted by employees of the Firm.

B. Factors Prompting Review of Client Accounts Other than a Periodic Review

A review of an Advisory Clients' accounts may be triggered by any unusual activity or special circumstances.

C. Content and Frequency of Account Reports

The Firm compiles monthly and quarterly reports for Issuers with the assistance of the Trustee as described in the Indentures. The content of the monthly report includes a statement of the principal balances of the collateral loans and investments of Issuers, the value of the collateral for purposes of the collateral coverage tests under the Indentures, the proceeds collected since the prior report, certain characteristics of the collateral loans and investments of Issuers, the collateral loans and investments that were sold since the prior report, or became defaulted or were downgraded, a calculation of certain collateral quality tests, and certain other information set forth in the Indentures or requested by the Trustee.

The quarterly report sets forth all of the amounts that are to be distributed on each payment date pursuant to the "Priority of Payments" under the Indenture. This includes expense payments, the collateral management fees, interest payments to noteholders, principal payments and other payments, as set forth in the Indenture.

The Firm provides reports to investors in Private Funds and to other Advisory Clients as required by the applicable Governing Documents. Investors in Private Funds and Advisory Clients should refer to the applicable Governing Documents for further information on the reports provided to a particular Private Fund's investors or to the Advisory Client.

In addition, the Governing Documents of certain Private Funds and other Advisory Clients sometimes require quarterly and annual financial statements to be distributed to a Private Fund's investors or to the Advisory Client and the Firm also typically provides written investor letters with respect to a Private Fund or other Advisory Client and its performance. The Firm distributes K-1 filings to investors, where applicable, and provides certain other reports and analyses to investors and potential investors upon request.

With respect to certain Issuers that are CLOs or similarly structured finance vehicles, the independent Trustees will generally prepare monthly compliance reports. Additionally, the Firm may prepare periodic investor letters, portfolio profile summaries and pro forma results to supplement and further clarify any Trustee reports. Also, in connection with equity distributions for Private Funds, the Firm typically sends a letter to the investors in these Private Funds summarizing the current status of the particular Private Fund and all distributions made to date.

Finally, the Firm may hold annual investor meetings and calls and other interim calls as appropriate for certain of the Private Funds or other Advisory Clients.

#### **Item 14**

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

A. Economic Benefits for Providing Services to Clients

In connection with investments made by certain of Private Funds or other Advisory Clients, the Firm or its related persons may receive commitment, structuring, monitoring or other transaction fees from portfolio investments in which one or more Private Funds or other Advisory Clients may invest or propose to invest. The potential for the Firm and its related persons to receive such economic benefits may create conflicts of interest as the Firm and its related persons may have economic incentives to invest in portfolio investments that provide such benefits. To mitigate potential conflicts, such benefits received by the Firm in connection with its services related to portfolio companies or transactions are generally offset in whole or in part against advisory fees payable by the related Private Fund or other Advisory Client. The Firm has entered into a placement agent arrangement with Jefferies LLC and may in the future enter into similar arrangements, including with affiliates. Such arrangements may result in Jefferies LLC or such other affiliates, as applicable, receiving certain commitment-based fees.

B. Compensation to Non-Supervised Persons for Client Referrals

Neither the Firm nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals. However, the Firm may in the future engage placement agents who are not supervised persons for client referrals and currently has entered into such an arrangement with Jefferies LLC. Additionally, one or more related persons of the Firm may receive fees or other remuneration in connection with the origination and placement of CLOs.



## **Item 15**

### **CUSTODY**

It is the Firm's general policy not to have physical custody of any Advisory Client assets. However, the Firm is deemed to have custody of the assets of certain Private Funds or other Advisory Clients because of the authority it or a related party has over such Advisory Clients or their assets. It is the Firm's policy generally to cause each Private Fund with assets over which the Firm is deemed to have "custody" (pursuant to rule 206(4)-2 promulgated under the Advisers Act (the "***Custody Rule***")) to be audited annually and to distribute audited financial statements, prepared in accordance with U.S. (or region specific) generally accepted accounting principles ("***GAAP***"), to the Private Fund's investors no later than 120 days after the end of each fiscal year. In addition, upon the final liquidation of any such Private Fund, the Firm will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Private Fund to all investors promptly after completion of the audit.

In the alternative, where the Firm is deemed to have custody of an Advisory Client account solely due to its ability to withdraw Advisory Client funds to pay its advisory fees, the Firm may comply with the Custody Rule by having a reasonable belief that a qualified custodian will send quarterly account statements to each such Advisory Client. The Firm urges all Advisory Clients to compare the reports they receive from the Firm to the statements they receive from their custodians. Any issues or discrepancies should be communicated to the Firm promptly.

## **Item 16**

### **INVESTMENT DISCRETION**

The Firm generally has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each Private Fund and other Advisory Client accounts, including the selection of, and commissions paid to, broker-dealers. This discretionary authority is subject to the investment objectives, policies and restrictions as set forth in the Governing Documents of each such Private Fund or other Advisory Client. For the Firm to assume such discretionary authority, each Private Fund investor or Advisory Client must complete the appropriate subscription documents or an investment advisory agreement prior to the establishment of an advisory relationship granting such authority.

## **Item 17**

### **VOTING CLIENT SECURITIES**

The Firm's open market transactions primarily focus on loans and in limited cases, fixed income securities; as such, the Firm does not generally engage in proxy voting. However, Private Funds and other Advisory Clients may engage in limited equity transactions and acquire limited voting securities. In instances where an Advisory Client owns equity securities in which it has the right to vote via shareholder proxy (each a "***Voting Security***"), the Firm has adopted and implemented written Proxy Voting Policies and Procedures ("***Proxy***

*Voting Procedures*”) that are designed to reasonably ensure that the Firm votes proxies in the best interests of such Advisory Client.

The Proxy Voting Procedures describe the positions the Firm generally takes in voting proxies on particular issues and require the Firm to keep records with respect to how the Firm voted.

The Proxy Voting Procedures also provide that, in the event a particular proxy vote would involve a conflict between the interests of the Firm and its affiliates, and those of one or more Advisory Clients, the Firm, if it so elects, may:

- vote in accordance with the recommendations of a disinterested third party;
- refer the voting decision to the Advisory Client; or
- abstain from voting.

Some examples of potential conflicts may include;

- The Firm provides investment advice to an officer or director of an Issuer and the Firm receives a proxy solicitation from that Issuer;
- An Issuer or some other third party offers the Firm or an employee, officer, director, partner or member of the Firm (an “*Associate*”) compensation in exchange for voting a proxy in a particular way;
- An Associate or a member of an Associate’s household has a personal or business relationship with an Issuer;
- An Associate has a beneficial interest contrary to the position held by the Firm on behalf of its Advisory Clients;
- The Firm holds various classes and types of equity and debt securities of the same issuer contemporaneously in different Advisory Client portfolios; or
- Any other circumstance where the Firm’s duty to service its Advisory Clients’ interest could be compromised.

In particular, the Firm is authorized under the collateral Management Agreements to give consents and exercise all other voting rights on behalf of Issuers as to the loans and debt investments owned by such Issuers.

In addition, the collateral Management Agreements provide that all actions taken by the Firm on behalf of Issuers must be performed with reasonable care and in good faith and using professional judgment and all commercially reasonable efforts, (i) using a degree of skill and attention no less than that which the collateral manager exercises with respect to comparable assets that it manages for itself and others, and (ii) substantially in accordance with its existing

practices and procedures and in a manner comparable to other institutional managers of national standing investing in the assets of the nature and character of the collateral.

The Firm does not currently delegate its voting authority to any third party, although it may retain an outside service to provide voting recommendations and to assist in analyzing votes.

Advisory Clients can obtain a copy of the Firm's proxy voting policies and records upon request.

## **Item 18**

### **FINANCIAL INFORMATION**

The Firm 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 any Advisory Clients, and has never been the subject of a bankruptcy petition. As such, the Firm has nothing to disclose pursuant to this Item.