



# ANDALUSIAN

## CREDIT PARTNERS

### INVESTMENT ADVISER BROCHURE

October 22, 2024

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This brochure (“Brochure”) provides information about the qualifications and business practices of Andalusian Credit Partners, LLC (the “Adviser”). If you have any questions about the contents of this Brochure, please contact us at 646-989-4070. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

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

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

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## **MATERIAL CHANGES**

Since this Brochure's last update on March 30, 2024, the following changes have been made:

- Clarifying updates to disclosures relating to fees and compensation, risk factors and potential conflicts of interest;
- Updates to financial industry affiliations; and
- An update to the Adviser's regulatory assets under management.

## **ADVISORY BUSINESS**

The Adviser is a Delaware limited liability company that was founded in July 2022. The Adviser seeks to identify opportunities for investment and offer qualified investors the opportunity to invest through pooled investment vehicles ("Funds") and separately managed accounts ("SMAs") (each, a "Client"). Throughout this Brochure, the term "Client" refers to Clients to whom the Adviser provides (or will in the future provide) discretionary or non-discretionary investment advisory services and "investors" refers to underlying investors in the Client.

Each Client follows an established strategy and invests in accordance with a specific investment mandate (*i.e.*, the investment objectives, parameters and restrictions applicable to the Adviser's management). Investment mandates for SMAs can be tailored to the individual needs of the Client, consistent with the Adviser's investment strategies, including through the imposition of reasonable restrictions. In contrast, a Fund's investment mandate generally is not tailored to the individualized needs of any particular investor; investors will be subject to the various risks described in the Governing Documents (as defined below), and should determine whether the Fund meets their investment objectives and risk tolerance prior to investing. While the Adviser can discuss a Fund's proposed investment mandate with investors, the Adviser's discussions with investors are not advice that such an investor or prospective investor should take any particular action with respect to the Fund. Investors should be aware that an investment in the Fund does not, in and of itself, create an advisory relationship between the investor and the Adviser.

More information about the Adviser's advisory services to the Clients are included in the relevant offering documents, investment management agreements, organizational documents or SMA agreements, as applicable (collectively, the "Governing Documents") and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." Investors should read the Governing Documents applicable to their relationship carefully before investing with the Adviser.

The Adviser was co-founded by its Founding Partners, Jeffrey Kaplan and Nicholas Savasta. The Adviser is primarily owned by Andalusian Credit Partners Intermediate Hold Co., LLC, which is owned by Andalusian Credit Partners Hold Co., LLC, which is owned by Jeffrey Kaplan and Nicholas Savasta. Roger Ferguson serves as Executive Chairman and Joseph Otting and Shamit Grover serve as Vice Chairman. The principal owners of the Adviser are identified in Schedules A and B of the Adviser's Form ADV Part 1A. As of September 30, 2024, the Adviser

managed: (i) \$513,695,000 of assets on a discretionary basis; and (ii) \$0 of assets on a non-discretionary basis.

## **FEES AND COMPENSATION**

### **Management Fees**

The Adviser receives management fees from Clients. The specific payment terms and other conditions of these management fees are set forth in the Governing Documents. Management fees are generally based on a fixed percentage of: (i) unfunded capital commitments; and (ii) Client assets as of the most recent calendar quarter. Management fees vary and are based on a number of factors including investment mandate, services performed and account size.

The Funds generally compensate the Adviser or their affiliates for their investment management services through an annual management fee payable quarterly in advance. Fees are deducted directly from the account of each Fund. Should a Fund liquidate during a quarterly period, any prepaid, unearned management fees will be refunded.

SMA Client fee schedules can be negotiated and as such will vary based upon a wide variety of factors including the type of client mandate, services provided, investment amount and other factors as may be agreed with the particular SMA Client. Depending on the structure of the SMA Client's account, management fees can be deducted directly from the account or invoiced to the client and may be charged in advance or arrears, as agreed to with the SMA Client. SMA Clients initiated or terminated during a calendar quarter will be charged a prorated fee for the period (if fees are paid in arrears) or have any prepaid, unearned fees refunded (if fees are paid in advance).

### **Performance Based Compensation**

The Adviser or its affiliates receive performance-based compensation for the Adviser's advisory services from certain Clients. A variety of conflicts of interest arise in connection with the receipt of performance-based compensation by the Adviser or its affiliates. Additional information regarding incentive-based compensations received by the Adviser or its affiliates is described in "Performance-Based Fees and Side-by-Side Management" below.

### **Expenses**

In addition to the management fees and performance-based compensation payable to the Adviser or its affiliates, each Client pays or otherwise bears a variety of other fees, costs, obligations, liabilities and expenses (collectively, "Expenses") incurred in connection with the Adviser's management of the Client's account. Not all Clients are subject to the same Expenses. Each Client's Governing Documents include information about the Expenses that are borne by the Client.

A Fund is expected to bear all fees, costs, expenses, liabilities and obligations relating to the Fund's (and its subsidiaries and intermediate entities) activities, investments and business, including organizational costs and expenses, legal, accounting, tax, auditing, consulting and other professional expenses (including, without limitation, expenses relating to establishing reputation

and public relations in connection with self-sourced lending or other financial transactions); the management fees and performance-based compensation; professional liability insurance (including costs relating to directors' and officers' liability insurance and errors and omissions insurance); research and market data expenses; interest on indebtedness; custodial fees; bank service fees; investment-related fees and expenses (such as third-party sourcing fees, fees and expenses of legal and other professionals, due diligence expenses and travel, lodging and meal expenses) related to the analysis, purchase or sale of investments, whether or not the investments are consummated; expenses related to special purpose vehicles organized to hold certain investments; interest payable on debt, if any, incurred to finance the Fund's investments; other expenses related to the purchase, monitoring, sale, settlement, custody or transmittal of Fund assets (directly or through trading affiliates) (including costs associated with systems and software used in connection with investment-related activities); costs of reporting to investors and investor meetings; administration fees and expenses charged by any third-party provider of administration services; entity-level taxes; offering expenses, including any expenses relating to the offer, transfer, sale and marketing of shares of the Fund (including all expenses incurred in connection with an initial public offering); filing fees and expenses; federal and state registration fees and expenses; regulatory and compliance fees and expenses of the Fund (including with respect to any registration activities of the Fund); costs of winding up and liquidating the Fund; costs associated with ensuring compliance with the applicable requirements under U.S. federal securities laws, including, but not limited to, costs incurred in connection with the organization of, and transfer of assets to, a private investment vehicle; expenses incurred in connection with a defaulting investor; and other expenses associated with the operation of the Fund and its investment activities, including extraordinary expenses such as litigation, workout and restructuring and indemnification expenses, if any. A Fund will also bear its allocable share of any of the expenses listed above incurred by any special purpose vehicle. A Fund will also be responsible for additional expenses as further provided in the Fund's Governing Documents.

Generally, expenses incurred directly in connection with a particular investment (or proposed investment) of a Client and other Client accounts in which the Adviser conducts substantial investment and other activities in their own accounts and the accounts of other clients will be allocated among the applicable Client accounts pro rata based upon capital invested (or proposed to be invested) in such investment; provided that expenses specifically attributable to a particular Client are generally expected to be allocated to that Client.

In accordance with its operating documents and agreements, Andalusian Credit Company, LLC, a business development company ("BDC") advised by the Adviser, bears investment related research and data costs in support of its overall operations. Generally, these expenses will be allocated among the Client accounts managed by the Adviser on a pro rata basis. However, the Adviser has authority to negotiate arrangements with other Clients pursuant to which those Clients will not bear such expenses, despite benefiting, directly or indirectly, from the applicable products and services by participating in investments that have been analyzed with the help of those resources. In such instances, the BDC and other Clients that have not entered into such arrangements with the Adviser will bear more than their respective pro rata share of the applicable expenses. The Adviser currently manages one SMA Client account that does not bear investment related research and data costs pursuant to such an arrangement. The Adviser will allocate other expenses among participating Clients in a fair and equitable manner taking into account such factors as it deems appropriate. Notwithstanding the foregoing, in light of a Client's investment

mandate, which could include investments in small loans, niche credits and other similar securities, it could be impractical to specifically allocate certain investment-related expenses to the particular loans to which they relate. The Adviser, in its absolute and sole discretion, can instead allocate such expenses (along with expenses that relate to transactions that are not consummated) pro rata across one or more investments.

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

As described under “Fees and Compensation,” the Adviser or its affiliates receive performance-based compensation from certain Clients. The Adviser and its affiliates, as applicable, reserve the right to waive carried interest with respect to certain affiliated persons. The Adviser can manage accounts that are not charged performance-based compensation, or are charged performance-based compensation in different percentages or preferred return amounts that must be met before the Adviser or its affiliates are compensated. This practice presents a conflict of interest because the Adviser has an incentive to favor accounts for which it receives the highest performance-based compensation.

The Adviser seeks to address conflicts of interest in these matters with allocation policies that provide that transactions and investment opportunities will be allocated to the Clients on a fair and equitable basis over time in accordance with each Client’s investment guidelines and Governing Documents.

The existence of performance-based compensation creates an incentive for the Adviser to make more speculative investments on behalf of a Client than it would otherwise make in the absence of such arrangement, although the Adviser generally considers performance-based compensation to better align its interests with those of its investors.

## **TYPES OF CLIENTS**

The Adviser’s investment strategies are made available to SMA Clients and Fund Clients.

The minimum investments, if any, required to become or remain a Client or an investor in a Client are stated in the Client’s Governing Documents. Investors are required to meet any eligibility requirements set forth in the applicable Client’s Governing Documents.

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

### **General**

The Investment Adviser manages Client accounts using its senior secured loan strategy (the “SSL Strategy”). The SSL Strategy seeks to provide investors with access to a portfolio of investments in the equity or debt of private U.S. companies or public companies with less than \$250 million in market capitalization.

Clients managed using the SSL Strategy will seek to generate current income and capital appreciation by investing primarily in senior secured loans with a first lien on collateral, including “unitranche” loans, which are loans that combine both senior and mezzanine debt, of U.S. middle-market companies. Clients managed using the SSL Strategy could also selectively invest in: (i)

second lien and subordinated loans of, and warrants and minority equity securities in, U.S. middle-market companies; (ii) secondary purchases of assets or portfolios; and (iii) distressed debt, debtor-in-possession loans, structured products, structurally subordinated loans, investments with deferred interest features, pay-in-kind (“PIK”) securities, zero-coupon securities and defaulted securities, but such investments are not the principal focus of its investment strategy.

Client accounts managed using the SSL Strategy seek to accomplish their investment objectives by: (i) accessing the loan origination channels developed by the Adviser’s investment team and executive leadership; (ii) selecting investments within the Adviser’s core U.S. middle-market company focus; (iii) partnering with private equity firms, sponsors or independent business owners, as well as a group of relationship lenders in so called “club deals”; (iv) implementing the disciplined underwriting standards established by the Adviser; and/or (v) drawing on the aggregate experience and resources of Andalusian Private Capital, LP, an affiliate of the Adviser. To accomplish this, Client accounts managed using the SSL Strategy seek to make direct investments in portfolio companies that operate across various industries in U.S.-based companies (“Portfolio Investments”).

The investment strategy applicable to each Client is generally set forth in more detail in the Client’s Governing Documents. There can be no assurance that the Adviser will achieve the investment objectives of any Client and a loss of investment is possible. Investment strategies for SMA Clients are agreed on during the onboarding process and can be altered as agreed by the Adviser and the Client. The Adviser could, in the future, offer other investment strategies, or make investments in accordance with an investment strategy described in this Brochure, that the Adviser considers appropriate in accordance with the Client’s investment objective and guidelines, but which are not described herein.

Without prior consultation with any Client or investors in a Client, the Adviser can provide discretionary investment management services as an investment adviser to additional Clients on a discretionary or non-discretionary basis using the SSL Strategy or other strategies that the Adviser develops from time to time. These Clients could have investment objectives that are the same as, similar to or overlapping with those of one or more existing Clients.

## **Risks of Investment**

Each Client and its investors bear the risk of loss that the Adviser’s investment strategy entails. The risks involved with the Adviser’s investment strategies and an investment in a Client include, but are not limited to the risks outlined below. Additional risks specific to a Client’s investment strategies can be found in the relevant Client’s Governing Documents. The discussion below describes the primary risks associated with the Adviser’s investment activities. However, it is not possible to identify all of the risks associated with investing, and the particular risks applicable to a Client will depend on the nature of the Client, its investment strategy or strategies and the types of investments held. Additionally, Clients and investors should understand that the Adviser principally invests, directly or indirectly, in senior secured loans and that Client investments will not be diversified by asset type. Similarly, a Fund or SMA is not intended to provide a complete investment program, and the Adviser expects that the assets it manages do not represent all of an investor’s assets.

Investors are responsible for understanding the Adviser's investment activities for a particular client, so that they can (if they so choose) appropriately diversify their own assets to guard against the risk of loss of their investment with the Adviser, which could include the loss of all capital invested. As the following is intended only as a summary of the principal risks associated with the Adviser's investment activities generally, it is important to consult the relevant Governing Documents for a more complete and specific discussion of the risks associated with any particular Client.

### **General Investment Risk**

All investments, including a Client's investments, involve the risk the loss of capital. The Adviser believes that its investment strategies and research techniques moderate this risk through a careful selection of investments. However, no guarantee or representation is made (and no such guarantee or representation could be made) that a Client's investment strategy will be successful.

### **Illiquid Investment Risk**

The Adviser seeks to achieve Client investment objectives by investing primarily in senior secured loans with a first lien on collateral, including unitranche loans, of U.S. middle-market companies. Portfolio companies in which Clients are expected to invest typically exit their debt and, to a lesser extent, equity investments, through structured terms and amortization or when the portfolio company has a liquidity event. The illiquidity of Client portfolio investments could adversely affect the Client's ability to dispose of debt and equity securities at times when it is otherwise advantageous for the Client to liquidate such investments. In addition, if a Client were forced to immediately liquidate some or all of its Portfolio Investments, the market value of the proceeds of such liquidation could be significantly less than the Client's initial cost basis in such investments.

### **Private Company Risk**

Investments in private businesses involve a high degree of business and financial risk, which can result in substantial losses for investors in those investments and accordingly should be considered speculative. There is generally minimal publicly available information about the private companies in which Clients generally invest, and Clients rely significantly on the diligence of their service providers and agents to obtain information in connection with investment decisions. If Clients are unable to identify all material information about these companies, such Clients could fail to receive their expected returns on investment or lose some or all of the capital invested in these companies. In addition, these businesses will, from time to time, have shorter operating histories, narrower product lines, smaller market shares and less experienced management than their larger competitors and could be more vulnerable to customer preferences, market conditions and loss of key personnel or economic downturns, which could adversely affect the return on, or the recovery of, investments in such businesses. Each Client is subject to the risk that a portfolio investment can make a business decision that does not serve the Client's best interests, which could decrease the value of such Client's investment. Deterioration in an underlying portfolio company's financial condition and business prospects can be accompanied by deterioration in the collateral for a loan, if any, and an event of default by the portfolio company.



Such an event could reduce the Client's anticipated return on invested capital and delay the timeline for distributions to investors.

## **Regulatory Risk**

Each Client and its portfolio companies are subject to regulation at the local, state and federal levels. These laws and regulations, as well as their interpretation, are likely to change from time to time, and new laws and regulations will likely be enacted. Accordingly, any change in these laws or regulations, changes in their interpretation or newly enacted laws or regulations, or any failure by a Client or its portfolio companies to comply with these laws or regulations, could require changes to certain of the Client's or its portfolio companies' business practices, negatively impact the Client's or its portfolio companies' operations, cash flows or financial condition, impose additional costs on the Client or its portfolio companies or otherwise adversely affect the Client's business or the business of its portfolio companies. In addition to the legal, tax and regulatory changes that are expected to occur, there are likely to be unanticipated changes. The legal, tax and regulatory environment for Clients, investment advisers and the instruments that they utilize (including derivative instruments) is continuously evolving.

Over the last several years, there also has been an increase in regulatory attention to the extension of credit outside of the traditional banking sector, raising the possibility that some portion of the non-bank financial sector will be subject to new regulation. While it cannot be known at this time whether any regulation will be implemented or what form it will take, increased regulation of non-bank credit extension could negatively impact a Client's operations, cash flows or financial condition, impose additional costs on a Client, intensify the regulatory supervision of a Client or otherwise adversely affect a Client's returns.

Future regulatory changes at various securities industry regulatory bodies such as the SEC and legislative changes at federal and state levels could impose on a Client stricter investment guidelines resulting in any or all of reduction of deal flow, increased reporting and compliance costs and investment restrictions. Such results could have a negative impact on the returns generated to investors.

## **Credit Risk**

A Client can be exposed to losses resulting from default and foreclosure of any such loans or interests in loans in which it has invested. Therefore, the value of underlying collateral, the creditworthiness of borrowers and the priority of liens are each of great importance in determining the value of a Client's investments. In the event of foreclosure, a Client or an affiliate thereof could assume direct ownership of any assets collateralizing such foreclosed loans. The liquidation proceeds upon the sale of such assets might not satisfy the entire outstanding balance of principal and interest on such foreclosed loans, resulting in a loss to a Client. Any costs or delays involved in the effectuation of loan foreclosures or liquidation of the assets collateralizing such foreclosed loans will further reduce proceeds associated therewith and, consequently, increase possible losses to a Client. In addition, no assurances can be made that borrowers or third parties will not assert claims in connection with foreclosure proceedings or otherwise, or that such claims will not interfere with the enforcement of a Client's rights.

## **Market Volatility Risk**

The values of a Client's Portfolio Investments can be volatile. In addition, price movements can also be influenced by, among other things, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and national and international political and economic events and policies. In addition, governments from time to time intervene in certain markets. Such intervention often is intended directly to influence prices and can cause or contribute to rapid fluctuations in asset prices, which could adversely affect a Client's returns.

## **Availability of Suitable Investments**

The business of originating and investing in loans to private U.S. companies or public companies with less than \$250 million in market capitalization has, from time to time, been highly competitive; the identification of attractive underwriting and investment opportunities is difficult and involves a high degree of uncertainty. There are no assurances that a Client can invest and reinvest its capital fully or that suitable investment opportunities will be identified which satisfy the Client's rate of return or maturity objectives. Competition in the industry and performance by a portfolio company could reduce the rates of return available to a Client on its Portfolio Investments.

## **Valuation Risk**

Many portfolio investments will take the form of securities that are not publicly traded. The fair value of loans, securities and other investments that are not publicly traded might not be readily determinable, and will be valued at fair value as determined in good faith by the Adviser, including to reflect significant events affecting the value of the Client's investments. Most, if not all, of a Client's investments (other than cash and cash equivalents) will be classified as Level 3 assets under Topic 820 of the U.S. Financial Accounting Standards Board's Accounting Standards Codification, as amended, Fair Value Measurements and Disclosures ("ASC Topic 820"). This means that a Client's portfolio valuations will be based on unobservable inputs and a Client's assumptions about how market participants would price the asset or liability in question. The Adviser expects that inputs into the determination of fair value of portfolio investments will require significant management judgment or estimation. Even if observable market data are available, such information can be the result of consensus pricing information or broker quotes, which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimers materially reduces the reliability of such information. The Adviser expects to retain the services of one or more independent service providers to review the valuation of these loans and securities. The types of factors that can be taken into account in determining the fair value of investments generally include, as appropriate, comparison to publicly-traded securities including such factors as yield, maturity and measures of credit quality, the enterprise value of a portfolio company, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, can fluctuate over short periods of time and can be based on estimates, determinations of fair value can differ materially from the values that would have been used if a ready market for these loans and securities existed. A Client could be adversely

affected if determinations regarding the fair value of the Client's investments were materially higher than the values that the Client ultimately realizes upon the disposal of such loans and securities. In addition, the method of calculating the management fees and performance-based compensation can result in conflicts of interest between the Adviser, on the one hand, and investors on the other hand, with respect to the valuation of investments.

### **Syndication and/or Transfer Risk**

Subject to the limitations in the relevant Governing Documents, a Client can originate and/or purchase certain debt assets, including ancillary equity assets. A Client could also purchase certain assets (including, participation interests or other indirect economic interests) that have been originated by other affiliated or unaffiliated parties and/or trading on the secondary market. A Client can, in certain circumstances, originate or purchase such assets with the intent of syndicating and/or otherwise transferring a significant portion thereof, including to one or more offshore funds or accounts managed by the Adviser or its affiliates. In such instances, the Client will bear the risk of any decline in value prior to such syndication and/or other transfer. In addition, a Client will also bear the risk of any inability to syndicate or otherwise transfer such Assets or such amount thereof as originally intended, which could result in the Client owning a greater interest therein than anticipated.

### **Leverage Risk**

A Client could invest in certain portfolio investments that employ leverage as part of their strategy. In addition, the Client could borrow funds to consummate an investment or to pay Client expenses or the management fee. Leverage provides an opportunity for a Client to enhance the rate of return to its investors, but creates additional risk with respect to the return of capital or the reduction of the rate of return for investors in the event that such Client's investments have not performed well. Whether the effect of leverage is beneficial or detrimental to such Client's investors will depend, among other things, on the cost of the leverage and the investment experience of such Client.

### **Second-Lien/Subordinated Loans or Debt Risk**

A Client can acquire and/or originate second-lien or other subordinated loans. In the event of a loss of value of the underlying assets that collateralize the loans, the subordinate portions of the loans could suffer a loss prior to the more senior portions suffering a loss. If a borrower defaults and lacks sufficient assets to satisfy a Client's loan, the Client could suffer a loss of principal or interest. If a borrower declares bankruptcy, a Client might not have full recourse to the assets of the borrower, or the assets of the borrower might not be sufficient to satisfy the loan. In addition, certain of a Client's loans could be subordinate to other debt of the borrower. As a result, if a borrower defaults on a Client's loan or on debt senior to a Client's loan, or in the event of the bankruptcy of a borrower, the Client's loan will be satisfied only after all senior debt is paid in full. A Client's ability to amend the terms of the Client's loans, assign the Client's loans, accept prepayments, exercise the Client's remedies (through "standstill periods") and control decisions made in bankruptcy proceedings relating to borrowers can be limited by intercreditor arrangements if debt senior to the Client's loans exists.

## **Unsecured Loans or Debt Risk**

A Client can invest in unsecured loans, which are not secured by collateral. In the event of default on an unsecured loan, the first priority lien holder has first claim to the underlying collateral of the loan. It is possible that no collateral value would remain for an unsecured holder and therefore result in a loss of investment to a Client. Because unsecured loans are lower in priority of payment to secured loans, they are subject to the additional risk that the cash flow of the borrower can be insufficient to meet scheduled payments after giving effect to the secured obligations of the borrower. Unsecured loans generally have greater price volatility than secured loans and are generally less liquid.

## **Covenant-Lite Loan Risk**

A significant number of leveraged loans in the market could consist of loans that do not contain financial maintenance covenants (“Covenant-Lite Loans”). While the Adviser does not intend to invest in Covenant-Lite Loans as part of any Client’s principal investment strategy, it is possible that such loans could comprise a portion of the Client’s portfolio. Such loans do not require the borrower to maintain debt service or other financial ratios. Ownership of Covenant-Lite Loans could expose a Client to different risks, including with respect to liquidity, price volatility, ability to restructure loans, credit risks and less protective loan documentation than is the case with loans that also contain financial maintenance covenants.

## **Sub-Investment Grade and Unrated Debt Obligations Risk**

A Client could invest in sub-investment grade debt obligations. Investments in the sub-investment grade categories are subject to greater risk of loss of principal and interest than higher-rated securities and can be predominantly speculative with respect to the obligor’s capacity to pay interest and repay principal. They can also be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with non-investment grade securities, the yields and prices of such securities can, and often do, fluctuate more than those for higher-rated securities. The market for non-investment grade securities is generally expected to be smaller and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold and could result in losses to a Client.

In addition, a Client could invest in debt obligations that are unrated by a recognized credit rating agency, which could be subject to greater risk of loss of principal and interest than higher-rated debt obligations or debt obligations that rank behind other outstanding securities and obligations of the obligor, all or a significant portion of which could be secured on substantially all of that obligor’s assets. A Client could also invest in debt obligations that are not protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Any of these factors could have a material adverse effect on Client returns.

To the extent that a Client invests in sub-investment grade investments that are also stressed or distressed then the risks discussed above are heightened.

## **Equity Securities Risk**

A Client could purchase common and other equity securities. Although equity securities have historically generated higher average total returns than fixed income securities over the long term, equity securities also have experienced significantly more volatility in those returns. The equity securities a Client acquires could fail to appreciate and can even decline in value or become worthless, and a Client's ability to recover their investment will depend on a portfolio company's success. Investments in equity securities involve a number of significant risks. While there are many types of equity securities, prices of all equity securities will fluctuate. Any equity investment in a portfolio company could be subject to further dilution as a result of the issuance of additional equity interests and to serious risks as a junior security that will be subordinate to all indebtedness (including trade creditors) or other senior securities in the event that the issuer is unable to meet its obligations or becomes subject to a bankruptcy process. To the extent that the portfolio company requires additional capital and is unable to obtain it, a Client might not recover its investment. In some cases, equity securities in which a Client invests will not pay current dividends, and the Client's ability to realize a return on its investment, as well as to recover its investment, will be dependent on the success of the portfolio company.

## **Interest Rate Risk**

A Client intends to primarily invest in instruments with adjustable rates. Interest rate changes can affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

## **Borrowing Risk**

A Client could borrow from, and issue senior debt securities to banks, insurance companies and other lenders or investors as part of its investment strategy. Holders of these senior securities will have fixed-dollar claims on a Client's assets that are superior to the claims of the Client's investors. If the value of a Client's assets decreases, leveraging would cause the value of an investor's investment or Client's value to decline more sharply than it otherwise would have if the Client did not employ leverage. Similarly, any decrease in a Fund's income would cause net income to decline more sharply than it would have had it not borrowed. Such a decline could negatively affect a Fund's ability to make dividend payments. A Client's ability to service any debt that it incurs will depend largely on its financial performance and will be subject to prevailing economic conditions and competitive pressures. There can be no assurance that a Client will use leverage or that a leveraging strategy will be successful during any period in which it is employed.

Furthermore, any credit agreement or other debt financing agreement into which a Client can enter can impose financial and operating covenants that restrict its investment activities, the Client's ability to call capital, remedies on default and similar matters. In connection with borrowings, a Client's lenders could also require the Client to pledge assets, investor commitments to fund capital calls and/or the proceeds of those capital calls, thereby allowing the lender to call for capital contributions upon the occurrence of an event of default under such financing

arrangement. To the extent such an event of default does occur, Client investors could therefore be required to fund any shortfall up to their remaining capital commitments, without regard to the underlying value of their investment.

Lastly, a Client could be unable to obtain its desired leverage, which would, in turn, affect the return on investment.

### **PIK Interest Payments**

Certain of a Client's debt investments could contain provisions providing for the payment of PIK interest. Because PIK interest results in an increase in the size of the loan balance of the underlying loan, the receipt of PIK interest will have the effect of increasing a Client's assets under management. As a result, the receipt of PIK interest can result in an increase in the amount of the management fee payable by a Client. In addition, any such increase in a loan balance due to the receipt of PIK interest will cause such loan to accrue interest on the higher loan balance, which will result in an increase in incentive fees that are payable by the Client to the Adviser. To the extent PIK interest income constitutes a portion of a Client's income, the Client will be exposed to risks associated with such income being required to be included in accounting income and taxable income prior to receipt of cash, including the following:

- The higher yields and interest rates on PIK securities reflect the payment deferral and increased credit risk associated with such instruments and that such investments could represent a significantly higher credit risk than coupon loans.
- PIK securities could have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral.
- PIK interest has the effect of generating investment income and increasing the incentive fees payable at a compounding rate. In addition, the deferral of PIK interest also reduces the loan-to-value ratio at a compounding rate.
- PIK securities create the risk that performance-based compensation will be paid to the Adviser based on non-cash accruals that ultimately are not realized, but the Adviser would be under no obligation to reimburse the Client for these fees.

### **Prepayment Risk**

The terms of loans in which a Client invests can, from time to time, permit the borrowers to voluntarily prepay loans at any time, either with no or a nominal prepayment premium. This prepayment right can result in the borrower repaying the principal on an obligation held by a Client earlier than expected. This could happen when there is a decline in interest rates, when the borrower's improved credit or operating or financial performance allows the refinancing of certain classes of debt with lower cost debt. The yield of a Client's investment assets could be affected by the rate of prepayments differing from the Adviser's expectations. Assuming an improvement in the credit market conditions, early repayments of the debt held by a Client could increase. To the extent early prepayments increase, they can have a material adverse effect on a Client's investment

objectives and profits. In addition, if a Client is unable to reinvest the proceeds of such prepayments received in investments expected to be as profitable, the proceeds generated by the Client will decline as compared to the Adviser's expectations.

### **Collateral Risk**

The collateral and security arrangements in relation to such secured obligations as a Client could invest in will be subject to such security or collateral having been correctly created and perfected and any applicable legal or regulatory requirements which could restrict the giving of collateral or security by an obligor, such as, for example, thin capitalization, over-indebtedness, financial assistance and corporate benefit requirements. If the investments do not benefit from the expected collateral or security arrangements, this can adversely affect the value of or, in the event of default, the recovery of principal or interest from such investments made by a Client. Accordingly, any such a failure to properly create or perfect collateral and security interests attaching to the investments could have a material adverse effect on Client returns.

### **Leveraged Company Risk**

Leveraged companies can experience bankruptcy or similar financial distress. Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court will not approve actions that are contrary to a Client's interests. Furthermore, there are instances where creditors can lose their ranking and priority if they are considered to have taken over management of a borrower.

The reorganization of a company can involve substantial legal, professional and administrative costs to a lender and the borrower; it is subject to unpredictable and lengthy delays; and during the process a company's competitive position can erode, key management can depart and a company might not be able to invest its capital adequately. In some cases, the debtor company might not be able to reorganize and could be required to liquidate assets. The debt of companies in financial reorganization will, in most cases, not pay current interest, not accrue interest during reorganization and could be adversely affected by an erosion of the issuer's fundamental value.

In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower's business or exercise control over the borrower.

Various laws enacted for the protection of creditors apply to certain investments that are debt obligations, although the existence and applicability of such laws will vary between jurisdictions. For example, if a court found that an obligor did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and the grant of any security interest securing such investment, and, after giving effect to such indebtedness, the obligor: (i) was insolvent; (ii) was engaged in a business for which the assets remaining in 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: (a) invalidate such indebtedness and such security interest as a fraudulent conveyance; (b) subordinate such indebtedness to existing or future creditors of the obligor; or (c) recover amounts previously paid

by the obligor in satisfaction of such indebtedness or proceeds of such security interest previously applied in satisfaction of such indebtedness. In addition, if an obligor in whose debt a Client has an investment becomes insolvent, any payment made on such investment could be subject to avoidance, cancellation and/or clawback as a “preference” if made within a certain period of time (which, for example, under some current laws could be as long as two years) before insolvency.

In general, if payments on an investment are voidable, whether as fraudulent conveyances, extortionate transactions or preferences, such payments could be recaptured either from the initial recipient or from subsequent transferees of such payments. To the extent that any such payments are recaptured, there could be a material adverse effect on Client returns.

### **Environmental, Social and Governance Risk**

Companies face increasing public scrutiny related to environmental, social and governance (“ESG”) activities. A Fund risks damage to its brand and reputation if it fails to act responsibly with respect to environmental stewardship, corporate governance and transparency and considering ESG factors in its investment processes. Adverse incidents with respect to ESG activities could impact the value of a Fund’s brand, the cost of its operations and relationships with the Fund’s investors, all of which could adversely affect the Fund. Additionally, new regulatory initiatives related to ESG could adversely affect the Fund’s business.

### **Counterparty Risk**

To the extent that contracts for investment will be entered into between a Client and a market counterparty as principal (and not as agent), the Client is exposed to the risk that the market counterparty could, in an insolvency or similar event, be unable to meet its contractual obligations to the Client. A Client could have a limited number of potential counterparties for certain of its investments, which can significantly impair the Client’s ability to reduce its exposure to counterparty risk. In addition, difficulty reaching an agreement with any single counterparty could limit or eliminate a Client’s ability to execute such investments altogether. Because certain purchases, sales, hedging, financing arrangements and other instruments in which a Client will engage are not traded on an exchange but are instead traded between counterparties based on contractual relationships, a Client is subject to the risk that a counterparty will not perform its obligations under the related contracts. Although the Adviser intends to pursue remedies on behalf of Clients under any such contracts, there can be no assurance that a counterparty will not default and that a Client will not sustain a loss on a transaction as a result.

### **Non-U.S. Currency and Investment Risk**

Investing in securities of non-U.S. issuers involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of U.S. issuers. These considerations include changes in exchange control regulations, political and social instability, expropriation, imposition of non-U.S. taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.



Although most Client investments are expected to be U.S. dollar denominated, any investments that are denominated in a non-U.S. currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that can affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. A Client can, but is not obligated to, employ hedging techniques to minimize these risks, and there can be no assurance that any such hedging strategies, if employed, will be effective.

## **Market Disruption Risk**

Public health emergencies, epidemics or pandemics, terrorist acts, acts of war, and natural disasters or other similar events, including Russia's invasion of Ukraine and the Israel/Hamas conflict can disrupt a Client's operations, as well as the operations of the Client's portfolio investments and the Adviser. Such acts have created, and continue to create, economic and political uncertainties and have contributed to recent global economic instability.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic or pandemic diseases, or the threat thereof, could negatively impact a Client and its portfolio investments and could meaningfully affect a Client's ability to fulfill its investment objectives.

The extent of the impact of any public health emergency on a Client's and its portfolio investments' operational and financial performance will depend on many factors, including but not limited to the duration and scope of such public health emergency, the extent of any related travel advisories and voluntary or mandatory government restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and spending levels, the extent of government support and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. Any such disruptions can continue for an extended period. In addition, the operations of a Client, its portfolio investments and the Adviser could be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of the personnel of any such entity or the personnel of any such entity's key service providers. Any of the foregoing events could materially and adversely affect the Adviser's ability to source, manage and divest investments on behalf of a Client and pursue a Client's investment objective and strategies, all of which could result in significant losses to a Client. Similar consequences could arise with respect to other infectious diseases. The impact to businesses in such circumstances has been and is expected to continue to be substantial.

## **Cyber Security and Identity Theft Risk**

Cyber security incidents and cyberattacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. The information and technology systems of a Client, the Adviser and their respective service providers could be vulnerable to damage or interruption from computer viruses and other malicious code, network

failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals or service providers, power, communications or other service outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. If unauthorized parties gain access to such information and technology systems, they could steal, publish, delete or modify private and sensitive information. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in a Client's, the Adviser's and/or a portfolio investment's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to any investors and the intellectual property and trade secrets of a Client, the Adviser and/or portfolio investments. Such a failure could harm a Client's, the Adviser's and/or a portfolio investment's reputation, subject any such entity and their respective affiliates to legal claims and adverse publicity and otherwise affect their business and financial performance.

## **Hedging Risk**

Subject to applicable laws or regulations, a Client could enter into hedging transactions, which will expose it to risks associated with such transactions. Such hedging would generally utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of a Client's portfolio positions from changes in currency exchange rates and market interest rates. Use of these hedging instruments can include counter-party credit risk.

Hedging against a decline in the values of a Client's portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions can also limit the opportunity for gain if the values of the underlying portfolio positions should increase. Moreover, it is not always possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that a Client is not able to enter into a hedging transaction at an acceptable price.

The success of any hedging transactions a Client enters into will depend on the Client's ability to correctly predict movements in currencies and interest rates. Therefore, while a Client can enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates can result in poorer overall investment performance than if a Client had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged vary. Moreover, for a variety of reasons, a Client might not seek to (or be able to) establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation can prevent a Client from achieving the intended hedge and expose it to risk of loss. In addition, it is not always possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations.

## **Portfolio Company Default Risk**

A portfolio company's failure to satisfy financial or operating covenants imposed by a Client or other lenders could lead to defaults and, potentially, acceleration of the time when the loans are due and foreclosure on the portfolio company's assets representing collateral for its obligations. This could trigger cross defaults under other agreements and jeopardize the portfolio company's ability to meet its obligations under the debt that a Client holds and the value of any equity securities a Client owns. A Client can incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company.

## **Non-Diversification Risk**

Unfavorable performance by a small number of portfolio companies could adversely affect the aggregate returns realized by investors. The Adviser expects to invest in a number of portfolio companies, but such number could be insufficient to afford adequate diversification against the risk that an insufficient number of portfolio companies in which a Client invests yield a return. The Adviser expects Client operating company portfolio investments to be principally in businesses located in the United States. A Client's performance can be adversely affected by industry or region-specific factors.

## **Portfolio Company Credit Investigation Risk**

A Client's overall performance is heavily reliant upon the underwriting and investment analysis and performance of the portfolio investments. There can be no assurance that such evaluations will be complete or that the underlying due diligence will reveal all issues. Investments can fail to meet expectations projected on the basis of such evaluations due to a number of undiscovered or unanticipated factors.

## **Portfolio Company Asset Risk**

The tangible assets held by a Client's portfolio companies, which can be materially encumbered if a Client makes an investment, could be subject to the risks of investment in property in general. These risks include, among others, employee misconduct, strikes, theft, fire, terrorism, war, general or local economic conditions, acts of God (which could result in uninsured or uninsurable losses) and other factors that are beyond the control of portfolio company management, the Adviser or a Client. Should any of these events occur with respect to the assets of any portfolio company, the value of a Client's investment in such portfolio company could be adversely affected and any debt obligations secured by such assets could be accelerated if adequate insurance proceeds and/or additional collateral are unavailable.

## **Co-investment Risk**

In certain instances, a Fund may invest in portfolio companies alongside financial, strategic or other third-party co-investors, including other Clients. Investments alongside co-investors will involve additional risks that are not present in investments where a co-investor is not involved, including the possibility that a co-investor or co-investors may have interests or objectives that are inconsistent with those of the relevant Fund or may be in a position to take actions contrary to such

Fund's investment objectives or may suffer financial difficulties, including bankruptcy or otherwise default on their obligations in a manner that negatively affects the investment.

## **Conflicts of Interest**

The Adviser and its related entities engage in a broad range of advisory and non-advisory activities, including investment activities for their own account and for the account of the Clients, and providing management and other services to Clients and portfolio companies. Certain principals of the Adviser and its related entities spend a portion of their business time and attention serving as officers, investment professionals and/or board members for other investment advisory or broker-dealer firms ("Third-Party Advisers"), which are not affiliated with the Adviser or its affiliates (collectively, "Other Advisory Activities"). While the Adviser has implemented certain procedures to mitigate the risks of conflicts resulting from these arrangements, there can be no assurance that such measures will appropriately mitigate such risks. In addition, certain principals of the Adviser or its related entities have responsibilities and duties with respect to Other Advisory Activities, and such principals could, from time to time, devote substantial amounts of their time to such Other Advisory Activities. Therefore, conflicts will arise among the Clients, such Other Advisory Activities and the Adviser or its related entities with respect to the allocation of such principals' time and resources.

The Adviser will devote such time, personnel and internal resources as are necessary to conduct the business affairs of Clients in an appropriate manner, as required by the Governing Documents, although Clients and their respective investments are expected to place varying levels of demand on these over time. In the ordinary course of the Adviser conducting its activities, the interests of a Client likely will conflict with the interests of the Adviser or its related entities, one or more other Clients, portfolio companies or their respective affiliates in certain circumstances. Certain of these conflicts of interest are discussed herein. As a general matter, the Adviser will determine all matters relating to Client investments and operations using its reasonable judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the applicable Client.

Appropriate investment opportunities will be pursued by the Adviser's principals through the applicable Client, subject to certain limited exceptions set forth in the Governing Documents and the Adviser's Allocation Policy. Without limitation, the Adviser's principals expect in the future to manage several other investments similar to those in which a Client will be investing, and expect to direct certain relevant investment opportunities or resources to those investments. The Adviser's personnel reserve the right to manage their own personal investments, whether or not through a formal family office or estate planning structure, to establish trusts, endowments, charitable programs, foundations or similar arrangements, and to pay or receive compensation relating to the foregoing. The Adviser's principals and investment staff will continue to manage and monitor such investments until their realization. Such other investments that the Adviser's principals expect from time to time to control or manage generally have the potential to compete with companies acquired by a Client. The Adviser's principals reserve the right to, and likely will, focus a significant portion their investment activities on other opportunities and areas unrelated to such Client's investments. To the extent an advisory opportunity is received that is unsuitable for a Client, in the Adviser's sole discretion, the Adviser and its personnel reserve the right to refer such opportunity to third parties or to make personal investments in the relevant opportunity.

Unless restricted by the Governing Documents, the Adviser's personnel are permitted to serve on boards or act in other roles unaffiliated with the Adviser, the Funds or their portfolio companies, including boards of charitable and educational institutions, public companies and former portfolio companies, and receive compensation in connection with such services and roles.

From time to time, the Adviser will be presented with investment opportunities that would be suitable for more than one Client. In determining which investment vehicles should participate in such investment opportunities, the Adviser is subject to conflicts of interest among the investors in such investment vehicles. Except as required by the Governing Documents, the Adviser is not obligated to recommend any investment to any particular investment vehicle. Investments by more than one Client in a Portfolio Investment also have the potential to raise the risk of using assets of a Client to support positions taken by other Clients of the Adviser.

The Adviser must first determine which Client(s) will, or are required to, participate in the relevant investment opportunity. The Adviser generally assesses whether an investment opportunity is appropriate for a particular Client based on the Governing Documents, as well as factors set forth in the Adviser's Allocation Policy. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. A Client generally reserves the right to invest together with other Clients advised by the Adviser in the manner set forth in the Governing Documents and the Adviser's Allocation Policy. The Adviser will determine the allocation of investment opportunities among Clients in a manner that it believes is fair and equitable to its clients under the circumstances over time consistent with the Adviser's obligations and reserves the right to take into consideration factors such as those set forth above.

Following such determination of allocation among Clients, the Adviser will determine if the amount of an investment opportunity in which one or more Clients will invest exceeds the amount that would be appropriate for such Client(s) and the Adviser reserves the right to offer any such excess to one or more potential co-investors, including third parties, as determined by the Governing Documents, side letters and the Adviser's procedures regarding allocation. The Adviser's procedures permit it to take into consideration a variety of factors in making such determinations.

Furthermore, subject to applicable law, the Adviser or its related persons from time to time expects to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions. Co-investment opportunities could be offered to some and not to other Client investors, and the consideration of the factors set forth above likely will result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments have the potential to receive none. Certain Clients could have a greater ability to participate in co-investment opportunities than other Clients. Additionally, the Adviser reserves the right to permit vendors or service providers to co-invest alongside a Client, and to grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments or otherwise to have priority in co-investment opportunities. Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant Client, and because co-invest opportunities generally appeal to Client investors and third parties, the Adviser expects to be subject to potential conflicts of interest in determining the amount of investment opportunity

that should be allocated to the relevant Client. When and to the extent that employees and related persons of the Adviser and its affiliates make capital investments in or alongside certain Clients, the Adviser and its affiliates are subject to potentially conflicting interests in connection with these investments. There can be no assurance that any Client's return from a transaction would be equal to and not less than another Client participating in the same transaction or that it would have been as favorable as it would have been had such conflict not existed.

The Adviser's allocation of investment opportunities among the persons and in the manner discussed herein often will not result in proportional allocations among such persons, and such allocations likely will be more or less advantageous to some such persons relative to others. While the Adviser will allocate investment opportunities in a manner that it believes is fair and equitable to its clients under the circumstances over time and considering relevant factors, there can be no assurance that a Client's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made, will be as favorable as they would be if the potential conflicts of interest to which the Adviser expects to be subject, discussed herein, did not exist.

Where multiple Clients invest at the same, different or overlapping levels of a portfolio company's capital structure, there is a potential for conflicts of interest in determining the terms of each such investment. Questions can arise subsequently as to whether payment obligations and covenants should be enforced, modified or waived, or whether debt should be refinanced or restructured. In troubled situations, decisions including whether to enforce claims, or whether to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any workout or restructuring can raise conflicts of interest, particularly with respect to Clients that have invested in different securities within the same portfolio company. If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, Clients could provide such additional capital, and if provided, each Client generally will supply such additional capital in such amounts, if any, as determined by the Adviser in its sole discretion. Because of the different legal rights associated with debt and equity of the same portfolio company, the Adviser expects to face a potential conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of one Client versus another Client (*e.g.*, the terms of debt instruments, the enforcement of covenants, the terms of recapitalizations and the resolution of workouts or bankruptcies).

Potential conflicts are expected to arise when and to the extent a Client makes investments in conjunction with an investment being made by another Client, or if it were to invest in the securities of a company in which another Client has already made an investment. A Client will not always, for example, invest through the same investment vehicles, have the same access to credit or employ the same hedging or investment strategies as other Clients. This likely will result in differences in price, terms, leverage and associated costs. Further, there can be no assurance that the relevant Client and the other Client(s) or vehicle(s) with which it co-invests will exit such investment at the same time or on the same terms. The Adviser and its affiliates can, from time to time, express inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Client's investments will be the same as the returns obtained by other Clients participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both Clients. In that regard, actions taken for one or more Clients could adversely affect other Clients.

Subject to any relevant restrictions or other limitations contained in the Governing Documents, the Adviser will allocate fees and expenses in a manner that it believes is fair and equitable to its Clients under the circumstances over time and considering such factors as it deems relevant, but in any case in its sole discretion. In exercising such discretion, the Adviser expects to be faced with a variety of potential conflicts of interest.

As a general matter, Fund expenses typically will be allocated among all relevant investors. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions generally will be made by the Adviser or its affiliates using their reasonable judgment, considering such factors as they deem relevant, but in their sole discretion. The allocations of such expenses could, from time to time, be non-pro rata, and any such determinations involve inherent matters of discretion, *e.g.*, in determining whether to allocate *pro rata* based on number of Clients or proportionately in accordance with asset size, or in certain circumstances determining whether a particular expense has greater benefit to a Client or the Adviser.

Although uncommon, the Adviser reserves the right to, from time to time, cause a Client to enter into a transaction whereby the Client purchases securities from, or sells securities to, other Clients managed by the Adviser or related persons, or co-investors or co-investment vehicles. Such transactions can arise in the context of automatic or other re-balancing of an investment among parallel investing entities or in contexts where a portfolio company owned by one Client is acquired by a portfolio company acquired by another Client. Certain of such transactions raise potential conflicts of interest, including where the investment of one Client supports the value of portfolio companies owned by another Client. These conflicts are heightened to the extent the relevant securities are illiquid or do not have a readily ascertainable value, and there generally can be no assurance that the price at which such transactions are entered into represent what would ultimately be the underlying investment's fair value. To the extent required by the Governing Documents or otherwise in the sole discretion of the Adviser, the Adviser reserves the right to seek to mitigate such conflicts by seeking the opinion of an unaffiliated third-party (including the use of a consultant or investment banker to opine as to the fairness of a purchase or sale price) or by obtaining the consent of the relevant Client(s) (including, where authorized, the consent of the relevant Client(s)) to such transactions. In certain circumstances, the Adviser reserves the right to determine that the willingness of a third-party to make an investment on the same terms demonstrates the fairness of the relevant transaction to the Client under then-current market conditions. The Adviser intends that any such transactions be conducted in a manner that it believes to be fair and equitable to each Client under the circumstances, including a consideration of the potential present and future benefits with respect to each Client.

The Adviser, its affiliates and equity holders, officers, principals and employees of the Adviser and its affiliates reserve the right to buy or sell securities or other instruments that the Adviser has recommended to a Client. In addition, officers, principals and employees reserve the right to buy securities in transactions offered to but rejected by a Client. In addition, officers, principals and employees reserve the right to buy securities in transactions deemed unsuitable for a Client, but will not in such circumstances be required to share in or reimburse the relevant Client for due diligence or other expenses (including broken deal expenses) incurred by the Client in connection with the Client's consideration of the relevant investment opportunity. Any such transactions are subject to any restrictions in the Governing Documents and any related policies and procedures set forth in the Adviser's Code of Ethics. The investment policies, fee

arrangements and other circumstances of these investments generally vary from those of any Client. Employees and related persons of the Adviser are expected to have capital investments in or alongside certain Clients, or in prospective portfolio companies directly or indirectly, as well as in investment vehicles (including private funds) sponsored by potential competitors, and therefore expects to have additional potential conflicting interests in connection with these investments.

The Adviser has accepted minority investments from third parties (the “Minority Investors”). The Minority Investors’ stakes are passive and do not carry any right to participate in the day-to-day operations or investment decisions of the Adviser as they relate to the Clients. The Minority Investors have relationships with other advisers and investment vehicles that could give rise to potential conflicts, including sponsoring or investing in firms or vehicles that pursue investment strategies similar to those of a Client and ultimately compete with a Client for investment opportunities. The Minority Investors are expected to further invest in a Client and could have a minority economic interest in the general partner or manager of such Client and in such capacity will be entitled to receive a portion of the performance-based compensation and other economics of the Adviser. The existence of this minority economic interest diminishes the alignment of the Minority Investors’ interests as investors in a Client with the interests of others in a Client.

The relevant liability standards under insurance coverage procured by the Adviser are expected to vary by carrier, and such standards are expected to vary from time to time depending on, for example, coverage features or limitations then-available from the carrier at the time of insurance contract renewal. As a result, insurance coverages from time to time are expected to vary from relevant liability and/or indemnity standards in the Governing Documents. Investors generally will be responsible for insurance premiums, as set forth in the Governing Documents, regardless of whether the liability and/or indemnity standards in the Adviser’s insurance coverage are higher or lower than that set forth in the Governing Documents.

Any of these situations subjects the Adviser and/or its affiliates to potential conflicts of interest. The Adviser attempts to resolve such conflicts of interest in light of its obligations to its Clients, and attempts to allocate investment opportunities among a Client, other Clients and such investment vehicles in a manner it believes to be fair and equitable to the Clients under the circumstances over time. To the extent that an investment or relationship raises particular conflicts of interest, the Adviser will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict.

The Adviser or its affiliates have formed, advise and/or manage one or more other funds with a strategy similar to that of the Adviser’s Clients. In addition, other funds managed by the Adviser’s affiliates could have a different primary investment objective, but could, from time to time, invest in the same or similar asset classes that the Adviser’s Client targets. These investments could be made at the direction of the same individuals acting in their capacity on behalf of a Client and the managed funds. Affiliates of the Adviser could contract and/or otherwise conduct business with companies and partnerships in which a Client invests (directly or indirectly through funds) on such terms and conditions as agreed between such affiliates and entities. Specifically, one or more affiliates of the Adviser could negotiate to receive investment banking and other similar fees from funds and portfolio companies thereof.



Personnel of the Adviser or its affiliates could acquire control over, or acquire an interest in (directly or indirectly) one or more investment vehicles that are able to employ leverage in the form of bank loans. Should a Client invest into such an entity, the investment could have tax consequences for certain Client investors. A Client, with appropriate third-party valuations could also sell assets material to such an affiliated entity.

Personnel of the Adviser or its affiliates could acquire ownership and/or control over, or acquire an interest in (directly or indirectly) a FINRA member-broker dealer. Additionally, or in connection therewith, personnel or affiliates of the Adviser could become registered representatives of a broker-dealer. In such a case, such broker (and/or such persons) could provide investment banking, placement, or similar services for one or more portfolio investments. To the extent that the fees for such services are paid by the portfolio companies rather than by a Client, such fees will not reduce or otherwise offset the management fee payable by a Client to the Adviser.

Investors could have conflicting tax and other interests with respect to their investment in a Client. As a consequence, conflicts of interest can arise in connection with decisions made by the Adviser that could be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations, including with respect to the making or financing of investments.

Persons involved in the management of one or more portfolio investments could make capital commitments to a Client, either as investors or through the Adviser or its affiliates. Such capital commitments generally create conflicts for such individuals in the management of such portfolio investments.

The Adviser could have fiduciary duties to multiple holders of loans, and it is not always the case that each such holder's interest is aligned with the interests of other holders' with respect to waivers of prepayment or call protections. Those who participate in a refinancing of a loan could benefit from a waiver, while those that do not participate could prefer to receive the benefit of any prepayment premiums that would otherwise be due and other prepayment protections. Whether or not a Client would be able to participate in a refinancing depends on a variety of factors that would vary based on each Client. Where one or more Clients do not participate in a refinancing, the Adviser would face a conflict of interest between its duty to such Clients and the interests of those Clients, if any, that do participate in the refinancing, as well as, in certain cases, the interests of the Adviser and its investment funds or accounts which could benefit from such refinancing.

## **DISCIPLINARY INFORMATION**

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

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

As described under "Advisory Business" above, the Adviser sponsors the Funds. While the Adviser is not affiliated with or a related party of the Third-Party Advisers, certain of the Adviser's principals continue to serve as officers and investment professionals of such Third-Party Advisers.

The Adviser does not currently expect the investment strategies of such Third-Party Advisers to overlap with those of the Adviser.

The Adviser is affiliated with Andalusian Private Capital, LP (“APC”). APC and the Adviser have entered into an Infrastructure Sharing Agreement pursuant to which APC and the Adviser share certain infrastructure resources from time to time in connection with their respective daily operations. The Adviser pays, pursuant to the Infrastructure Sharing Agreement, expenses associated with its portion of shared premises, facilities, information technology systems, computer hardware, software and related business services. APC employees in the future could serve as officers, directors, members or principals of entities that operate in the same or a related line of business as a Client, or of investment funds, accounts or investment vehicles managed by APC or serve on a portfolio company’s board of directors or otherwise act to influence the management of a portfolio company.

The Adviser is also affiliated with Andalusian Sports Advisors, LP, a Delaware limited partnership that provides mergers and acquisition services in the sports, media and entertainment sectors. The Adviser deems itself operationally separate and independent from the Third-Party Advisers and its affiliates and has adopted policies and arrangements to promote operational separateness between itself, its affiliates and the Third-Party Advisers.

Please see “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” below for further discussions of conflicts of interest that arise in connection with the Adviser’s relationship with APC.

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

The Adviser has adopted a Code of Ethics (the “Code”), which sets forth standards of conduct that are expected of the Adviser’s principals and employees and addresses conflicts that arise from personal trading. The Code requires certain Adviser personnel to report their personal securities transactions, prohibits or requires preclearance for Adviser personnel from directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering, and prohibits Adviser personnel from directly or indirectly acquiring beneficial ownership of securities with limited exceptions, without first obtaining approval from the Adviser’s Chief Compliance Officer (“CCO”). In addition, the Code requires such personnel to comply with procedures designed to prevent the misuse of, or trading upon, material non-public information. A copy of the Code will be provided to any investor or prospective investor upon request to the CCO at 646-989-4070. Personal securities transactions by employees who manage Client accounts are required to be conducted in a manner that prioritizes the Client’s interests in Client eligible investments.

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

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

Principals and employees of the Adviser and its affiliates generally are expected to directly or indirectly own an interest in one or more Funds, including certain co-invest vehicles. To the extent that co-invest vehicles exist, such vehicles are expected to invest in one or more of the same portfolio companies as a Client. From time to time, co-invest opportunities are expected to be presented to certain affiliates of the Adviser, as well as third-party investors and other persons, and such co-investments could be effected through co-invest vehicles, directly in a particular Portfolio Investment or through an intermediate entity in a Portfolio Investment's structure. Such co-investment opportunities generally will be allocated in the manner described under "Methods of Analysis, Investment Strategies and Risk of Loss."

The Adviser and its affiliates, principals and employees expect, from time to time, to carry on investment activities for their own account, for personal or employee investment vehicles and, potentially, for family members, friends or others who do not invest in a Fund, as well as give advice and recommend securities to vehicles that could differ from advice given to, or securities recommended or bought for, any Client, even though their investment objectives could be the same or similar. The Governing Documents and investment programs of certain Clients could restrict, limit or prohibit, in whole or subject to certain procedural requirements, investments of certain other vehicles in issuers held by such Clients or give priority with respect to investments to such Clients. Some of these restrictions could be waived by Clients (or their representatives) in or be subject to limitations (*e.g.*, by time or percentage of capital deployed).

## **BROKERAGE PRACTICES**

The Adviser has a duty to execute transactions for each Client in the best interests of the Client and, accordingly, will seek to obtain best execution of Client portfolio transactions.

Since Clients acquire and dispose of many of their investments in privately negotiated transactions, many of the transactions that Clients engage in do not require the use of brokers or the payment of brokerage commissions. Subject to the terms of our Client's Governing Documents, the Adviser is primarily responsible for selecting brokers and dealers to execute transactions with respect to the publicly traded securities portion of Clients' portfolio transactions and the allocation of brokerage commissions.

The Adviser does not execute transactions through any particular broker or dealer but seeks to obtain the best net results under the circumstances, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. The Adviser generally seeks reasonably competitive trade execution costs but does

not necessarily seek the lowest spread or commission available. Subject to applicable legal requirements, the Adviser can select a broker based on brokerage or research services provided to the Adviser and Clients. In return for such services, Clients could pay a higher commission than other brokers would charge if the Adviser determines in good faith that such commission is reasonable in relation to the services provided.

If more than one Client purchases or sells the same security, such orders will generally be aggregated in a single transaction unless the Adviser determines that aggregation is not the best interests of the relevant Client or Clients.

## **REVIEW OF ACCOUNTS**

The Adviser provides continuous advisory services for Clients. Primary review of the portfolios is conducted by portfolio managers. The CCO periodically checks to confirm that each Client is maintained in accordance with its stated objectives.

Investors receive reports as described in the Client's Governing Documents. In addition, the Adviser can provide any, some or all of the investors with a commentary on each month's or quarter's performance in monthly or quarterly letters. Generally, investors in Clients are provided with audited financial statements in compliance with the requirements of applicable law.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

The Adviser has entered into placement and/or referral agent agreements with various registered broker-dealers or their affiliates whereby the Adviser has agreed to pay stipulated fees for such firms' marketing of interests in Andalusian Credit Company, LLC, a BDC advised by the Adviser, or any related co-investment vehicles or separate accounts to qualified investors.

## **CUSTODY**

The Adviser maintains custody of Client funds and securities with one or more qualified custodians in accordance with the requirements of applicable law.

## **INVESTMENT DISCRETION**

The Adviser has discretionary authority to manage investments on behalf of each Fund. As a general policy, the Adviser does not allow Fund clients to place limitations on this authority. A Client's Governing Documents describe in more detail any limits on the types of securities, issuers or industries in the Client's portfolio or the types of investment techniques that can be used in managing the Client's portfolio.

## **VOTING CLIENT SECURITIES**

The Adviser has adopted the proxy voting policies and procedures (the "Proxy Policy") to address how it will vote proxies, as applicable, for the Funds' portfolio investments. The Proxy Policy seeks to ensure that the Adviser votes proxies (or similar instruments) in the best interest of the Clients, including where there are material conflicts of interest in voting proxies. The Adviser generally believes its interests are aligned with those of each Client, and therefore will not

seek investor approval or direction when voting proxies. In the event that there is or could be a conflict of interest in voting proxies, the Proxy Policy provides that the Adviser can address the conflict using several alternatives or through other alternatives set forth in the Proxy Policy. Clients or investors that would like a copy of the Adviser's complete Proxy Policy or information regarding how the Adviser voted proxies for particular portfolio companies can contact the Adviser's CCO at 646-989-4070, and it will be provided at no charge.

While Clients are not expected to hold significant investments in portfolio companies that solicit traditional proxies, the Adviser could be called on to provide (or withhold) consent to proposed modifications to loan terms and covenants. The Adviser's authority to act in these circumstances will be conferred or limited by the Client's Governing Documents. The Adviser faces conflicts of interest in making a consent decision as to a loan where the Adviser or its affiliates has a business relationship with the obligor or another party with an interest in the outcome of a consent request. Conflicts also arise in the event a senior executive or other person connected with the obligor or another party with an interest in the outcome of a consent request has a significant relationship with the Adviser or its affiliates.

## **FINANCIAL INFORMATION**

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