

ALCENTRA NY, LLC

200 Park Avenue, 7th Floor
New York, NY 10166

Form ADV Part 2 (as of March 30, 2012)

This brochure provides information about the qualifications and business practices of Alcentra NY, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 922-8240 or visit us at www.alcentra.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Alcentra NY, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. Summary of Material Changes

The following is a summary of our material changes made since our last annual update on March 31, 2011.

Item 9 has been updated in order to disclose recent civil and administrative complaints against The Bank of New York Mellon Corporation concerning its standing instruction foreign exchange services.

Alcentra NY, LLC no longer serves as an adviser only to private funds. Alcentra NY, LLC now serves as sub-adviser for a separately managed account client. Please see items 4 and 6, among others, for more information.

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Item 4. Advisory Business

Alcentra NY, LLC (the "Firm" or "We" or "Us") is a limited liability company organized under the laws of the State of Delaware.

- We focus on the sub-investment grade debt capital markets. Our employees are primarily organized into two teams: U.S. Leveraged Loan (i.e. broadly syndicated leverage loans) and North American Mezzanine Capital (i.e. private mezzanine capital instruments). *See Item 8 below.*
- Our clients are typically private funds whose investors include a variety of institutions as well as high net worth individuals. These funds include collateralized loan obligation ("CLOs"), other private loan funds and mezzanine debt funds. *(See Item 7 below.)* Each private fund has an investment objective and a set of investment policies and/or guidelines that we must follow. For this reason, we cannot tailor the investment advisory services we provide to pooled investment vehicles to meet individual investor needs. In addition, we cannot impose individual investment restrictions on our investment strategies for underlying investors in the private funds.
- The Firm also provides advice to private funds and a separately managed account through subadvisory agreements with our affiliate Alcentra Limited and receives advice and various back office services from Alcentra Limited through a separate service agreement. *See Item 10 below.*
- We manage approximately \$3.9 billion as of December 31, 2011, all on a discretionary basis.

The Firm, formerly Alcentra, Inc., has been providing investment advisory services since March 2002. In 2008 and 2009, we acquired the rights to manage private funds from BNY Mellon Capital Markets, LLC and Cooperatieve Centrale Raiffeisen-Boerenleen Bank B.A., NY Branch, respectively. Currently, The Bank of New York Mellon Corporation ("BNY Mellon") owns approximately 95% of our parent holding company, BNY Mellon Alcentra Group Holdings, Inc. ("Group Holdings"). Alcentra Limited and Alcentra NY are subsidiaries of Group Holdings.

Item 5. Fees and Compensation

We are compensated for our advisory services by earning management fees and in most instances some form of performance fees from our clients. We will generally describe our management fees below. *Please see Item 6 for a discussion of our performance fees.* Investors in our private funds should refer to the applicable fund's offering materials for a complete description of our fees.

Generally, our fees are dependent on the strategy that your account follows.

Private Fund Fees – U.S. Leveraged Loan Strategy:

We serve as collateral manager for certain cashflow CLOs and earn management fees which are determined mainly by the assets under management of each CLO and are based on the initial capitalization of the CLOs. The management fees consist of senior management fees and subordinated management fees. The senior management fee has a higher priority in a CLO payment waterfall whereas the subordinated management fee generally ranks below principal and interest payments to senior note holders in the payment waterfall. Also, for us to earn our subordinated management fee, over-collateralization and interest coverage tests must be passing on the relevant determination date for all senior CLO note holders. The sum of the senior and subordinated management fees we earn from advising cash flow CLOs generally ranges from 35 to 60 basis points annually and are paid quarterly in arrears. Please consult the offering materials of each CLO for further details.

For the synthetic collateralized debt obligation ("CDO") for which we serve as portfolio manager, management fees are determined mainly by the outstanding principal amount of each tranche. Each tranche has a management fee ranging from 15 to 40 basis points annually, paid quarterly in arrears. Please consult the offering materials of the CDO for further details.

We also manage a market value leveraged loan private fund. Our management fee is equal to 50 basis points annually of the fund's net asset value, payable quarterly in arrears.

Private Fund Fees – North American Mezzanine Capital Strategy:

The North American Mezzanine Capital team does business as BNY Mellon-Alcentra Mezzanine Partners ("BNYMP"). BNYMP organizes and advises private mezzanine debt funds. We generally earn annualized management fees of between 125 to 200 basis points based on aggregate commitments of capital made by limited partners of such funds during the funds' investment periods and thereafter on funded commitments with respect to investments that have not been disposed of, subject to other limitations as provided in the funds' offering materials. Management fees are paid in advance on a quarterly basis. Should our management services be terminated prior to the actual provision of services for the upcoming period, we will return management fees pro-rata from the date of our termination to the end of the period to which the advance fee covered. Other non-management fees may be assessed, either at the fund or portfolio company level, which include without limitation monitoring fees, transaction fees, break-up fees and directors. The funds' offering materials describe the funds' fee structure and use of such fees. Please consult these materials for further fee details.

General Fee Information

In addition to the fees outlined above, each of the private funds we manage may also be subject to additional charges such as custody, brokerage and other transaction costs, administrative and other expenses. Fees are not generally negotiable, though they may be

waived or deferred at the discretion of the private fund in accordance with the fund's offering materials. Such waivers and deferrals will cause some clients or groups of clients to pay fees that are different from the basic fee schedules disclosed in fund offering materials. Please see the applicable private fund's offering materials for further information regarding fees.

Further, most of the private funds charge performance fees. *Please see Item 6 below for more information on our fund performance fees. Please see Item 12 of this brochure for more information on brokerage.* The Firm may invest the private funds in pooled investment vehicles (e.g. our U.S. Leveraged Loan and Global Special Situations strategies can invest in CLO notes) that they themselves bear advisory fees and operational expenses such as transfer agent, distribution, shareholder servicing, networking and recordkeeping fees. The private funds will indirectly bear these fees and expenses as an investor in such pooled investment vehicles and, as a result, the private fund will bear higher expenses than if it invested directly in the securities held by the pooled investment vehicle.

We do not charge or receive compensation in connection with the sale of investment products. However, certain of our employees or employees of our affiliates can accept compensation (also referred to as "commissions") for the sale of securities, private funds or other investment products that we manage. Currently we have no plans for our employees or supervised persons to accept compensation for the sale of private funds that we manage. Accepting commissions for the sale of such investment products gives rise to a conflict of interest in that it may give our employees an incentive to recommend investment products based on the compensation they will receive, rather than solely on a client's needs.

Item 6. Performance-Based Fees and Side-by-Side Management

Advisers are subject to certain fiduciary standards under federal law and owe clients an affirmative duty of utmost good faith to act solely in the best interests of the client and to make full and fair disclosure of all material facts, particularly where the adviser's interests may conflict with the client's best interest. In this section, we describe our performance based fee arrangements and our side-by-side management activities and the inherent conflicts in such arrangements.

We have entered into performance-based fee arrangements with most of our clients, in addition to the fees described in Section 5 above. In general, our performance fee is based on the portfolio's gross return in excess of a specified benchmark during a designated period of time. However, variations exist depending on, among other things, the strategy followed.

Typically, the CLOs we manage may pay a performance fee if specified internal rates of return are achieved. These amounts, if earned, are paid quarterly in arrears.

Investors in the private funds managed by our North American Mezzanine Capital team pay us a share of the profits of the funds' investments, called "carried interest", typically up to 20 percent. The remaining 80 percent of the funds' profits is paid to the funds' investors. Under this strategy a hurdle rate or preferred return, typically 8 percent, must be achieved before we can receive any carried interest payments. Depending on the specific fund, the performance fees are paid throughout the life of the fund or beginning when the fund's investment period has ended, typically five plus years from the date of initial investment. For more detailed information on how performance fees are calculated for our funds under this strategy please refer to the offering documents of such funds.

"Side-by-side management" refers to our simultaneous management of multiple types of client accounts/investment products. For example, we manage different types of pooled investment vehicles for clients at the same time. Our clients have a variety of investment objectives, policies, strategies, limitations and restrictions. Our affiliates likewise manage a variety of separate accounts and pooled investment vehicles.

Side-by-side management gives rise to a variety of potential and actual conflicts of interest for us, our employees and our supervised persons. Below we discuss the conflicts that we and our employees and supervised persons face when engaging in side-by-side management and how we deal with them.

Note that we manage our accounts consistent with applicable law, and we follow procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged. For example, we have Trade Allocation Policies and Procedures which are designed and implemented to ensure that all clients are treated fairly and equally, and to prevent these conflicts from influencing the allocation of investment opportunities among clients. *Please see Item 12 for an explanation of our Trade Allocation Policies and Procedures.*

Conflicts of Interest Relating to Performance Based Fees When Engaging in Side-by-Side Management

We manage accounts that are charged a performance-based fee and other accounts that are charged a different type of fee, such as a flat asset-based fee. We may have a financial incentive to favor accounts with performance-based fees because we (and our employees and supervised persons) may have an opportunity to earn greater fees on such accounts as compared to client accounts without performance-based fees. Thus, we may have an incentive

to direct our best investment ideas to client accounts that pay performance-based fees, and to allocate, aggregate or sequence trades in favor of such accounts. We also may have an incentive to give accounts with performance-based fees better execution and better brokerage commissions. *Please see also Item 12.*

Conflicts of Interest Relating to Accounts with Different Strategies

We and our affiliates manage numerous accounts with a variety of strategies, which may present conflicts of interest. For example, a long/short position in two client accounts simultaneously can result in a loss to one client based on a decision to take a gain in the other. Taking concurrent conflicting positions in certain derivative instruments can likewise cause a loss to one client and a gain to another. *Please see also Item 12.*

Conflicts of Interest Relating to the Management of Multiple Client Accounts

We and our affiliates perform investment advisory services for various clients. We may give advice and take action in the performance of our duties with respect to any of our other clients which may differ from the advice given, or the timing or nature of action taken, with respect to another client. We have no obligation to purchase or sell for a client any security or other property which we purchase or sell for our own account or for the account of any other client, if it is undesirable or impractical to take such action. We may give advice or take action in the performance of our duties with respect to any of our clients which may differ from the advice given, or the timing or nature of action taken by our affiliates on behalf of their clients.

Conflicts of Interest Relating to Investment in Affiliated Accounts

To the extent permissible under applicable law, we may decide to invest some or all of our temporary investments in money market accounts or funds advised or managed by a BNY Mellon affiliate. In addition, we may invest client accounts in affiliated pooled vehicles. We have an incentive to allocate investments to these types of affiliated accounts in order to generate additional fees for us or our affiliates. *Please see also Item 12.*

Conflicts of Interest Relating to "Proprietary Funds"

We, our affiliates, and our existing and future employees may from time to time manage and/or invest in products managed by the Firm ("Proprietary Funds"). Fees or incentive allocations on such investments as well as minimum investment amounts may be reduced or waived altogether in these instances. Furthermore, we or our affiliates or employees have a managerial interest in various Proprietary Funds as a general or managing partner or have an otherwise financial interest, including but not limited to the receipt of management and/or certain performance based fees. The interests of the Firm, our affiliates and employees may be, at times, significant in such Proprietary Funds. Investment by the Firm, our affiliates, or our employees in Proprietary Funds may create conflicts of interest. We may have an incentive to favor these Proprietary Funds by, for example, directing our best investment ideas to these funds or allocating, aggregating or sequencing trades in favor of such funds, to the disadvantage of other funds. We also may have an incentive to dedicate more time and attention to our Proprietary Funds and to give them better execution and brokerage commissions than our other client accounts. *Please see also Item 12.*

Other Conflicts of Interest

As noted previously, we and our affiliates manage numerous accounts with a variety of interests. This necessarily creates potential conflicts of interest for us. For example, we or an

affiliate may cause multiple accounts to invest in the same investment. Such accounts may have conflicting interests and objectives in connection with such investment, including differing views on the operations or activities of the portfolio company, the targeted returns for the transaction and the timeframe for and method of exiting the investment. Conflicts may also arise in cases where multiple Firm and/or affiliate client accounts are invested in different parts of an issuer's capital structure. For example, one of our funds could acquire debt obligations of a company while an affiliate's account acquires an equity investment. In negotiating the terms and conditions of any such investments, we may find that the interests of the debt-holding client accounts and the equity holding client accounts may conflict. If that issuer encounters financial problems, decisions over the terms of the workout could raise conflicts of interest (including, for example, conflicts over proposed waivers and amendments to debt covenants). For example, debt holding accounts may be better served by a liquidation of an issuer in which it could be paid in full, while equity holding accounts might prefer a reorganization of the issuer that would have the potential to retain value for the equity holders. As another example, holders of an issuer's senior securities may be able to act to direct cash flows away from junior security holders, and both the junior and senior securities may be held in client accounts. Any of the foregoing conflicts of interest will be discussed and resolved on a case-by-case basis by a committee of the Firm's senior managers. Any such discussions will factor in the interests of the relevant parties and applicable laws. *Please see also Item 12.*

Item 7. Types of Clients

Type of Clients: We primarily offer investment advisory services to private funds, namely , other private loan funds, and private mezzanine debt funds. Each private fund has an investment objective and a set of investment policies and/or guidelines that we must follow. For this reason, we cannot tailor the investment advisory services we provide to our funds to meet individual investor needs. In addition, we cannot impose individual investment restrictions on our investment strategies for underlying investors in the private funds.

We also offer non-discretionary investment advice to our affiliate Alcentra Limited for the benefit of a private fund and a managed account that it manages. Alcentra Limited is headquartered in the United Kingdom and is authorized and regulated by the Financial Services Authority. Alcentra Limited is also currently seeking registration with the Securities and Exchange Commission in the United States. Alcentra Limited has expertise in the European credit market and manages a number of investment vehicles utilizing investment strategies similar to those utilized by Alcentra NY, but generally focusing on Europe rather than the U.S.

Account Requirements: Each private fund is required to execute a written agreement with us, granting us authority to manage its assets and setting out minimum and ongoing investment requirements. All such terms are subject to negotiation. Investors in private funds we manage are also subject to minimum and ongoing investment requirements as determined by such funds. Investors in funds following our North American Mezzanine Capital strategy are typically required to make a minimum capital commitment ranging from between \$2,500,000 to \$5,000,000 though commitments of lesser amounts are accepted at the sole discretion of the funds' general partners. Please refer to the offering documents of such private funds for more specific information.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

We are credit investors and we invest primarily, on behalf of our clients, in the sub-investment grade credit markets. Our objective is to deliver strong, risk-adjusted returns together with capital preservation. Generally, we seek to meet this objective through intensive fundamental research and credit analysis, combined with active portfolio management to minimize "credit" losses. However, our methods of analysis do vary depending on the type of client and the investment strategy selected.

Each client account typically follows one of the following strategies:

- U.S. Leveraged Loan Strategy
- North American Mezzanine Capital Strategy
- European Mezzanine Debt Strategy
- Global Special Situations Strategy

U.S. Leveraged Loan Strategy

This strategy primarily invests in leveraged loans originated in the United States. Leveraged loans are corporate bank loans of below investment grade issuers bearing floating interest rates typically based off the London Interbank Offering rate ("LIBOR"), a widely used floating rate index. These loans are generally senior secured obligations, which are at or near the top of an issuer's capital structure. Given the secured nature and floating rate structure of leveraged loans, price volatility and correlation with other asset categories have generally remained low. The leveraged loan market provides opportunities consistent with our overall objective of earning favorable risk-adjusted returns while focusing on capital preservation. Because loans to creditworthy issuers provide limited opportunity for capital gains (these loans generally are purchased at or near par), success in the leveraged loan market requires an avoidance of credit problems and defaults. Accordingly, in order to manage these assets effectively, we employ people with credit analysis and asset selection experience.

Our U.S. Leveraged Loan team ("LLT") seeks to generate attractive risk adjusted returns by investing in senior secured loans in mostly large, below investment-grade corporate debt issuers. LLT may look to enhance returns through selective investments in senior secured and unsecured bonds that offer appealing relative value opportunities. LLT focuses on investment opportunities in larger capitalization companies typically with annual earnings before interest, taxes, depreciation, and amortization ("EBITDA") of \$50 million and greater, with the greater proportion of investments in companies with EBITDA greater than \$100 million.

Our team's investments are made primarily through securitized asset funds, such as cash flow CLOs and a synthetic CDO. We also manage a private loan fund that is unlevered. CLOs and CDOs are private funds structured as securitizations where payments from a large and diversified group of investments, such as corporate loans, are aggregated and paid out to the various tranches of investors that have provided the debt and equity capital to pay for the purchase of the pool of assets.

LLT's methods of analysis can be divided into three areas: credit analysis, portfolio management and vehicle management. Credit analysis is performed on the individual investments that comprise a portfolio. Investment evaluation is approached from both a top down industry analysis that includes a review of the current economic outlook, observed default trends in the industry and performance drivers specific to that business and a bottom up review of the operating performance, and risk metrics of each company. The credit analysis process incorporates an analyst's review and screen of the financial fundamentals followed by a quantitative analysis of corporate earnings, cash flow, leverage and more. A qualitative

evaluation of product lines, competitive position, management quality and customer base will lead to a presentation to and review by LLT's Credit Committee. Generally the Credit Committee will assess the relative risks and returns and either reject the investment, ask for additional evaluative analysis and information or approve the credit. Typically following an investment, LLT will monitor company and investment performance via discussions and conference calls with management, industry specialists and buy and sell side traders and analysts. LLT conducts quarterly performance reviews ("QPR") covering recent performance, changes in outlook and projections, price movements and relative values and changes in risk metrics. The reviews and conclusions drawn from the QPRs are incorporated into LLT's portfolio and vehicle management strategies.

Portfolio management is undertaken by the portfolio management team in concert with the investment analysts. Portfolio management entails the creation of a portfolio of individual investments in loans or other assets that aggregate into a total that seeks to match the return objectives and risk characteristic of a particular fund. The senior secured nature of many of the loans and investments managed by LLT means that individual default risk and/or the individual loss from a default are lower relative to equities, subordinated bonds or other investments in the markets. Generally, this lower risk is balanced by lower return or spread on the assets. In the par loans that make up much of the investment portfolios, purchase prices are at or near par and the company issuing the loan can often pay off the loan at par at its discretion. Thus, loan prices tend to have an upward limit on price appreciation as the value of a particular loan increases since the issuer can simply choose to call the existing loan at par and issue a new loan at lower spreads or less attractive terms. Therefore, our management objective is to create a portfolio of solid, performing loans that generate stable cash interest payments quarter after quarter. Since there is limited opportunity for capital appreciation in par loans, emphasis must be placed on risk mitigation. Here, LLT's portfolio management team uses diversification in industry (including the avoidance of certain perceived at-risk industries), size, location and absolute number to help to reduce the impact of any single event. In the CLOs, the number of individual issuers in a portfolio can be in excess of 200.

Vehicle management is a third critical element in LLT's investment management. Each client account has its own risk parameters and return objectives. In CLOs and CDOs, additional constraints related to spread, industry diversification, price, average ratings, maturity limits, geographic location and a multitude of other tests and limits requires precision in investment buys and sells. Portfolio managers, along with the analyst team and the operations team, work to monitor the tests and constraints in advance of trade allocations with a view to optimizing the risk adjusted returns for the vehicles. This can often lead to different investment decisions for the same assets among our funds.

Cash remitted into some client accounts due to pay downs or sales of loans are invested in BNY Mellon overnight deposit products, including affiliated money market funds.

North American Mezzanine Capital Strategy

This strategy invests in mezzanine capital. Mezzanine capital is subordinated debt or preferred equity instruments that represent a claim on a company's assets which is senior only to that of the common shares. Mezzanine financings can be structured either as debt (typically an unsecured and subordinated note) or preferred stock.

The North American Mezzanine Capital team does business as BNY Mellon-Alcentra Mezzanine Partners ("BNYMP"). Our team's investments are made through private mezzanine debt funds. BNYMP seeks to capitalize on investment opportunities to provide senior debt, subordinated debt and equity for middle market companies in North America. BNYMP seeks opportunities to

invest in a portfolio of mezzanine capital, and will augment its mezzanine strategy through investments in senior secured and unsecured debt, and minority equity investments, primarily in the form of warrants or preferred and common stock. BNYMP focuses on investment opportunities in middle market companies, which are defined as companies generating less than \$50 million of EBITDA. Within this framework, BNYMP generally focuses on middle market companies with EBITDA between \$7 million to \$40 million. BNYMP then actively seeks to identify investment opportunities to deploy the funds' capital over a 5 year investment period and calls the capital from investors as needed. BNYMP sources investment opportunities from a variety of different investment sources, including private equity sponsors, fundless sponsors, family offices, management teams, financial institutions, investment bankers, accounting firms and law firms.

BNYMP's investment process starts with the sourcing of a potential transaction. Upon receiving information on a potential transaction, the information is reviewed by the investment professionals. Upon determination that a potential transaction has investment merit, BNYMP will meet with the target's agent, which is typically either the management team, investment bank, or private equity sponsor. A preliminary analysis is prepared which typically includes a situation overview, company overview, key investment considerations, investment risks, information on the management team, financial data, a financial model and investment return information. A term sheet will be prepared and if acceptable, BNYMP will proceed to conduct extensive due diligence. A fund's Investment Committee approval is required prior to issuing a commitment letter.

For each investment opportunity, BNYMP conducts in-house analytics, which can include analysis of market and operational dynamics as well as historical and projected financial information. Additionally, background checks on company management teams are completed prior to an investment. Finally, in reviewing anticipated investments, members of BNYMP may conduct visits to the target's headquarters and potentially auxiliary sites (e.g. factories, distribution centers, international locations). At any point the investment professionals could deem that the potential investment no longer has merit and due diligence ceases.

BNYMP performs an ongoing portfolio monitoring function on portfolio companies following an investment. The monitoring process can include discussions with company management, attendance at operating and board of director meetings and interactions with industry experts, third party sources of market information and third-party consultants. BNYMP works with the management and other investors of each investment to assist the development and refinement of the company's strategic plan. Additionally, BNYMP typically receives and analyzes periodic financial data and operating metrics. Lastly, BNYMP performs other portfolio analyses and monitors current and future liquidity needs and covenant compliance.

European Mezzanine Debt Strategy

We have entered into a sub-advisory agreement with our affiliate, Alcentra Limited, pursuant to which Alcentra Limited provides advice on the European Mezzanine Debt Strategy. European mezzanine loans are a hybrid floating-rate loan product filling the funding gap between senior secured debt and equity. They typically share collateral with senior secured lenders, albeit in a junior position. Yield is achieved by a combination of cash-pay coupon, rolled-up interest ('Payment-In-Kind' and usually referred to as PIK) and there may also be equity warrants, to achieve a total return. This strategy also invests in PIK loans outright and co-invests in equity securities depending on Alcentra Limited's view of the transaction and overall returns. Since mezzanine is a higher risk product than senior secured loans, Alcentra Limited adopts a more conservative approach when assessing potential investments and the hit-rate of investments made versus opportunities analyzed is significantly lower for mezzanine than for senior secured

loans. Each transaction will involve the same detailed due diligence undertaken for new senior loans, although final investment selection will require Alcentra Limited placing greater focus on the equity story and exit strategy of the financial sponsor as this will greatly impact Alcentra Limited's final internal rate of return on the investment.

Global Special Situations Strategy

We have entered into a sub-advisory agreement with our affiliate, Alcentra Limited, pursuant to which we provide non-discretionary advisory and research services regarding the Global Special Situations Strategy. In addition to senior secured debt and mezzanine debt, the Global Special Situations Strategy can also invest in high yield bonds. High-yield bonds are issued by organizations that do not qualify for "investment-grade" ratings. These assets are generally unsecured, rank behind the senior debt and are issued with a fixed rate coupon. High yield bonds provide a high rate of current income and the potential for capital appreciation if the capital structure is delevered through good business execution and debt is upgraded by rating agencies. The investment team actively monitors positions and employs disciplined trading. The investment team's trading strategies are executed by Alcentra Limited.

Risk of Loss

Each investment strategy we offer invests in a variety of securities and other investments and employs a number of investment techniques that involve certain risks. Investing in these instruments involves risk of loss that you should be prepared to bear.

The table below and section that follows sets forth information concerning the material risks involved with each strategy. However there are also different risks depending on the type of client account we manage (i.e. our CLO investors have different risks than our private mezzanine debt fund investors). Those risks are also discussed in the table below but chief among those risks are leverage and diversification risk.

CLOs have third parties invested from the senior most tranche funding the CLO capital structure (typically rated AAA at its launch) through to the equity, and these make up the liability side of a CLO balance sheet (whereas the loans in which a CLO is invested make up the asset side of the balance sheet). The senior tranches have priority in payouts but the returns by design are lower than the average aggregate returns on the loans that CLOs hold as assets. This provides the leverage and therefore the return arbitrage needed to generate more attractive and higher returns to the subordinated debt and equity tranches of the capital structure. In CLOs, the leverage adds a measure of risk to returns as both gains and losses are magnified. Diversification reduces the risk and impact of any individual credit default or any specific industry facing problems.

Unleveraged funds do not rely on leverage to generate additional return. As in all funds invested in assets with lower absolute returns, loss avoidance is important, but because there is a lack of leverage, losses and gains on individual investments do not have a magnified impact on the fund. Risk and return is more balanced in an unleveraged fund and will therefore tend towards fewer, more selective investments, but diversification remains important.

Table of Risks

An "X" in the table indicates that the strategy involves the corresponding risk. An empty box indicates that the strategy does not involve the corresponding risk in a material way.

However, an empty box does not guarantee that the strategy will not be subject to the corresponding risk.

The risks set forth below represent a general summary of the material risks involved in the investment strategies we offer. Following the table we provide a description of each of these risks. In addition, investors in our private funds must also read the “Risk Factors” section in the offering documents for a more detailed discussion of the risks involved in such funds. **In the case of a conflict between these risks and those in the offering documents, the offering documents will control.**

Risk Type	US Leveraged Loan Strategy	North American Mezzanine Capital Strategy	European Mezzanine Debt Strategy*	Global Special Situations Strategy*
General Risk	X	X	X	X
Bank Loans and Participations Risk	X			
Call Risk	X	X	X	X
Corporate and Other Debt Obligations	X	X	X	X
Country/Sector Allocation Risk	X		X	X
Credit Risk	X	X	X	X
Health Care Sector Risk		X		
High-Yield Bond Risk	X			X
Interest Rate Risk	X	X	X	X
Issuer Risk	X	X	X	X
Lender Liability Considerations/ Equitable Subordination	X	X		X
Leverage Risk	X	X	X	X
Liquidity Risk	X	X	X	X
Market Risk	X	X	X	X
Micro-Cap Company Risk		X		
Midsize Company Risk		X	X	
Non-Diversification Risk		X	X	
Preferred Stock Risk		X	X	
Warrants and Rights Risks		X	X	X

* day-to-day management of this strategy is performed by our affiliate Alcentra Limited.

- *General Risks.* Investing in securities involves risk of loss that you should be prepared to bear. We do not guarantee or represent that our investment program will be successful. Our past results are not necessarily indicative of our future performance and our investment results may vary over time. We cannot assure you that our investments of your money will be profitable, and in fact, you could incur substantial losses. Your investments with us are not a bank deposit and are not insured or guaranteed by the FDIC or any other government agency.
- *Bank Loans and Participations.* Bank loans and derivatives of bank loans and participations are subject to unique risks, including (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws, (ii) so-called lender liability claims by the issuer of the obligations, (iii) environmental liabilities that may arise with respect to collateral securing the obligations and (iv) limitations on the ability of the strategy to directly enforce its rights with respect to participations. In analyzing each bank loan assignment or swap, we must compare the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by the investors.
- *Call Risk.* Some bonds / mezzanine debt instruments (collectively "bonds") give the issuer the option to call, or redeem, the bonds before their maturity date. If an issuer "calls" its bond during a time of declining interest rates, the strategy might have to reinvest the proceeds in an investment offering a lower yield, and therefore might not benefit from any increase in value as a result of declining interest rates. During periods of market illiquidity or rising interest rates, prices of "callable" issues are subject to increased price fluctuation.
- *Corporate and Other Debt Obligations.* Corporate and other debt obligations, including commercial paper, are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations.
- *Country and Sector Allocation Risk.* While the portfolio managers use the country and sector weightings of the strategy's benchmark index as a guide in structuring the strategy's portfolio, they may overweight or underweight certain countries or sectors relative to the index. This may cause the strategy's performance to be more or less sensitive to developments affecting those countries or sectors.
- *Credit Risk.* Failure of an issuer to make timely interest or principal payments, or a decline or perception of a decline in the credit quality of a bond can cause a bond's price to fall. See also "High yield bond risk."
- *High-Yield Bond Risk.* The strategy may invest to a limited extent in high yield bonds. High yield ("junk") bonds involve greater credit risk, including the risk of default, than investment grade bonds, and are considered predominantly speculative with respect to the issuer's ability to make principal and interest payments. The prices of high-yield bonds can fall dramatically in response to bad news about the issuer or its industry, or the economy in general.
- *Interest Rate Risk.* Prices of debt securities, and particularly fixed rate debt securities, tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect the prices of these securities and, accordingly, the value of your investment. The longer the effective maturity and duration of the strategy's portfolio, the more the value of your investment is likely to react to interest rates.
- *Issuer Risk.* The value of a security or investment may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's products or services.

- *Lender Liability Considerations/Equitable Subordination.* In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, including equitable subordination (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that the institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower. Funds that we manage, as a creditor, may be subject to allegations of lender liability. Furthermore, funds may be unable to control the conduct of the other lenders under a loan syndication agreement requiring less than a unanimous vote, yet funds may be subject to lender liability for such conduct.
- *Leverage Risk.* The companies in which client accounts will invest expect to employ considerable leverage, a significant portion of which may be at floating interest rates. The leveraged capital structure of the companies will increase the sensitivity of client accounts' investments to any deterioration in a company's revenues, condition or industry, competitive pressures, an adverse economic environment or rising interest rates. In the event any such company cannot generate adequate cash flow to meet debt service, client accounts may suffer a partial or total loss of capital invested in the company, which could adversely affect client account returns.
- *Liquidity Risk.* When there is little or no active trading market for specific types of securities or other instruments, it can become more difficult to sell the securities or other instruments at or near their perceived value. In such a market, the value of such securities or other instruments and the value of your investment may fall dramatically, even during periods of declining interest rates. Liquidity risk also exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.
- *Market Risk.* The market value of a security or investment may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. The market value of a security or investment may also decline because of factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.
- *Micro-Cap Company Risk.* Micro-Cap stocks may offer greater opportunity for capital appreciation than the stocks of larger and more established companies; however, they also involve substantially greater risks of loss and price fluctuations. Micro-Cap companies carry additional risks because their earnings and revenues tend to be less predictable (and some companies may be experiencing significant losses), and their share prices tend to be more volatile and their markets less liquid than companies with larger market capitalizations. Micro-Cap companies may be newly formed or in the early stages of development, with limited product lines, markets or financial resources, and may lack management depth. In addition, there may be less public information available about these companies. The shares of micro-cap companies tend to trade less frequently than those of larger, more established companies, which can adversely affect the pricing of these securities and the Firm's ability to sell these securities. Also, it may take a long time before the value of your investment realizes a gain, if any, on an investment in a micro-cap company.
- *Midsized Company Risk.* Midsized companies carry additional risks because the operating histories of these companies tend to be more limited, their earnings and revenues less

predictable (and some companies may be experiencing significant losses), and their share prices more volatile than those of larger, more established companies.

- *Non-Diversification Risk.* The strategy is non-diversified, which means that the strategy may invest a relatively high percentage of its assets in a limited number of issuers. Therefore, the strategy's performance may be more vulnerable to changes in the market value of a single issuer or group of issuers and more susceptible to risks associated with a single economic, political or regulatory occurrence than a diversified strategy.
- *Preferred Stock Risk.* Preferred stock is a class of a capital stock that typically pays dividends at a specified rate. Preferred stock is generally senior to common stock, but subordinate to debt securities, with respect to the payment of dividends and on liquidation of the issuer.
- *Warrants and Rights Risk.* Warrants and rights may become worthless if the price of the stock does not rise above the exercise price by the expiration date. This increases the market risks of warrants as compared to the underlying security.

Item 9. Disciplinary Information**Amended Response as of November 1, 2011**

Alcentra NY, LLC is not a defendant in any of the complaints or actions described in the following paragraph.

Several State Attorney General's Offices, the U.S. Attorney's Office for the Southern District of New York, and certain individual plaintiffs have filed civil complaints against BNY Mellon, the parent company of Alcentra NY, LLC. Certain of these complaints supersede complaints that had been filed by a purported whistleblower under state false claims act statutes. In addition, the Massachusetts Securities Division has filed an administrative complaint against BNY Mellon. These actions allege that BNY Mellon improperly charged and reported prices for standing instruction foreign exchange ("FX") transactions executed in connection with custody services provided by BNY Mellon. BNY Mellon believes that the claims asserted in the actions are without merit, and reflect a fundamental misunderstanding of the role of custodian banks and the operation of institutional FX markets. BNY Mellon plans to defend itself vigorously on behalf of its shareholders.

Item 10. Other Financial Industry Activities and AffiliationsAlcentra Limited

Alcentra Limited and Alcentra NY are affiliates and subsidiaries of Group Holdings. The Firm provides non-discretionary investment advisory services to Alcentra Limited in connection with a private fund and a managed account following the Global Special Situations Strategy. Alcentra Limited provides us with various non-discretionary investment advisory and back office services pursuant to a separate service agreement.

BNY Mellon

The Firm is indirectly controlled by BNY Mellon as a result of the merger between The Bank of New York Company, Inc. (Alcentra NY's former ultimate parent company) and Mellon Financial Corporation. The Firm is directly owned by Group Holdings, which is over 95% owned by BNY Mellon.

BNY Mellon is a global financial services company providing a comprehensive array of financial services (including asset management, wealth management, asset servicing, clearing and execution services, issuer services and treasury services) through a world-wide client focused team that enables institutions and individuals to manage and service their financial assets. BNY Mellon Asset Management is the umbrella designation for BNY Mellon's affiliated investment management firms and global distribution companies and is responsible, through various subsidiaries, for U.S. and non-U.S. retail, intermediary and institutional distribution of investment management and related services.

We may enter into transactions with unaffiliated counterparties or third-party service providers who then use affiliates of the Firm to execute such transactions. These services may include, for example, clearance of trades, foreign exchange or other services not contemplated by us. Although one of our affiliates may receive compensation for engaging in these transactions, the decision to use or not use an affiliate of ours is made by the unaffiliated counterparty or third-party service provider. Further, we will likely be unaware that the affiliate is being used to enter into such transaction.

We note that BNY Mellon and/or one of its affiliates serve as trustee and/or custodian to one or more of our clients. BNY Mellon receives compensation for engaging in these services.

BNY Mellon and/or its other affiliates may gather data from us about our investment activities, including information about holdings within client portfolios, which is required for regulatory filings or for other compliance, legal or risk management purposes, pursuant to policies and procedures of BNY Mellon or other affiliates. This data is deemed confidential and solely collected for the purposes intended.

BNY Mellon Referral Incentive Compensation Plan

BNY Mellon has adopted an incentive compensation program ("Program") designed to reward internal referrals of business and opportunities, and:

- 1) Help clients understand and gain access to the full range of products and services offered by BNY Mellon and its subsidiaries; and
- 2) Expand and develop client relationships.

The Program promotes BNY Mellon's corporate values of Client Focus, Trust, Teamwork and Outperformance by encouraging the cross-selling of BNY Mellon's broad array of services and products throughout the organization to better meet a current or prospective client's full range of needs for financial products and services, and to expand customer relationships. The Program seeks to financially reward (via bonus or referral fee) eligible employees who offer a business lead that results in a sale of certain affiliated products or services to existing clients and prospects. These bonuses and referral fees may be paid to us and our employees for referring business (services or products) to our affiliates, and our affiliates and their employees may receive bonuses and referral fees for referring business to us. The bonuses and referral fees may be based on the number of referrals made and/or the revenue generated by the referral. Certain types of regulated entities, employees and referrals may be ineligible for the Program or subject to restrictions under applicable law or internal procedures governing the earning of such rewards. These referral fees and bonuses may create conflicts of interest for us and our employees because we have an incentive to encourage our clients to engage in transactions with our affiliates, based on the compensation that we will receive for these referrals, rather than our clients' needs.

Affiliated Placement Agents

We have affiliated "placement agents," including MBSC Securities Corporation, BNY Mellon Asset Management Canada Limited, and BNY Mellon Asset Management International Limited, who can solicit persons to invest in various private funds, including our private funds. Certain private funds have entered into agreements with these placement agents to pay them commissions or fees for such solicitations should such sales activity occur. We or our affiliates are solely responsible for the payment of these commissions and fees - they will not be borne by the private funds and their investors. We or our affiliates will pay these commissions and fees out of our profits, and these payments will not increase the fees paid by the private funds' investors. These financial incentives may cause the placement agents and their employees and/or salespersons to steer investors toward those private funds that will generate higher commissions and fees. *Please see Item 14 for more information on the compensation arrangements related to client referrals.*

Our sales and client service employees are registered representatives of our affiliate, MBSC Securities Corporation, a registered broker-dealer under the Securities Exchange Act of 1934, as amended, and a member of FINRA. In their capacity as registered representatives of MBSC, these employees sell and provide services regarding funds managed by us. There is a financial arrangement in place between us and MBSC.

Affiliated Service Providers

In addition, to the extent permitted by law, placement agents and their respective affiliates may provide brokerage and certain other financial and securities services to us, our affiliates or related private funds. Such services, if any, will be provided at competitive rates. BNY Mellon is also affiliated with service providers, distributors and consultants that may provide services and may receive fees from BNY Mellon in connection with such services, which may incentivize such persons to distribute interests in a private fund or other BNY Mellon products.

Other Relationships

In addition, BNY Mellon personnel, including certain of our employees, may have board, advisory, or other relationships with issuers, distributors, consultants and others that may have investments in a private fund and/or related funds or that may recommend investments in a private fund or distribute interests in a private fund. To the extent permitted by applicable law,

BNY Mellon and its affiliates, including us and our personnel, may make charitable contributions to institutions, including those that have relationships with investors or personnel of investors. As a result of the relationships and arrangements described in this paragraph, placement agents, consultants, distributors and other parties may have conflicts associated with their promotion of a private fund, or other dealings with a private fund, that create incentives for them to promote a private fund.

Affiliated Broker-Dealers and Investment Advisers

Through our relationship with BNY Mellon we are affiliated with a significant number of advisers and broker/dealers. Please see Form ADV, Part 1 - Schedule D, Section 7.A for a list of our affiliated advisers and broker-dealers. While the Firm typically does not execute transactions through affiliated broker-dealers, where we select the broker to effect purchases or sales of securities for client accounts, we may use either an affiliated or unaffiliated broker (unless otherwise restricted by an agreement, law or regulation). We may have an incentive to enter into transactions with an affiliated broker-dealer, in an effort to direct more commission dollars to its affiliate.

We have broker selection policies in place that require our selection of a broker-dealer to be consistent with our duties of best execution, and subject to any client and regulatory proscriptions. *Please see Item 12 for more information on our broker selection process.*

We may be prohibited or limited from effecting transactions for client accounts because of rules in the marketplace, foreign laws or our own policies and procedures. In certain cases, we may face further limitations because of aggregation issues due to our relationship with affiliated investment management firms. *Please also refer to Item 12 for a discussion of trade aggregation matters.*

Affiliated Underwriters

Our broker-dealer affiliates occasionally act as underwriter or as a member of the underwriting syndicate for certain new issue securities, which may create an incentive for us to purchase these new issue securities, in an effort to provide additional fees to the broker-dealer affiliate. Currently we don't expect BNY Mellon and/or its broker-dealer affiliates to underwrite or participate as a member of the underwriting syndicate for leveraged loans or other debt instruments, such as high-yield bonds, in which the private funds we manage invest.

BNY Mellon has established a policy regarding purchases of securities in an offering in which an affiliate acts as an underwriter or as a member of the underwriting syndicate. In compliance with applicable banking, securities and ERISA regulations, we may purchase on behalf of our clients securities in an offering in which an affiliate is acting as an underwriter or as a member of the underwriting syndicate during the syndication period, so long as requirements of the policy, including written approval and compliance with certain investment criteria are met. The policy prohibits direct purchases from an affiliate for any fiduciary account under any circumstances.

Affiliated Private Funds and Sponsors

As discussed in Items 4-8 above, we act as investment adviser to various private funds, including certain private mezzanine debt funds. Related persons, owned in part by our management persons but ultimately controlled by BNY Mellon, sponsor and/or act as the general partner of such private mezzanine debt funds. Please see Form ADV, Part 1 - Schedule D, Section 7.B for a list of our affiliated private funds and sponsors. Our management persons'

relationship to these funds, the affiliated general partner and other affiliates as well as the related conflicts of interest are disclosed to underlying investors before they invest. For example, the general partner receives performance-based compensation (i.e. carried interest) from the private mezzanine debt funds, which may create an incentive for our management persons to recommend investments that are riskier than might otherwise be the case.

Also, such management persons may have conflicts of interest in allocating their time and service among such funds, the Firm and certain other BNY Mellon entities. Please see the applicable fund's offering materials for further information regarding such conflicts.

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

We have adopted a Code of Ethics that is made up of three parts:

- 1) BNY Mellon Code of Conduct and Interpretive Guidance (the “BNY Mellon Code”);
- 2) BNY Mellon Personal Securities Trading Policy (the “PSTP”); and
- 3) A supplement to the PSTP (see below).

The BNY Mellon Code provides to employees the framework and sets the expectations for business conduct. In addition, it clarifies our responsibilities to clients, suppliers, government officials, competitors and the communities we serve and outlines important legal and ethical issues:

- 1) Conflicts of Interest: gifts, entertainment and other payments; personal conflicts of interest; fiduciary appointments and bequests; outside affiliations, outside employment and certain outside compensation issues; and disclosure of relationships and transactions;
- 2) Proper Use and Care of Information and Proper Recordkeeping: proprietary information and intellectual property; data integrity and corporate information; use of e-mail and internet; accurate accounting and internal controls; use of non-public or “inside” information; talking to the media; and document retention;
- 3) Dealing with Customers, Prospects, Suppliers, and Competitors: business relationships with customers, prospects, suppliers, and competitors; business decisions; exploitation of relationships and use of the company’s name, letterhead or facilities; knowing your customer; and recognizing and reporting illegal, suspicious, or unusual activities;
- 4) Doing Business With the Government: complying with government contracts, government contracting laws and regulations; integrity in the sales and marketing process; truthful, accurate statements and recordkeeping; safeguarding government information and property; cooperating with government audits and investigations; and meeting employment and labor obligations;
- 5) Personal Finances: personal investments; personal brokerage accounts; political campaign contributions; contributions to not-for-profit entities; and individual employees’ regulatory requirements; and
- 6) Compliance with the Law: among other matters illegal or criminal activities; investigations; and protection of company assets.

The PSTP is designed to reinforce our reputation for integrity by avoiding even the appearance of impropriety and to ensure compliance with applicable laws in the conduct of our business. The PSTP sets forth procedures and limitations that govern the personal securities transactions of our employees in accounts held in their own names as well as accounts in which they have indirect ownership.

The PSTP imposes different requirements and limitations on employees based on the nature of their business activities for the Firm. Each of our employees is classified as one of the following:

- 1) Investment Employee ("IE"): IEs are employees who, as part of their responsibilities, have access to nonpublic information regarding any advisory client's purchase or sale of securities or nonpublic information regarding the portfolio holdings of any Proprietary Account, or are involved in making securities recommendations to advisory clients or have access to such recommendations before they are public.
- 2) Access Decision Maker ("ADM"): ADMs (generally portfolio managers and research analysts who make recommendations or decisions regarding the purchase or sale of equity, convertible debt and non-investment grade debt securities for mutual funds and other managed accounts) are subject to the most extensive procedures under the PSTP.
- 3) Other Employee ("OE"): Our employees are considered OEs if they are not an IE or ADM.

PSTP Overview:

- 1) IEs and ADMs are subject to preclearance and personal securities reporting requirements, with respect to discretionary accounts in which they have direct or indirect ownership;
- 2) Transaction reporting is not required for non-discretionary accounts, transactions in exempt securities or certain other transactions that are not deemed to present any potential conflicts of interest;
- 3) Preclearance is not required for transactions involving certain exempt securities (such as open-end investment company securities that are not Proprietary Funds or money market funds and short-term instruments); non-financial commodities; transactions in non-discretionary accounts (approved accounts over which the employee has no direct or indirect influence or control over the investment decision-making process); transactions done pursuant to automatic investment plans; and certain other transactions detailed in the PSTP which are either involuntary or deemed not to present any potential conflict of interest;
- 4) We maintain a "restricted list" of companies whose securities are subject to trading restrictions. This list is used to determine whether or not to grant trading authorization. See Section entitled "Material Non-Public Information and Limitations in Securities Transactions" in this Item 11.
- 5) The acquisition of any securities in a private placement requires prior written approvals;
- 6) With respect to transactions involving The Bank of New York Mellon Corporation ("BNYMC") securities, all employees are also prohibited from engaging in short sales, purchases on margin, option transactions (other than employee option plans), and short-term trading (*i.e.*, purchasing and selling or selling and purchasing BNYMC securities within any 60 calendar day period);
- 7) With respect to non-BNYMC securities, purchasing and selling, or selling and purchasing the same or equivalent security within 60 calendar days is discouraged, and any profits must be disgorged; and
- 8) No covered employee should knowingly participate in or facilitate late trading, market timing or any other activity with respect to any fund in violation of applicable law or the provisions of such fund's disclosure documents.

We have adopted policies supplementing the PSTP, including precluding the Firm's access persons from purchasing any class of security of any issuer in which the Firm holds for client accounts or is under consideration by the Firm within the next seven days.

A copy of our Code of Ethics will be provided upon request.

Material Non-Public Information and Limitations in Securities Transactions

When providing advisory services focused on sub-investment grade debt, including senior secured, mezzanine and second lien loans, the Firm and Alcentra Limited regularly receive information about debt issuers that is not made available to the general public. Certain of this private information may be considered material non-public-information (MNPI). We have implemented policies to prevent the misuse of MNPI. Under no circumstances may our personnel trade public securities on MNPI for their own reportable accounts or those of a fund.

Generally, disclosure of such information is subject to internal limitations to prevent the flow of confidential information between ourselves and our affiliates, except as noted below.

We have put in place a joint policy to address the manner in which we and Alcentra Limited handle private information, including MNPI. The policy creates a joint restricted list based on the receipt of private information each firm gets from issuers they follow. Neither we nor Alcentra Limited can transact in the public securities of issuers that appear on the joint restricted list.

In the instances where our investment strategies contemplate the purchase and sale of publicly traded securities and the issuer of the relevant securities appear on the joint restricted list, we will be prohibited from purchasing/selling such securities. Therefore we may be restricted from purchasing or selling certain public securities on behalf of client accounts which might negatively affect investment performance.

Valuations

A conflict of interest may arise in the Firm overseeing the valuation of its investments if the Firm charges fees based upon its valuations. We require, to the extent possible, pricing from an independent third party pricing vendor. If vendor pricing is unavailable, we then look to other observable inputs for the valuations. In the event that a vendor price or other observable inputs are unavailable or deemed unreliable, the Firm has established a Pricing Committee to make a reasonable determination of an investment's fair value. We may alter our valuation procedures due to, including without limitation, market events and illiquidity over a sustained period or unreliability of pricing source.

Interest in Client Transactions

Note that while each of the following types of transactions present conflicts of interest for us, as described below, we manage our accounts consistent with applicable law, and we follow procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged.

Principal Transactions – "Principal transactions" are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys any security from or sells any security to any client. A principal transaction may also be

deemed to have occurred if a security is crossed between an affiliated pooled investment vehicle and another client account. We generally do not engage in principal transactions. However, subject to the consent requirements under the Investment Advisers Act of 1940, as amended (the "Advisers Act") and as permitted under applicable law, the Firm will consider engaging in principal transactions.

Cross Transactions – While the Firm does not currently engage in cross transactions, we may direct one private fund to sell securities or instruments to another private fund or an affiliated fund through a cross-transaction in which neither we nor an affiliated person receives compensation. Since the Firm has an incentive to effect cross transactions between funds in order to position profitable trades into higher paying and/or performance fee funds, any such transaction is effected consistent with the funds' offering materials and our Cross Trading and Best Execution Policies. We generally only effect cross trades in securities or other instruments for which market quotations are readily available though, on occasion, we may effect cross trades in securities or other instruments for which a market quotation is not readily available. In these cases, trades are effected at a price which we have a reasonable basis for believing is fair and equitable to both the buyer and seller, typically the average of the mid of the bid/ask spread obtained from two brokers. In instances where a broker quote is not available, the Firm's Valuation Committee determines the price. Transaction costs are typically split pro-rata between the participating funds. The Firm considers a variety of factors when determining the appropriateness of a cross transaction which include, but are not limited to, applicable legal rules and regulations, whether the trade is advantageous to both parties, investment objectives and strategies, applicable investment restrictions, appetite for the security, and cash availability.

Other Potential Interests in Client Transactions:

Generally as a whole the private funds following the U.S. Leveraged Loan strategy, North American Mezzanine Capital strategy and European Mezzanine Debt strategy do not invest in the same portfolio companies. While it is uncommon for funds following the U.S. Leveraged Loan strategy and the clients following the Global Special Situations strategy to invest in the same investments due to different investment strategies, common investments may arise from time to time, though rarely. Common investments do arise in connection with the fund following the European Mezzanine Debt strategy and the clients following the Global Special Situations strategy. Other bank affiliates generally do not make the same investments as us. When we or an affiliate currently holds for our own benefit the same securities as a client, we could be viewed as having a potential conflict of interest. For example, we or our affiliate could be seen as harming the performance of the client's account for our own benefit if we short-sell the securities in our own account while holding the same securities long in the client account, causing the market value of the securities to move lower. If our portfolio managers make inconsistent trading decisions, the basis for those decisions must be documented.

We or our affiliates may recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that we or one of our affiliates buys or sells the same securities for our (or the affiliate's) own account. This practice may give rise to a variety of potential conflicts of interest, particularly with respect to aggregating, allocating and sequencing securities being purchased on both our (or its affiliate's) behalf and our clients' behalf. For example, we could have an incentive to cause a client or clients to participate in an offering because we desire to participate in the offering on our own behalf, and would otherwise be unable to meet the minimum purchase requirements. Likewise, we could have an incentive to cause our clients to participate in an offering to increase our overall allocation of securities in

that offering, or to increase our ability to participate in future offerings by the same underwriter or issuer. On the other hand, we could have an incentive to cause our clients to minimize their participation in an offering that has limited availability so that we do not have to share a proportionately greater amount of the offering to the client. Allocations of aggregated trades might likewise raise a potential conflict of interest as we may have an incentive to allocate securities that are expected to increase in value to our self. *See Item 12 for a discussion of our brokerage and allocations practices and policies.* Further, a potential conflict of interest could be viewed as arising if a transaction in our own account closely precedes a transaction in related securities in a client account, such as when a subsequent purchase by a client account increases the value of securities that were previously purchased for our self. Our compliance personnel review periodic transaction reports and holdings reports on our accounts to evaluate the nature of sequenced transactions and to assess potential harm caused by trades in our account to client accounts.

Interest in Affiliated Accounts

To the extent permissible under applicable law, we may decide to invest some or all of our temporary investments in money market accounts advised or managed by a BNY Mellon affiliate. For example, cash remitted into some client accounts due to pay downs or sales of loans may be invested in BNY Mellon overnight deposit products, including affiliated money market funds. We have an incentive to allocate investments to these types of affiliated accounts in order to generate additional fees for us or our affiliates.

Item 12. Brokerage Practices

Typically we seek to execute portfolio transactions in a manner designed to obtain the best overall qualitative execution for the clients under the prevailing circumstances. The funds' offering materials and/or our advisory agreements generally grant the Firm discretion and authority to select broker-dealers and to negotiate spreads and other costs. We typically effect transactions with broker-dealers acting as principals at prices which include markups or markdowns. In addition, the administrative agent of a loan/debt instrument can typically charge an assignment fee for a particular loan.

We have no duty or obligation to seek in advance competitive bidding for the most favorable spreads or transaction costs applicable to any particular fund transaction but will endeavor to be aware of the current level of transaction costs and will seek to minimize the expenses incurred for effecting fund transactions when possible.

On occasion we may execute transactions directly with an issuer without transacting through a broker-dealer/agent bank if it is determined that doing so is in the best interest of the client.

The U.S. Leveraged Loan team has the authority to direct transactions in securities and other investments on behalf of our clients to brokers-dealers we select. In doing so, we seek best execution of such transactions. When seeking best execution, we consider the overall costs and proceeds of particular investments, including the price of the security, broker-dealer mark-ups or mark-downs and related transaction costs. Transactions will not always be executed at the lowest available price or transaction cost, but will be within a generally competitive range. Additionally, transactions which involve specialized services on the part of the broker-dealer usually entail higher transaction costs than would be the case with other transactions requiring more routine services or other brokers-dealers that may not offer such products or services.

Considerations include a broker-dealer's specific expertise and/or agent bank status with respect to a particular investment, access to underwritten offerings, execution capabilities including such factors as responsiveness to the Firm and back office settlement capabilities, the ability to generate credit investment ideas and the broker-dealer's financial stability. We often direct transactions to full service broker-dealers that provide research reports, generally on an unsolicited basis. Such broker-dealers may pay for certain ancillary items (i.e. meals) for our investment professionals while attending seminars and other opportunities for education and fostering of business relationships. While we recognize that such activities can create potential conflicts of interest, we seek to minimize these conflicts by, for example, not permitting broker-dealers to pay for our travel and lodging expenses. The Brokerage Committee meets periodically to evaluate the execution capabilities of broker-dealers and maintain efforts to seek best execution of client transactions. The Committee also assesses the types of research or other services that are provided (whether solicited or unsolicited) to determine if they are appropriate under the circumstances and if the provision of such research or services appears to have had any effect on the execution quality for client accounts.

The North American Mezzanine Capital team does not use broker-dealers because their investments in portfolio companies are conducted through private offerings whereby the funds' ownership is recorded on the books of the issuer.

The brokerage practices of the European Mezzanine Debt team are determined by Alcentra Limited in consultation with us. The fund following the European Mezzanine Debt strategy is past its capital commitment period and is in the process of harvesting its investments. Most of the time the disposal of portfolio company positions is effected through private transactions and not through broker-dealers/agent banks due to the nature of the transaction (i.e. pay-downs,

pay-offs and/or refinancing by portfolio companies of their outstanding debts). However in the few instances when the fund uses a broker-dealer/agent bank to effect the liquidation of its holdings in portfolio companies, best execution is the primary consideration in placing portfolio transactions with a particular broker-dealer. The team considers the price of the instrument, broker-dealer mark-ups or mark-downs and related transaction costs. Other considerations include a broker-dealer's specific expertise and/or agent bank status with respect to a particular security, access to underwritten offerings, execution capabilities including such factors as responsiveness to the Firm and back office settlement capabilities, the ability to generate credit investment ideas and the broker-dealer's financial stability.

The brokerage practices of the Global Special Situations team are determined by Alcentra Limited in consultation with us. While we have been given authority to place orders for trades at the direction of Alcentra Limited, generally we do not place orders for trades and do not expect to do so in the future.

Soft Dollars

Currently, we do not enter into any soft dollar arrangements.

Trade Aggregation

We manage numerous clients with similar or identical investment objectives. Additionally, we manage clients with different objectives that trade in the same investments. Despite such similarities, investment decisions relating to the clients' investments are made independent of each other in light of differing conditions and we will not necessarily purchase or sell securities at the same time or in the same proportionate amounts for all eligible clients. Therefore, not all clients will necessarily participate in the same investment opportunity or participate on the same basis and the performance resulting from such decisions will differ from client to client. However, if the same investment decision is made for two or more clients within or across investment strategies, we will seek to aggregate such transactions for the same security into a single "bunched" order to obtain best execution and/or price for participating clients. Each fund which participates in an aggregated order generally receives an average price with all transaction costs shared on a pro-rata basis.

Trade Allocation

Clients following the U.S. Leveraged Loan strategy invest in many of the same loans. The U.S. Leveraged Loan team seeks to allocate investment opportunities among the clients on a fair and equitable basis over time, taking into consideration each client's investment restrictions and various other factors as noted below. When allocating investment opportunities the Firm is precluded from favoring any client or set of clients under this strategy over another, considering different fee structures as an incentive in allocating investment opportunities to a client or clients that have the potential to pay a larger fee, or recommending or causing a client to enter into transactions for the purpose of benefiting the direct or indirect securities holdings of the Firm or its affiliates or employees. When allocating investment opportunities, the U.S. Leveraged Loan team first seeks to ascertain the amount of the asset available while keeping in mind each client's overall investment objective and cash availability. The Firm uses its best judgment as determined by the Firm's portfolio managers in conjunction with the Global Chief Investment Officer, in allocating investments among the clients. The Firm considers a wide range of factors in determining allocations of investments among clients, including, but not limited to, each client's available cash, investment objectives, limitations outlined in each client's offering materials and governing instruments, and certain position considerations such as concentration limitations and round lots. In addition, we give special consideration to new

CLOs and other clients in the ramping stage, CLOs nearing an upcoming determination date or the end of a reinvestment period, avoiding an event of default, or bringing a client into compliance with Indenture or other restrictions. Allocations among clients following the U.S. Leveraged Loan strategy are periodically reviewed and monitored on an ongoing basis by the Allocation Committee.

Currently, clients following the North American Mezzanine Capital strategy are not competing for investment opportunities as only one client under this strategy is in its investment period.

The trade allocation policies of the European Mezzanine Debt strategy and the Global Special Situations strategy are determined by Alcentra Limited in consultation with us. Currently, the client following the European Mezzanine Debt strategy is past its capital commitment period and will not be allocated any new investments, other than possible follow-on investments from its current roster of portfolio company holdings. In instances where a single investment opportunity fits within the investment objective of a client following the Global Special Situations strategy and other clients managed by us and/or Alcentra Limited, the portfolio managers for the relevant clients, in conjunction with Alcentra's Global Chief Investment Officer, will allocate the investment opportunity among the clients on a basis that they reasonably determine in good faith to be fair and equitable taking into account the relevant facts and circumstances. Such determination will be maintained in writing by the portfolio managers of the relevant clients.

Co-Investments

During the investment period, private funds following the North American Mezzanine Capital strategy may offer co-investment opportunities to fund investors. Co-investments are a direct investment by an investor alongside a fund's investment in a target portfolio company. Co-investments increase an investor's exposure to a fund portfolio company. We may, but are not obliged to invite fund investors to co-invest along with the funds in investment opportunities offered to the funds. Any invitation to co-invest is at our complete discretion. For more information about co-investments, please refer to offering materials of the private funds under this strategy.

Compensation for Client Referrals

We do not direct securities transactions to any broker-dealer in exchange for referral of investment management clients.

Directed Brokerage

We do not currently accept direction from a client to place trades for a client's account with a particular broker-dealer.

Affiliated Brokerage

We generally do not execute securities transactions through affiliated broker-dealers.

Item 13. Review of Accounts**U.S. Leveraged Loan Strategy**

Each fund's investments are frequently reviewed by the assigned portfolio manager and/or investment team on the U.S. Leveraged Loan team. In addition, the investment team and the portfolio administration team typically meet weekly to review relevant data in order to assess each CLO's compliance with terms established by the indentures. Supplementary in-depth reviews by the portfolio managers may be triggered by market or economic factors, severe deterioration in credit performance, collateral value, cash flow or rating. Trustees or administrators for the CLOs prepare monthly written reports for the Firm and the investors in the vehicles. Reports are posted to the Alcentra NY password protected website. We typically prepare a monthly written commentary on overall market conditions for fund investors under this strategy.

North American Mezzanine Capital Strategy

The North American Mezzanine Capital team conducts due diligence on proposed investments and compiles information supporting its analysis for consideration by a fund's Investment Committee. The Investment Committee is responsible for approving all investments as well as on-going monitoring based on the information provided by the investment team. Monitoring of investments is done on a regular basis. Supplementary in-depth reviews by the investment team may be triggered by market or economic factors, severe deterioration in credit performance, collateral value or cash flow. Annual audited financial statements, as well as unaudited quarterly reports are provided to the funds' investors. The quarterly reports include a summary of fund investments made during the related quarterly period and a statement of each fund investor's consolidated capital accounts at the beginning and end of such quarterly period.

European Mezzanine Debt Strategy and Global Special Situations Strategy

The Firm or Alcentra Limited, as the case may be, receives and reviews monthly reports and participates in quarterly portfolio reviews for the relevant credits in the European Mezzanine Debt and Global Special Situations strategies. Supplementary in-depth reviews may be triggered by market or economic factors, severe deterioration in credit performance, collateral value, cash flow or rating. Annual audited financial statements are provided to all fund investors. In addition, unaudited reports are provided on a quarterly basis.

Item 14. Client Referrals and Other Compensation

Unaffiliated Solicitors and Placement Agents. We may hire third parties to solicit new investment advisory clients. The commissions or fees, if any, payable to such solicitors (also referred to as placement agents) with respect to solicitation of investments with the Firm will be paid solely by the Firm. Clients will not pay fees for these solicitations. These solicitors have an incentive for the client to hire us because we will pay the solicitor for the referral. The prospect of receiving solicitation/placement fees may provide such placement agents and/or their salespersons with an incentive to favor these sales over the sale of interests of other investments with respect to which the placement agent does not receive such compensation, or receives lower levels of compensation. In addition, to the extent permitted by law, certain placement agents and their respective affiliates may provide brokerage and certain other financial and securities services to the Firm or our affiliates. Such services, if any, will be provided at competitive rates.

Affiliated Solicitors and Placement Agents. We may pay referral fees to our affiliates (and/or their employees) for referrals that result in additional investment management business. *Please see the discussion of affiliated placement agents in Item 10, above.*

Our ultimate parent, BNY Mellon, has organized its lines of business into two groups: Investment Management and Investment Services (collectively "Groups"). As a member of BNY Mellon Asset Management, we are part of the Investment Management Group. A sales force has been created to focus on developing new customer relationships and developing and coordinating large complex existing customer relationships within those Groups.

In certain circumstances, Asset Management sales representatives are paid fees for sales. The fees may be based on revenues and may be a one-time payment or paid out over a number of years. In addition, our sales representatives and sales representatives of our affiliates within the Investment Management Group are paid for intra-Group referrals to Group counterparts. Those fees are based on the first year's revenue for the Group counterpart.

Sales of any alternative investment products (such as private funds) may be made through a broker-dealer affiliate. Only registered representatives of such broker-dealer receive compensation for sales of alternative investments.

We may pay a fee to an affiliate (or directly to employees of the affiliate) that has a pre-existing relationship with a new client in the Investment Services Group. The fees may be based on revenues and may provide for a one-time payment or payments over a number of years.

We and our affiliates also participate in the BNY Mellon Incentive Compensation Plan, which presents certain conflicts of interest, all as described in Item 10, above.

Item 15. Custody

Rule 206(4)-2 under the Advisers Act (the "Custody Rule") defines "custody" to include a situation in which an adviser or a related person holds, directly or indirectly, client funds or securities or has any authority to obtain possession of them, in connection with advisory services provided by the adviser.

For purposes of the Custody Rule, we are deemed to have "custody" of certain client assets because client funds or securities are held by The Bank of New York Mellon Trust Company, N.A. ("BNYMTC") and/or related persons of the Firm serve as general partners / managing members / trustees (or similar capacities) of our private funds.

Generally, an adviser that is deemed to have custody of a client's funds or securities, among other things, is required to arrange for an annual independent verification of such funds or securities in accordance with the Custody Rule (the "Surprise Exam Requirement"). However, the Custody Rule contains the following exceptions from the Surprise Exam Requirement:

1. Related Person & Operational Independence: advisers deemed to have custody of client assets solely because a related person holds client assets will not be subject to the Surprise Exam Requirement, provided the adviser and the related person are "operationally independent." We will rely on this exemption to avoid a surprise audit for certain clients. We have determined that our operations are independent from those of BNYMTC.
2. Pooled Investment Vehicles: advisers deemed to have custody of the assets of clients formed as pooled investment vehicles will not be subject to the Surprise Exam Requirement, provided the pool has audited financial statements that are prepared in accordance with generally accepted accounting principles and such statements are distributed to investors in the pool within 120 days (or 180 days for funds of funds) at the end of the fiscal year. We will rely on this exemption to avoid a surprise audit for certain clients.

Item 16. Investment Discretion

We typically accept discretionary investment authority over client assets. Clients grant this discretionary authority to us in writing via a contract, typically through an appointment to become the investment adviser of a private fund. Such discretion is to be exercised in a manner consistent with the stated investment objectives and guidelines for the particular client account.

Clients must deliver their investment guidelines and restrictions to us in writing, and we will adhere to such guidelines and restrictions when making investment decisions. We have also entered into subadvisory agreements with Alcentra Limited where we provide investment advice but are not responsible for day-to-day investment management decisions.

Item 17. Voting Client Securities

While the private funds that we manage have delegated proxy voting decisions to the Firm, we generally will not be called upon to vote because of the nature of the funds' investment strategies. However, in certain rare situations when we are called upon to vote, we will decide on a case-by-case basis how each proxy should be voted in the best interests of the funds. This generally means voting proxies with a view toward enhancing the economic value of the investment. In the case of social and political responsibility issues that, in our opinion, do not primarily involve financial considerations, it is our objective to support shareholder proposals that we believe promote good corporate citizenship while enhancing long-term shareholder value.

The Firm has implemented policies and procedures designed to ensure voting decisions are based on the best economic interest of the clients. In summary, the procedures require completion of a conflicts questionnaire to identify possible relationships with the parties involved in the proxy that may not be readily apparent. Based on the responses, we will determine whether we believe a material conflict of interest is present. If a material conflict is found, we will recuse the individual involved from the voting process. If a tie exists for any vote, we will seek the recommendation of an independent third party or resolve the conflict in such other manner as we believe is appropriate, including by making our own determination that a particular vote is, notwithstanding the conflict, in the best interest of the funds.

A copy of our Proxy Voting Policy, as well as information regarding the voting of securities, is available upon request by contacting the Firm's Chief Compliance Officer at the address designated on Page 1 of this Form ADV Part 2.

Legal Proceedings

It is the Firm's policy that we typically do not advise, initiate or take any other action on behalf of clients relating to securities held in the client's account managed by the Firm in any legal proceeding (including, without limitation, class actions, class action settlements and bankruptcies). The Firm typically does not file proofs of claims relating to securities held in the client's account and typically does not notify the client or the client's custodian of class action settlements or bankruptcies relating in any way to such account. Typically, custodians submit filings in connection with class action settlements and may also handle bankruptcy filings. Each client should consult with its custodian and other service providers to ensure such coverage.

Item 18. Financial Information

In certain circumstances, registered investment advisers are required to provide you with financial information or disclosures about their financial condition in this Item. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients and have never been the subject of a bankruptcy proceeding.